

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 <u>ACTUAL</u>	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2011 <u>BUDGET</u>	<u>INCREASE (DECREASE)</u>
CONTRACTUAL	\$19,206,818	\$19,537,941	\$19,994,230	\$22,342,350	\$2,348,120
SUPPLIES	424	187	0	0	0
OTHER EXPENSE	100,800	103,800	108,500	112,100	3,600
INTEREST EXPENSE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$19,308,042</u>	<u>\$19,641,928</u>	<u>\$20,102,730</u>	<u>\$22,454,450</u>	<u>\$2,351,720</u>
FUNDING SOURCE	2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>	
EMPLOYER CONTRIBUTIONS	<u>\$16,527,810</u>	<u>79.7</u>	<u>\$17,433,616</u>	<u>80.2</u>	
TOTAL CITY CONTRIBUTION	<u>16,527,810</u>	<u>79.7</u>	<u>17,433,616</u>	<u>80.2</u>	
EMPLOYEE PREMIUMS	1,139,151	5.5	1,127,360	5.2	
RETIREES	2,498,888	12.1	2,604,442	12.0	
OUTSIDE AGENCIES	30,576	0.1	32,136	0.1	
OTHER	<u>500,000</u>	<u>2.6</u>	<u>500,000</u>	<u>2.5</u>	
	<u>4,168,615</u>	<u>20.3</u>	<u>4,263,938</u>	<u>19.8</u>	
INTEREST INCOME	<u>32,100</u>	<u>0.0</u>	<u>28,800</u>	<u>0.0</u>	
TOTAL	<u>\$20,728,525</u>	<u>100.0</u>	<u>\$21,726,354</u>	<u>100.0</u>	

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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	20,728,555	20,102,730	625,825	2,877,697	11.2	97.0	5 ALL
2011	21,726,354	22,454,450	(728,096)	2,149,601	12.8	103.4	5 ALL
2012	23,657,530	24,434,750	(777,220)	1,372,381	8.8	103.3	10 ALL
2013	25,799,530	26,577,750	(778,220)	594,161	5.2	103.0	10 ALL
2014	28,155,330	28,915,150	(759,820)	(165,659)	2.1	102.7	10 ALL
2015	32,055,030	31,497,650	557,380	391,721	(0.5)	98.3	15 ALL
2016	35,056,530	34,288,750	767,780	1,159,501	1.1	97.8	10 ALL

Five Year Financial Forecast

The 2012-2016 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 2012-2016. 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. Those changes are anticipated to add cost to the City's plan.

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HEALTH INSURANCE FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$23,658	\$25,800	\$28,155	\$32,055	\$35,057
Expenses	<u>24,435</u>	<u>26,578</u>	<u>28,915</u>	<u>31,498</u>	<u>34,289</u>
Excess (Deficit)	<u>(777)</u>	<u>(778)</u>	<u>(760)</u>	<u>557</u>	<u>768</u>
Beginning Balance	<u>2,150</u>	<u>1,373</u>	<u>595</u>	<u>(165)</u>	<u>392</u>
Ending Balance	<u>\$1,373</u>	<u>\$595</u>	<u>(\$165)</u>	<u>\$392</u>	<u>\$1,160</u>
Rate Increase	10.0	10.0	10.0	15.0	10.0
Reserve Percentage	8.8	5.2	2.1	(0.5)	1.1