

# City of Morgantown

## Finance Department

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# MEMO

**DATE:** November 12, 2012

**TO:** Terrence Moore, ICMA-CM  
City Manager

**FROM:** Joseph R. Sabatelli, CPA *JRS*  
Finance Director

**RE:** Health Plan Renewal Rates - Effective 1/1/2013

The following summarizes the proposed rate changes in the City of Morgantown's Health Plan effective January 1, 2013:

	<u>2012</u>	<u>2013</u>	<u>% Change</u>
<u>Fixed Costs:</u>			
Reinsurance Premiums	\$ 517,654	\$ 565,564	9.3%
Administrative Fees	<u>139,601</u>	<u>142,973</u>	2.4%
	\$ 657,255	\$ 708,537	7.8%
<u>Projected Claims (125%)</u>			
Medical Claims	\$2,574,272	\$2,601,795	1.1%
Prescription Claims	895,670	773,328	-13.7%
Dental	<u>201,051</u>	<u>157,186</u>	-21.8%
Projected Claims	\$3,670,993	\$3,532,309	- 3.8%
Total Costs to be Funded	\$4,328,248	\$4,240,846	- 2.0%

The City budgeted for rates to remain consistent in health plan contributions as of January 1, 2013. Consequently, the rates that could be implemented January 1, 2013 would cause an approximate 2.0% decrease from the amount originally budgeted for the fiscal year. This would result in total savings to the General Fund of approximately \$34,000. This change does not include contributions required to be made to the City's Health Reimbursement Accounts for employees. As health care costs continue to rise, it should be noted that the standard increase in costs is typically 8%; however, due to previous changes to the City's plan, these increases have been minimized. The contribution rates will remain the same and any savings is intended to be used for additional reserves or used toward other post-employment benefit liabilities.

In accordance with the policy adopted by Council on June 1, 2010, it is also proposed that employee and retiree contribution rates remain the same as well, effective January 1, 2013, except those retiree rates affected by the change to the Humana Medicare Advantage Plan which are reflected accordingly. I have attached schedules of the rates to be continued for each benefit group.

**City of Morgantown**  
**Health Benefit Plan**  
**Employee Contribution Rates (Per pay period)**  
**Effective January 1, 2013**  
 (with 0.0% Increase)

Class I – Employees with annual regular earnings up to \$23,711

Class II – Employees with annual regular earnings between \$23,712 and \$39,519

Class III – Employees with annual regular earning over \$39,519

	Medical Only	Dental Only	Medical & Dental
<u>Class I</u>			
Single	\$ 3.76	\$2.58	\$ 4.08
Family	\$13.14	\$3.39	\$14.29
<u>Class II</u>			
Single	\$ 6.76	\$2.84	\$ 7.35
Family	\$22.53	\$4.21	\$24.49
<u>Class III</u>			
Single	\$ 7.50	\$2.90	\$ 8.16
Family	\$24.77	\$4.41	\$26.93

*All contributions will be withheld on a before-tax basis under the Section 125 Plan, unless you waive this election.*

*Contribution rates are subject to change by action of Morgantown City Council.*

**City of Morgantown**  
**Health Benefit Plan**  
**Retiree Monthly Contribution Rates**  
**Effective January 1, 2013**  
 (with no change)

**NON-MEDICARE**  
**(UNDER AGE 65)**

**Deductible \$1,000 Single / \$2,000 Family**

	<u>Current</u>	<u>1/1/2013</u>
Single	\$ 118.71	\$ 118.71
Family	\$ 240.43	\$ 240.43

**MEDICARE**  
**(AGE 65 AND OLDER or DISABLED)**

**Deductible: According to Medicare Advantage Plan**

**Prescription Coverage Eliminated as of 1/1/2012**  
**Eligible Members Transferred to Medicare Advantage as of 1/1/2013**

	<u>Current</u>	<u>Pre 1/1/11 Hire</u> <u>1/1/2013</u>	<u>Post 1/1/11 Hire</u> <u>1/1/2013</u>
Single	\$ 52.17	\$ 51.20	\$ 64.00
Family	\$ 77.36	\$ 102.40	\$ 128.00

*If members of a family belong to both the Medicare and Non-Medicare groups, family members will be charged according to the applicable single rate for each participant (or family rate if more than one eligible dependent).*

*Contribution rates are subject to change by action of Morgantown City Council.*

*Post 1/1/11 hires are eligible to participate in the Medicare Advantage Plan only and are not eligible for any other coverage. The participant must pay the full premium and is not eligible for the City's supplement.*