SUMMARY STATEMENT

ITEM NO.   SUBJECT:  Active Employees/Under 65 Retiree Health Benefits 2010 (PATCO )

COMMITTEE: New Business

COMMITTEE DATE: N/A

BOARD DATE: September 16, 2009

PROPOSAL: Staff seeks authorization to accept the premium quoted by AmeriHealth, the incumbent 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, retirees who are under the age of 65, 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 the Authority’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 $7,516,079 to provide medical and prescription drug coverage for its benefit-eligible employees, under age 65 retirees, and their respective eligible dependents.

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

All other employees, including those who are Non-Represented, IBEW, FOP-SOA and FOP employees, all under age 65 retirees, and their respective eligible dependents are provided benefits through Authority-sponsored plans.
This summer, 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.

In addition to AmeriHealth’s renewal, staff sought quotes from Aetna, CIGNA, Horizon Blue Cross/ Blue Shield of New Jersey (HBCBS) and United Healthcare. We also considered the option of carving out the prescription coverage and sought a proposal from Medco (Pharmacy only). Each carrier was invited to make a presentation and submit a quote.

As part of our marketing process, we conducted a series of interviews, and reviewed provider/facility networks, pharmacy benefit services, service and claims administration and available wellness programs. After careful consideration, staff recommends that AmeriHealth continue to provide the medical and prescription drug coverage for active benefit-eligible employees, under-age 65 retirees, and their respective eligible dependents.

Initially, the 2010 renewal came in at a 20.74% increase (or an additional $1,558,834 in premium). However, as a result of the Composite Rate Cap Letter, which we requested and received from AmeriHealth as part of the renewal for Plan Year 2010, the projected increase was reduced from 20.74% to 12.5% (resulting in an increase of $942,277 in premium). The Composite Rate Cap will save the Authority $616,557 in annual premium.

The Composite Rate Cap increase is based on the Authority’s overall composite loss ratio, which is calculated based on a review of all available claims experience (medical and prescription drugs) at the time the renewal is prepared by the underwriters. Our Loss Ratio experience for 2008 and 2009 is as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Medical</th>
<th>Drug</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/1/07-3/31/08</td>
<td>93.3%</td>
<td>108.6%</td>
<td>96.2%</td>
</tr>
<tr>
<td>4/1/08-3/31/09</td>
<td>88.3%</td>
<td>87.9%</td>
<td>88.2%</td>
</tr>
</tbody>
</table>

We credit the following for the reduction in the composite loss ratio for the 2009 Plan Year: (1) our plan design changes beginning 1/1/09; (2) our partnership with AmeriHealth on Wellness initiatives; and (3) staff’s aggressive generic prescription drug awareness program. Staff is hopeful that the downward trend in our loss ratios will continue, and result in a positive effect on our 2011 renewal.
As part of the 2010 renewal, we have again negotiated a Composite Rate Cap Letter. The renewal, effective 1/1/2011, will not exceed the following:

<table>
<thead>
<tr>
<th>Composite Loss Ratio</th>
<th>Rate Increase will not exceed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 85%</td>
<td>9.90%</td>
</tr>
<tr>
<td>Between 85%-89%</td>
<td>12.90%</td>
</tr>
<tr>
<td>Between 89%-93%</td>
<td>15.90%</td>
</tr>
<tr>
<td>Between 93%-97%</td>
<td>18.90%</td>
</tr>
<tr>
<td>Between 97%-101%</td>
<td>21.90%</td>
</tr>
<tr>
<td>Between 101%-105%</td>
<td>25.90%</td>
</tr>
<tr>
<td>Greater than 105%</td>
<td>29.90%</td>
</tr>
</tbody>
</table>

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. In 2010, the responsibility for healthcare costs will continue to be shared by the Authority, active employees, and under age 65 retirees.

SUMMARY: Amount: Approximately $8,458,356.31
(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.)

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 2010 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.

SUMMARY: Amount: Approximately $8,458,356.31
(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.)

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