SUMMARY STATEMENT

ITEM NO.  SUBJ ECT:  Active Employees/Under 65 Retiree Health Benefits 2009 (PATCO)

COMMITTEE:  New Business

COMMITTEE DATE:  N/A

BOARD DATE:  September 17, 2008

PROPOSAL:  Staff seeks authorization to accept the premium quoted by AmeriHealth, our current healthcare carrier for active benefit-eligible PATCO employees, retirees who are under the age of 65 and their respective eligible dependents.

PURPOSE:  To continue to provide a quality healthcare benefits package for active benefit-eligible PATCO employees, under the age of 65 retirees, and their respective eligible dependents, including appropriate cost-sharing among plan participants.

BACKGROUND:  PATCO historically has provided a comprehensive benefits package to its benefit-eligible employees, under the age of 65 retirees, and their respective eligible dependents. Traditionally, the healthcare package for active benefit-eligible employees has included medical, prescription drug, dental and vision coverage.

The healthcare package for benefit-eligible under age 65 retirees, and their respective eligible dependents has included medical and prescription coverage.

Health benefits costs comprise a substantial portion of PATCO’s annual operating budget. Over the past several years, the cost to provide medical and prescription drug coverage has steadily escalated. In 2009, the DRPA and PATCO will spend approximately $8,612,670.23 to provide medical and prescription drug coverage for its benefit-eligible employees, under age 65 retirees, and their respective eligible dependents.

Benefits provided to IUOE and Teamsters employees are prescribed by existing Collective Bargaining Agreements with those Unions, and are provided by their respective health and welfare plans.

All other employees, including the Non-Represented, IBEW, FOP-SOA and FOP employees, all under age 65 retirees, and their respective eligible dependents are provided benefits through PATCO-sponsored plans.
In the summer 2006, staff, assisted by our broker, Willis of New Jersey, conducted an extensive review (questionnaires and network analysis) of medical carriers for the coverage that is currently provided to active benefit-eligible employees, those retirees who are under 65 years old, and their respective eligible dependents. Staff sought quotes from Aetna, CIGNA, Horizon Blue Cross/ Blue Shield of New Jersey (HBCBS), Unicare/Wellpoint and United Healthcare. Based on the results of the review, Willis and the Authority selected Aetna, CIGNA and HBCBS as finalists. Each carrier was invited to make a presentation and submit a quote. After reviewing our census, utilization data, and medical and prescription claims experience each of the three carriers declined to quote on the coverage for 2007. In writing, the carriers stated that they could not compete with AmeriHealth’s rates and discounts. Accordingly, staff recommended that AmeriHealth continue to provide medical and prescription drug coverage for active benefit-eligible employees, the under age 65 retirees and their respective eligible dependents.

With respect to our 2009 Healthcare program our broker, Willis of NJ, has advised that it is still too soon to revisit the marketplace as the carriers will want to see the DRPA’s and PATCO’s claims experience continue to improve or, at the least, remain stable at a targeted loss ratio. Willis recommends that we go back to the market in the third quarter of 2009 for the 2010 plan year.

Initially, the 2009 renewal came in at a 7.89% increase. Staff recommended various plan design changes, which decreased the overall renewal increase to 5.80%.

Between 2002-2008, the rate increases have varied as follows:

- 2002 – 15.88%
- 2003 – 19.17%
- 2004 – 13.65%
- 2005 – 16.65%
- 2006 – 19.10%
- 2007 – 14.07%
- 2008 – 7.88%
- 2009 – 5.80%

Staff believes that the proposed healthcare plan is a good program, at a fair price, and is sensitive to the Authority’s existing budget constraints. As healthcare costs continue to rise staff will analyze cost control options, looking for ways to continue to provide quality health care benefits while at the same time containing the impact of increased costs.

In 2009, the responsibility for healthcare costs will continue to be shared by PATCO and active employees and retirees alike. The PPO plan provides employees/retirees with a non-referral environment and an out-of-network benefit, which has resulted in increased utilization. Accordingly, staff
recommends that the Authority set the PPO employee/retiree contributions at a level that is consistent with the actual PPO plan experience.

Staff further recommends the following contributions changes for active employees. Effective January 1, 2009, all employees will contribute at the following percent of annual salary:

<table>
<thead>
<tr>
<th>Current % of Salary Contribution</th>
<th>Current % of Salary Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hired prior to 1/1/04</td>
<td>Hired on or after 1/1/04</td>
</tr>
<tr>
<td>Single</td>
<td>0.50%</td>
</tr>
<tr>
<td>Employee/Child</td>
<td>0.75%</td>
</tr>
<tr>
<td>Employee/Children</td>
<td>1.00%</td>
</tr>
<tr>
<td>Employee/Spouse</td>
<td>0.75%</td>
</tr>
<tr>
<td>Family</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

Proposed % of Salary Contribution – Effective 1/1/09

- Single: 1.00%
- Employee/Child: 1.25%
- Employee/Children: 1.50%
- Employee/Spouse: 1.25%
- Family: 1.50%

Effective January 1, 2009 all employees will contribute the same annual percent of salary.

Those employees who opt to participate in the PPO plan will continue to be required to pay a weekly contribution in addition to the weekly percent of salary.

Staff further recommends that the monthly contributions for under-65 retirees be increased effective January 1, 2009, to reflect the following:
Current Monthly Premium Contribution

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed 1/1/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$55</td>
<td>$65 ($40 medical/$25 prescription)</td>
</tr>
<tr>
<td>Retiree/Child</td>
<td>$110</td>
<td>$130 ($80 medical/$50 prescription)</td>
</tr>
<tr>
<td>Retiree/Children</td>
<td>$165</td>
<td>$195 ($120 medical/$75 prescription)</td>
</tr>
<tr>
<td>Retiree/Spouse</td>
<td>$110</td>
<td>$130 ($80 medical/$50 prescription)</td>
</tr>
<tr>
<td>Family</td>
<td>$165</td>
<td>$195 ($120 medical/$75 prescription)</td>
</tr>
<tr>
<td>Prescription only</td>
<td>$0</td>
<td>$25</td>
</tr>
</tbody>
</table>

Those under 65 retirees who opt to participate in the PPO plan will continue to be required to pay an additional monthly contribution in addition to the monthly premium contribution.

SUMMARY: Amount: Approximately $8,612,670.23
(Note – This covers both DRPA and PATCO)
(This annual rate is based upon our current DRPA/PATCO census of active benefit-eligible employees and under age 65 retirees, but subject to change as our census changes and subject to possible change related to the FOP collective bargaining process.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: PATCO Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: One Year
Other Parties Involved: AmeriHealth
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with AmeriHealth for the provision of medical and prescription drug benefits to active benefit-eligible PATCO employees, under age 65 retirees, and their respective eligible dependents and be it further

RESOLVED: That staff is authorized to work with PATCO’s Third Party Administrator to begin the 2009 Open Enrollment Process, and be it further

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the PATCO. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer, and if thereafter, either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of the PATCO, along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s), while they are absent or unavailable, the Chief Executive Officer shall execute such document(s) on behalf of PATCO.

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