

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 has secured new agreements for the dental, life insurance, health savings account, and flex care programs. With these changes, the City will be able to continue 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	2007 <u>ACTUAL</u>	2008 <u>BUDGET</u>	2008 <u>ACTUAL</u>	2009 <u>BUDGET</u>	INCREASE (DECREASE)
CONTRACTUAL	\$17,805,266	\$19,084,190	\$19,206,818	\$20,790,550	\$1,706,360
SUPPLIES	549	0	424	250	250
OTHER EXPENSE	98,500	98,500	100,800	103,800	5,300
INTEREST EXPENSE	0	0	0	12,100	(13,700)
TOTAL	<u>\$17,904,315</u>	<u>\$19,182,690</u>	<u>\$19,308,042</u>	<u>\$20,906,700</u>	<u>\$1,698,210</u>
FUNDING SOURCE		2008 <u>AMOUNT</u>	2008 <u>PERCENTAGE</u>	2009 <u>AMOUNT</u>	2009 <u>PERCENTAGE</u>
EMPLOYER CONTRIBUTIONS		<u>\$16,418,238</u>	<u>81.3</u>	<u>\$17,478,688</u>	<u>83.1</u>
TOTAL CITY CONTRIBUTION		<u>16,418,238</u>	<u>81.3</u>	<u>17,478,688</u>	<u>83.1</u>
EMPLOYEE PREMIUMS		1,090,801	5.4	1,129,570	5.4
RETIREES		2,297,310	11.4	1,900,000	9.0
OUTSIDE AGENCIES		242,970	1.2	29,120	0.1
OTHER		137,486	0.1	500,000	2.4
		<u>3,768,567</u>	<u>18.1</u>	<u>3,558,690</u>	<u>16.9</u>
INTEREST INCOME		0	0.0	0	0.0
TOTAL		<u>\$20,186,805</u>	<u>99.4</u>	<u>\$21,037,378</u>	<u>100.0</u>

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Budget Analysis

After several deficit years, 2006 experience, 95.8% ratio (\$770,000 net) was the result of a 15% premium increase. 2007, with the restructuring of the PPO, the introduction of an HSA, and a 10% premium increase, resulted in a net of \$1.42 million (92.7% ratio) reducing the deficit to \$0.63 million. 2009, with a 5% premium increase and increased employee participation offset by increased plan use, finished with a 93.4% ratio (\$1.36 million gain) which resulted in fund solvency after eight negative years. 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	21,037,378	20,906,700	130,678	868,154	3.5	99.4	5 ALL
2010	22,013,850	22,640,050	(626,200)	241,954	3.8	102.8	5 ALL
2011	24,007,450	24,611,950	(604,500)	(362,546)	1.0	102.5	10 ALL
2012	27,318,750	26,771,950	546,800	184,254	(1.4)	98.0	15 ALL
2013	29,865,850	29,121,350	744,500	928,754	0.6	97.5	10 ALL
2014	32,682,050	31,697,350	984,700	1,913,454	2.9	97.0	10 ALL

Five Year Financial Forecast

The 2010-2014 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 2010-2014. Full participation in the plan by the two public safety unions would be beneficial for all employees as well as for Rockford taxpayers.

HEALTH INSURANCE FUND 2010-2014 FINANCIAL FORECAST (IN 000'S)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues	\$22,014	\$24,007	\$27,319	\$29,866	\$32,682
Expenses	<u>22,640</u>	<u>24,612</u>	<u>26,772</u>	<u>29,121</u>	<u>31,697</u>
Excess (Deficit)	(626)	(605)	547	745	985
Beginning Balance	868	242	(363)	184	929
Ending Balance	<u>\$242</u>	<u>(\$363)</u>	<u>\$184</u>	<u>\$929</u>	<u>\$1,914</u>
Rate Increase	5.0	10.0	15.0	10.0	10.0
Reserve Percentage	3.8	1.0	(1.4)	0.6	2.9