

Health Insurance Fund

MISSION STATEMENT

It is the mission of the Health Insurance Fund is to provide health insurance benefits for City employees, City retirees, and outside participants through a self-insured plan (since 1978) financed by employer and partial premiums for employees in addition to those by retirees and outside participants.

PRIMARY FUNCTIONS/FUND HIGHLIGHTS

The primary function of the health insurance fund is to account for all health insurance costs including medical and dental expenses, administrative expenses and excess coverage policies.

With health insurance costs continuing to escalate as a percentage of the City's cost of doing business, the City refined its traditional PPO plan and introduced a new health savings account (HSA) offering in 2007. A multi-year schedule designed to increase employee deductibles and co-pays was approved. For 2009, the City secured new agreements for the dental, life insurance, health savings account, and flex care programs. In 2011, a change in network and third party administrators saved additional funds. With these changes, the City continues to offer its employees excellent health insurance at a reasonable cost.

The City will work to maintain a 25% reserve for this fund.

HEALTH INSURANCE FUND BUDGET SUMMARY

| | 2012 | 2013 | 2013 | 2014 | INCREASE |
|----------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| APPROPRIATION | <u>ACTUAL</u> | <u>BUDGET</u> | <u>ESTIMATE</u> | <u>BUDGET</u> | <u>(DECREASE)</u> |
| CONTRACTUAL | \$18,222,702 | \$21,627,400 | \$20,016,648 | \$20,851,800 | (\$775,600) |
| SUPPLIES | 0 | 500 | 24 | 500 | 0 |
| OTHER EXPENSE | <u>155,360</u> | <u>179,075</u> | <u>179,075</u> | <u>161,500</u> | <u>(17,575)</u> |
| TOTAL | <u>\$18,378,062</u> | <u>\$21,806,975</u> | <u>\$20,195,747</u> | <u>\$21,013,800</u> | <u>(\$793,175)</u> |

| | 2011 | 2012 | 2013 | 2014 | INCREASE |
|-----------------------|----------------|----------------|---------------|---------------|-------------------|
| FUNDING SOURCE | <u>ACTUAL</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>BUDGET</u> | <u>(DECREASE)</u> |
| EMPLOYER PREMIUMS | \$17,044,452 | \$18,230,923 | \$18,839,081 | \$13,771,668 | (\$5,067,413) |
| EMPLOYEE PREMIUMS | 1,067,685 | 1,075,245 | 1,094,665 | 1,390,246 | 295,581 |
| RETIREES | 2,269,368 | 2,081,298 | 1,987,990 | 1,582,754 | (405,236) |
| OTHER | 341,126 | 740,883 | (112,000) | 42,000 | 154,000 |
| INTEREST INCOME | <u>241,958</u> | <u>117,800</u> | <u>78,200</u> | <u>84,200</u> | <u>6,000</u> |
| TOTAL | \$20,964,589 | \$22,246,149 | \$21,887,936 | \$16,870,868 | (\$5,017,068) |

BUDGET HIGHLIGHTS

- As a budget deficit reduction measure, and to align the health fund balance with the policy of 25% of expenses, premiums were reduced 23% over the previous year. The result is a deficit budget in the fund, and fund balance will be utilized to cover operating expenses.
- A reduction in overall expenses reflects the continued impact of the decision to implement Blue Cross Blue Shield as both network and third party administrator. Wellness efforts are also impacting claims expenses.
- The implementation of a wellness clinic mid-year is included in this budget, with the goal of positively impacting employee health and reducing overall medical expenses to the fund.

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HEALTH INSURANCE FUND FIVE YEAR FINANCIAL FORECAST (IN 000'S)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------------------|----------------|----------------|----------------|---------------|---------------|
| Revenues | \$22,394 | \$23,395 | \$24,446 | \$25,547 | \$26,702 |
| Expenses | <u>22,361</u> | <u>23,459</u> | <u>24,611</u> | <u>25,820</u> | <u>27,090</u> |
| Excess (Deficit) | <u>33</u> | <u>(64)</u> | <u>(165)</u> | <u>(273)</u> | <u>(388)</u> |
| Beginning Balance | <u>1,468</u> | <u>1,500</u> | <u>1,436</u> | <u>1,271</u> | <u>998</u> |
| Ending Balance | <u>\$1,501</u> | <u>\$1,436</u> | <u>\$1,271</u> | <u>\$998</u> | <u>\$610</u> |
| Rate Increase | 38.5 | 5.0 | 5.0 | 5.0 | 5.0 |
| Reserve Percentage | 6.6 | 6.4 | 5.8 | 4.9 | 3.7 |

The 2015-2019 five year plan assumes that medical costs will increase up to 10% annually and that the revenue mix of employer, employee, and third party contributions will continue to evolve in order to continue a financially viable plan. Revenue increases are anticipated to be 5% to 10% per year for 2015-2019. As information evolves about the new federal health insurance program, changes will be made to the City's program. Those changes are anticipated to add cost to the City's plan.