

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

Fund Highlights

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. 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.

Budget Summary

HEALTH INSURANCE FUND BUDGET SUMMARY					
APPROPRIATION	2008 ACTUAL	2009 BUDGET	2009 ACTUAL	2010 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	\$19,206,818	\$20,790,550	\$19,537,941	\$20,370,719	(\$419,831)
SUPPLIES	424	250	187	0	(250)
OTHER EXPENSE	100,800	103,800	103,800	108,500	4,700
INTEREST EXPENSE	0	12,100	0	0	(12,100)
TOTAL	\$19,308,042	\$20,906,700	\$19,641,928	\$20,479,219	(\$427,481)
FUNDING SOURCE		2009 AMOUNT	2009 PERCENTAGE	2010 AMOUNT	2010 PERCENTAGE
EMPLOYER CONTRIBUTIONS		\$17,478,688	83.1	\$16,904,299	80.1
TOTAL CITY CONTRIBUTION		17,478,688	83.1	16,904,299	80.1
EMPLOYEE PREMIUMS		1,129,570	5.4	1,139,151	5.4
RETIRES		1,900,000	9.0	2,498,888	11.8
OUTSIDE AGENCIES		29,120	0.1	30,576	0.1
OTHER		500,000	0.1	500,000	2.4
		3,558,690	14.6	4,168,615	19.7
INTEREST INCOME		0	0.0	33,800	0.2
TOTAL		\$21,037,378	97.7	\$21,106,714	100.0

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Budget Analysis

After several deficit years, experience for 2008 and 2009 has been positive allowing the fund balance to once again be positive after eight deficit years. This is a result of premium increases as well as increased employee participation. As the schedule below illustrates, the ratio has ranged from 84% to 128%.

	<u>REVENUE</u>	<u>EXPENSE</u>	<u>NET</u>	<u>BALANCE</u>	<u>BALANCE %</u>	<u>RATIO</u>	<u>% INC(DEC)</u>
1988	2,777,020	2,549,611	227,409	560,612		91.8	10 ALL
1989	3,144,942	2,967,420	177,522	738,134	18.9	94.4	10 ALL
1990	3,176,403	3,365,489	(189,086)	549,048	21.9	106.0	0
1991	3,483,241	4,452,611	(969,370)	(420,322)	12.3	127.8	10 ALL
1992	4,095,408	4,954,672	(859,264)	(1,279,586)	(8.5)	121.0	25 ALL
1993	5,296,853	5,404,698	(107,845)	(1,387,430)	(23.7)	102.0	25 ALL
1994	6,392,149	5,364,154	1,027,995	(359,435)	(25.9)	83.9	25 ALL
1995	6,359,549	5,500,937	858,612	499,177	(6.5)	86.5	0
1996	6,535,598	6,124,402	411,196	910,373	8.2	93.7	0
1997	7,367,537	7,645,259	(277,722)	632,651	11.9	103.8	5 ALL
1998	7,217,807	7,652,194	(434,387)	198,264	8.3	106.0	0
1999	7,564,951	7,613,746	(48,795)	149,468	2.6	100.6	5 ALL
2000	8,076,883	9,246,188	(1,169,305)	(1,019,837)	1.6	114.5	5 ALL
2001	10,042,763	10,374,979	(332,216)	(1,352,053)	(9.8)	103.3	20 ALL
2002	11,538,109	12,533,560	(995,451)	(2,347,504)	(10.8)	108.6	20 ALL
2003	13,260,622	12,542,048	718,574	(1,628,930)	(18.7)	94.6	20 ALL
2004	15,020,931	15,513,193	(492,262)	(2,121,192)	(10.5)	103.3	10 ALL
2005	16,122,114	16,816,537	(694,423)	(2,815,615)	(12.6)	104.3	5 ALL
2006	18,135,153	17,364,862	770,291	(2,045,324)	(16.2)	95.8	15 ALL
2007	19,324,075	17,904,315	1,419,760	(625,564)	(11.4)	92.7	10 ALL
2008	20,671,082	19,308,042	1,363,040	737,476	(3.2)	93.4	5 ALL
2009	21,156,324	19,641,928	1,514,396	2,251,872	3.8	92.8	5 ALL
2010	21,106,714	20,479,219	627,495	2,879,367	11.0	97.0	5 ALL
2011	22,072,349	22,240,850	(168,501)	2,710,866	12.9	100.8	5 ALL
2012	24,031,649	24,160,150	(128,501)	2,582,365	11.2	100.5	10 ALL
2013	26,186,549	26,236,150	(49,601)	2,532,764	9.8	100.2	10 ALL
2014	28,559,249	28,500,550	58,699	2,591,463	8.9	99.8	10 ALL
2015	31,170,149	30,997,950	172,199	2,763,662	8.4	99.4	10 ALL

Five Year Financial Forecast

The 2011-2015 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 15% per year for 2011-2015. Full participation in the plan by the two public safety unions would be beneficial for all employees as well as for Rockford taxpayers. As information evolves about the new federal health insurance program, changes will be made to the City's program.

HEALTH INSURANCE FUND 2011-2015 FINANCIAL FORECAST (IN 000'S)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues	\$22,072	\$24,032	\$26,187	\$28,559	\$31,170
Expenses	<u>22,241</u>	<u>24,160</u>	<u>26,236</u>	<u>28,501</u>	<u>30,998</u>
Excess (Deficit)	(169)	(128)	(49)	58	172
Beginning Balance	<u>2,879</u>	<u>2,710</u>	<u>2,582</u>	<u>2,533</u>	<u>2,591</u>
Ending Balance	<u>\$2,710</u>	<u>\$2,582</u>	<u>\$2,533</u>	<u>\$2,591</u>	<u>\$2,763</u>
Rate Increase	5.0	10.0	10.0	10.0	10.0
Reserve Percentage	12.9	11.2	9.8	8.9	8.4