
City of Dallas

Employee / Retiree Health Care

Proposed FY2005 -- 2006

Presented to City Council

September 7, 2005

Purpose

- An overview of the City's employee/retiree Health Care Plan
- Review Deloitte's "Market Test Results" of vendors' proposals for Healthcare Administration.
- Recommendation to approve an agreement with United Healthcare at the September 28, 2005 Council Meeting.

Current Plan Structure

- Large employers (500+ employees) normally do not buy traditional health insurance; instead they self-insure. Currently the City of Dallas is primarily self insured with the exception of the HMO and AARP Plans.
- Blue Cross / Blue Shield administers the City's HMO Plan and participating employee cost are expected to increase by 21% in 2006.
- Attached, are the 2005 premiums for employees, retirees, dependents and spouses. The 2006 rates are proposed to remain the same with the exception of the HMO rates. (see appendix).

Cost Containment Plan

- The City contracted with for a three year Health Care Administration Agreement beginning January 2004.
- In August 2004 the Employee/Retiree Committee was reestablished to evaluate health care costs and issues.
- The City contracted with Deloitte Consultants in 2004 to evaluate current costs, actuarially project future costs and to test the health care market for the best overall costs.
- Deloitte conducted a preliminary market test in May 2005 and determined that the City should retest the market issuing a Request for Proposal (RFP) this year rather than waiting until 2006.

Request for Proposal Responses

The medical RFP was distributed to the public by the City with the following vendors responded to the RFP:

Aetna

Blue Cross / Blue Shield

CIGNA

Humana

PacifiCare

United Health Care

Deloitte Consulting LLP Test of the Market

The City of Dallas retained Deloitte Consulting LLP to evaluate responses to the City's Request For Proposal (RFP) process for their group medical and pharmacy programs. The RFP process encompassed the following:

- **Review Administrative costs**
- **Network access**
- **Pharmaceutical Benefit Administration (PBM)**
- **Evaluating the City of Dallas' total cost of Health Care**
- **Customer service, reporting, and technology of Humana compared to alternate vendors for the City's current PPO and PBM plans.**

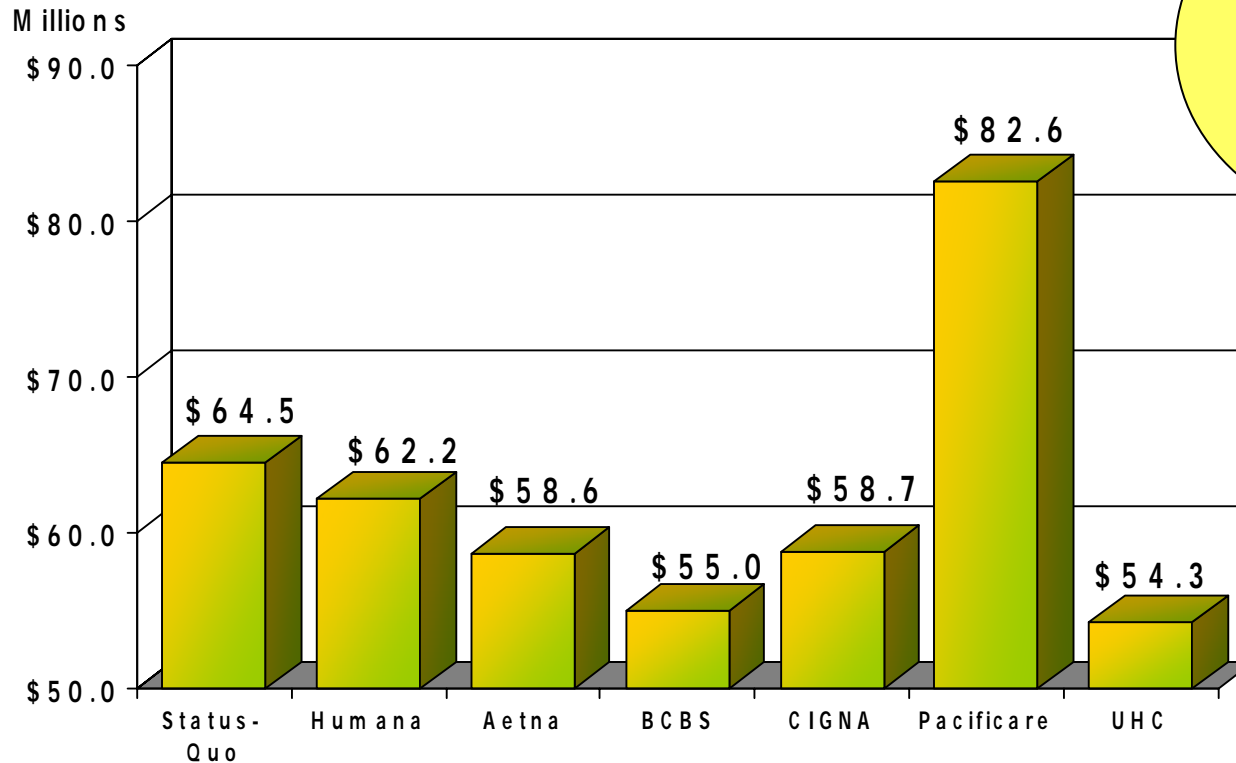
This analysis did not include the Blue Cross/Blue Shield fully-insured HMO plan.

Financial Details

Financial implications of each proposal were compared to current cost using the following criteria:

- Administrative costs
- Improved in-network penetration
- Pharmaceutical Benefit
- Discounts and cost-of-care

Request for Proposal Results



UHC is the most attractive in total savings, mostly due to improved network penetration, competitive discounts, and lower administrative cost.

- Overall, United Healthcare cost are less than all other providers that participated within the RFP process.
- The cost projected includes the administrative fees, network projected claims and the pharmaceutical cost.
- United Healthcare projected cost are included to the FY2005 – 2006 proposed budget.

Recommendations

- The City Manager effectively accomplished the task of avoiding health care increases for the City, employees and retirees. **The national health care cost trend ranges from 10% - 15% annually.**

- **Establish an agreement with United Healthcare at the September 28, 2005 Council Meeting for the following reasons:**
 - Low administrative costs
 - Existing network coverage and associated discounts
 - Experience working with the City
 - Predictive risk-modeling/medical management
 - Online tools for employees and plan sponsor

- **Approve benefit design adjustments to the employees / retirees plan intended to encourage better health plan management recommended by Deloitte:**
 - Increase emergency room copay from \$50 to \$100
 - Create deduction requirements for in-network and out-of-network cost
 - Increase the copay for specialist from \$10 vs. \$15

Appendix

Current Rates for 2005

Active Employees 2005 Monthly Plan Rates

80/20 Coinsurance PPO Plans*

	\$300 Deductible	\$1,000 Deductible	\$3,000 Deductible
Active Employees			
Member Only	\$ 131	\$ 58	\$ 39
Member + Spouse	\$ 518	\$ 371	\$ 330
Member + Child(ren)	\$ 268	\$ 140	\$ 105
Member + Family	\$ 656	\$ 453	\$ 396
Permanent Part-Time			
Member Only	\$ 242	\$ 169	\$ 150
Member + Spouse	\$ 629	\$ 482	\$ 441
Member + Child(ren)	\$ 448	\$ 320	\$ 285
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Member Only	\$ 352	\$ 279	\$ 260
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Active Employees 2005 Monthly Plan Rates

HMO PLAN

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Member + Spouse	\$ 539
Member + Child(ren)	\$ 353
Member + Family	\$ 799
Permanent Part-Time	
Member Only	\$ 220
Member + Spouse	\$ 650
Member + Child(ren)	\$ 533
Member + Family	\$ 979
Council Members	
Member Only	\$ 330
Member + Spouse	\$ 760
Member + Child(ren)	\$ 712
Member + Family	\$1,158
COBRA	
Member Only	\$ 337
Member + Spouse	\$ 775
Member + Child(ren)	\$ 726
Member + Family	\$1,181

DENTAL AND VISION PLAN RATES FOR 2005

All Members

(Employees and Retirees)

2005 Monthly Plan Rates

	Dental HMO Plan	Indemnity Dental	Vision Plan
Member Only	\$ 8.15	\$23.23	\$ 5.86
Member + Spouse	\$15.08	\$46.46	\$10.70
Member + Child(ren)	\$15.08	\$47.38	\$11.24
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Under 65 Retirees 2005 Monthly Plan Rates

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Retiree + Child (ren)	\$ 599	\$ 448	\$ 404
Retiree + Family (Both 65 & Over)	\$1,041	\$ 806	\$ 737
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MEDICARE SUPPLEMENT PLANS**

Monthly Cost for Texas Residents

Rates are for Texas residents only. Rates for other states will vary. All rates subject to change during 2005. Actual rates, which may contain discounts or surcharges, are subject to change and will be provided in the enrollment kits provided to prospective insured. Retirees will also pay Medicare Part B monthly premiums.

	More than 6 months post Eligibility			Apply within 6 months of Eligibility *		
	No Pharmacy		Limited Pharmacy	No Pharmacy		Limited Pharmacy
Individuals applying:	Plan C	Plan F	Plan J	Plan C	Plan F	Plan J
65 and Older Retiree Only	\$ 85.25	\$ 86.00	\$ 146.50	\$ 60.91	\$ 61.55	\$ 102.09
65 and Older Retiree + Spouse	\$ 247.47	\$ 249.02	\$ 442.60	\$ 198.79	\$ 200.11	\$ 353.77
65 and Older Spouse	\$ 162.23	\$ 163.01	\$ 296.10	\$ 137.89	\$ 138.56	\$ 251.69

PRESCRIPTION-ONLY PLAN*

No Medical Included. Purchase with or without Medicare Supplement Plan

Cannot be Purchased with PPO plans or Medicare Supplement Plan J

Retiree Only	\$ 125
Retiree + Spouse	\$ 375
Spouse Only	\$ 250

PPO Plan Designs

	\$3,000 Deductible PPO Plan*		\$1,000 Deductible PPO Plan*		\$300 Deductible PPO Plan*	
Coinsurance	<u>In-Network 80/20</u>	<u>Out-of- Network 60/40</u>	<u>In-Network 80/20</u>	<u>Out-of- Network 60/40</u>	<u>In-Network 80/20</u>	<u>Out-of- Network 60/40</u>
Calendar Year Deductible						
Per Person	\$3,000	\$6,000	\$1,000	\$2,000	\$300	\$600
Per Family	\$9,000	\$18,000	\$3,000	\$6,000	\$900	\$1,800
Coinsurance						
	80%	60%	80%	60%	80%	60%
Out-of-Pocket Maximum (Includes Deductible)						
Per Person	\$7,500	\$15,000	\$4,000	\$8,000	\$2,800	\$5,600
Per Family	\$15,000	\$30,000	\$8,000	\$16,000	\$5,400	\$11,800
Lifetime Maximum	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Physician / ER Physician Services						
	Plan Pays 80% after deductible	Plan Pays 60% after deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible
Preventive Care Services (See Next Page)						
	Plan Pays 80% No Deductible	Plan Pays 60% after deductible	Plan Pays 80% No Deductible	Plan Pays 60% after deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible
Inpatient Hospital Services						
	Plan Pays 80% after deductible	Plan Pays 60% after deductible and \$250 confinement deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible and \$250 confinement deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible and \$250 confinement deductible
Hospital Emergency Room						
	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit
Urgent Care Services						
	Plan Pays 80% after deductible	Plan Pays 60% after deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible	Plan Pays 80% after deductible	Plan Pays 60% after deductible
*See Summary Plan Description for detailed benefit information.						

PPO Plan Designs

	\$3,000 Deductible PPO Plan*		\$1,000 Deductible PPO Plan*		\$300 Deductible PPO Plan*	
Coinsurance	<u>In-Network 70/30</u>	<u>Out-of-Network 50/50</u>	<u>In-Network 70/30</u>	<u>Out-of-Network 50/50</u>	<u>In-Network 70/30</u>	<u>Out-of-Network 50/50</u>
Calendar Year Deductible						
Per Person	\$3,000	\$6,000	\$1,000	\$2,000	\$300	\$600
Per Family	\$9,000	\$18,000	\$3,000	\$6,000	\$900	\$1,800
Coinsurance						
	70%	50%	70%	50%	70%	50%
Out-of-Pocket Maximum (Includes Deductible)						
Per Person	\$7,500	\$15,000	\$5,500	\$11,000	\$4,000	\$8,000
Per Family	\$15,000	\$30,000	\$12,000	\$24,000	\$8,300	\$16,600
Lifetime Maximum	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Physician / ER Physician Services						
	Plan Pays 70% after deductible	Plan Pays 50% after deductible	Plan Pays 70% after deductible	Plan Pays 50% after deductible	Plan Pays 70% after deductible	Plan Pays 50% after deductible
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	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit	\$50 copay per visit
Urgent Care Services						
	Plan Pays 70% after deductible	Plan Pays 50% after deductible	Plan Pays 70% after deductible	Plan Pays 50% after deductible	Plan Pays 70% after deductible	Plan Pays 50% after deductible
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PPO Plan Designs

	\$3,000 Deductible PPO Plan*		\$1,000 Deductible PPO Plan*		\$300 Deductible PPO Plan*	
Coinsurance	<u>In-Network 80/20</u>	<u>Out-of- Network 60/40</u>	<u>In-Network 80/20</u>	<u>Out-of- Network 60/40</u>	<u>In-Network 80/20</u>	<u>Out-of- Network 60/40</u>
Calendar Year Deductible						
Per Person	\$3,000	\$6,000	\$1,000	\$2,000	\$300	\$600
Per Family	\$9,000	\$18,000	\$3,000	\$6,000	\$900	\$1,800
Coinsurance						
	80%	60%	80%	60%	80%	60%
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Coinsurance	<u>In-Network</u> <u>70/30</u>	<u>Out-of-Network</u> <u>50/50</u>	<u>In-Network</u> <u>70/30</u>	<u>Out-of-Network</u> <u>50/50</u>	<u>In-Network</u> <u>70/30</u>	<u>Out-of-Network</u> <u>50/50</u>
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No Medical Included. Purchase with or without Medicare Supplement Plan

Cannot be Purchased with PPO plans or Medicare Supplement Plan J

Retiree Only	\$ 125
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Spouse Only	\$ 250