SUMMARY STATEMENT

ITEM NO. SUBJECT: Active Employees/Under 65 Retiree Health Benefits 2011 (PATCO)

COMMITTEE: Executive

COMMITTEE DATE: August 18, 2010

BOARD DATE: September 15, 2010

PROPOSAL: Staff seeks authorization to accept the premium quoted by CIGNA Healthcare to provide medical and prescription drug coverage to active benefit-eligible PATCO employees, and eligible 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: Since 1997, AmeriHealth has been the insurance carrier for medical and prescription coverage for benefit-eligible employees, under age 65 retirees, and their respective eligible dependents.

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 2010, the DRPA and PATCO will spend approximately $9,521,637 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 and funded by the Authority.

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 the DRPA-sponsored plans.

With the assistance of our broker, Willis of New Jersey, we recently marketed the medical and prescription coverage currently provided by AmeriHealth. Four carriers, including AmeriHealth, submitted quotes. They are:

- AmeriHealth - $10,626,147 (11.6% increase/$1,104,510)
- United Healthcare - $11,289,327 (18.57% increase/$1,767,690)
- Aetna - $10,405,096 (9.28% increase/$883,459)
- CIGNA - $9,526,317 (0.05% increase/$4,680)
- Horizon BC/BS NJ Declined to Quote
The Authority has been with AmeriHealth for over 12 years now; they have been a valuable partner during that time, and our employees have grown accustomed to working with AmeriHealth and “within” their system. There will be differences between the current plan and any plan chosen to replace it.

A thorough review of the benefits provided by each carrier’s proposed plan was performed. This review included a line by line comparison of the current plan to those proposed by CIGNA. Differences were minimal. In certain instances, those differences will be perceived as an enhancement to the current program while in others it will represent a slight reduction in benefits.

Willis’ analysis also included a review of the prospective carriers’ physician and hospital networks and a disruption analysis. The network analysis applied an access standard of 2 physicians (broken out between Adult PCPs, Pediatricians, and Ob/Gyns) within 8 miles of each of DRPA/PATCO’s approximately 648 eligible employees and 1 hospital within 15 miles. CIGNA’s network produced a very satisfactory result in excess of 99% for each criterion. Willis’ “compounded” access analysis, which combines all of the measures, produced an overall result of 98.8%

The disruption analysis prepared by Willis looked at the healthcare facilities that have been accessed by PATCO employees during the 12 month period from 3/1/2009 – 2/28/2010. The report outlined the number of PATCO members serviced, inpatient admissions, outpatient visits and amount paid to each of over 150 facilities. It then identified the facilities’ network status (participating or non-participating) for each of the carriers being considered. Again, CIGNA’s network produced very favorable results; while there are facilities that are currently participating that will convert to non-par status with CIGNA, there are an approximately equal number of providers from which PATCO will benefit from their new “in network” status under CIGNA. Further, the majority of facilities that would change to non-participating are secondary facilities. The top 15 providers in the report, all acute care facilities, are in CIGNA’s network. The analysis also included a review of the 50 most utilized providers in each of the following states: NJ, PA & DE. The results show there will be slight disruption for the employees living in NJ & PA. Seven providers that are currently in-network with AmeriHealth will be out-of-network with CIGNA.

A foremost concern when presented with an attractive bid for a project or product with long term implications is the possibility that the initial figure may be understated with the intent to “buy the business.” As our future renewal actions will be a function of the plan’s claims experience, it is impossible to guarantee what the future may hold. However, Willis has addressed this concern to the extent possible by negotiating a contingent rate cap with CIGNA on behalf of PATCO. This agreement establishes a range of first year rate actions tied to the matured claims experience of the plan.
The CIGNA quote ($9,526,317) represents a savings of $1,099,830 over AmeriHealth’s 2011 renewal ($10,626,147). CIGNA reserves the right to revise or withdraw its proposal if the following occurs: (1) if the Authority does not accept the proposal prior to October 15, 2010; (2) if the final enrollment deviates from the quoted enrollment such that it results in a needed change in premium rates; and (3) if enrollment increases or decreases by 10% or more.

While AmeriHealth has been a valuable partner since 1997, based on the annual premium quoted by CIGNA and the favorable disruption analysis performed by our broker, it is staff’s recommendation that the health and prescription coverage for active benefit-eligible employees, under 65 retirees, and their respective dependents be moved from AmeriHealth to CIGNA Corporation effective plan year January 1, 2011 through December 31, 2011.

SUMMARY:  
Amount:  Approximately $9,526,317  
(Note – This covers both DRPA and PATCO. The 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:  CIGNA Corporation
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with CIGNA Corporation for the provision of medical and prescription drug benefits to active benefit-eligible PATCO employees, retirees under age 65, 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 2011 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 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 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 the DRPA.

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