

INTERNAL SERVICE FUNDS

HEALTH INSURANCE FUND

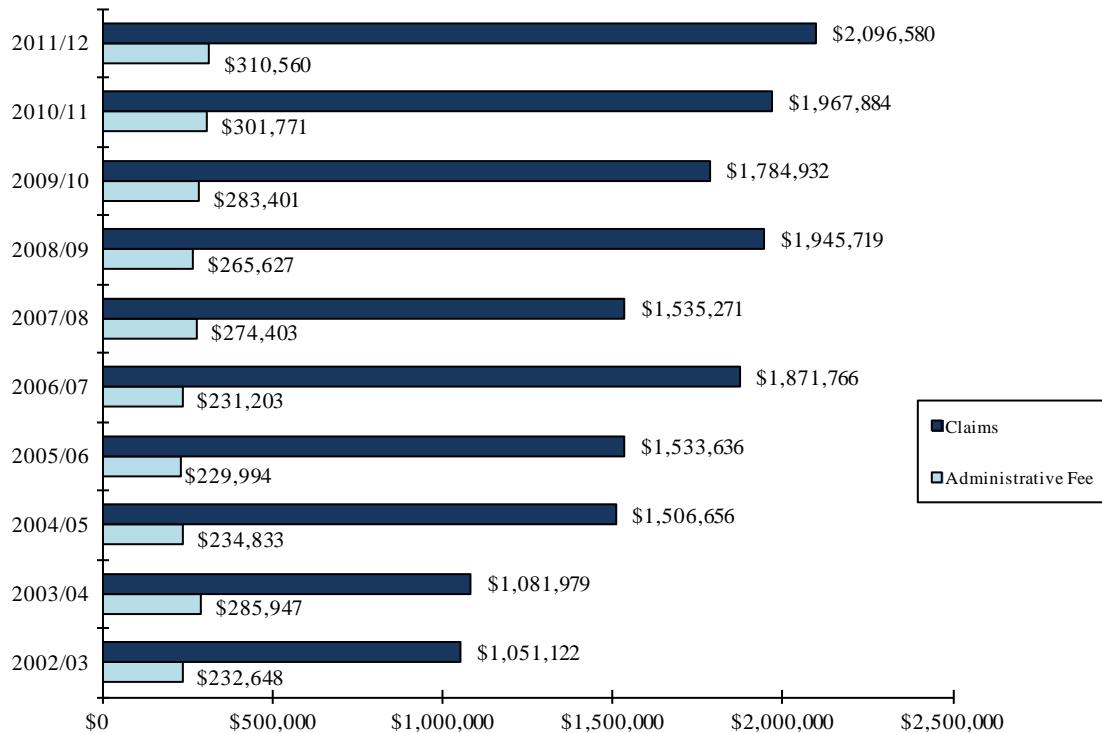
GENERAL INFORMATION:

On January 1, 1985 the City changed its employee medical insurance program to a modified self insurance plan. Blue Cross/Blue Shield continued as the carrier of the plan and also serves as the administrator. As part of the program the Health Insurance Fund was established.

All payments of premiums from the City, employees and retirees are credited to the Health Insurance Fund. From this fund the City pays all actual medical claims paid by Blue Cross on a monthly basis. The City also pays Blue Cross a monthly administrative fee per employee for this service. This administrative fee includes stop loss insurance to cover catastrophic illnesses. As a result, the City is funding 100% of the exposure up to the level where the individual and aggregate stop loss insurance takes effect. When claims are less than the amount funded, the savings are retained by the City.

The amount of health insurance claims and administrative fees paid for the last ten fiscal years are shown in the table below. As shown, there has been a significant increase in claims for the City's group since 2002/2003.

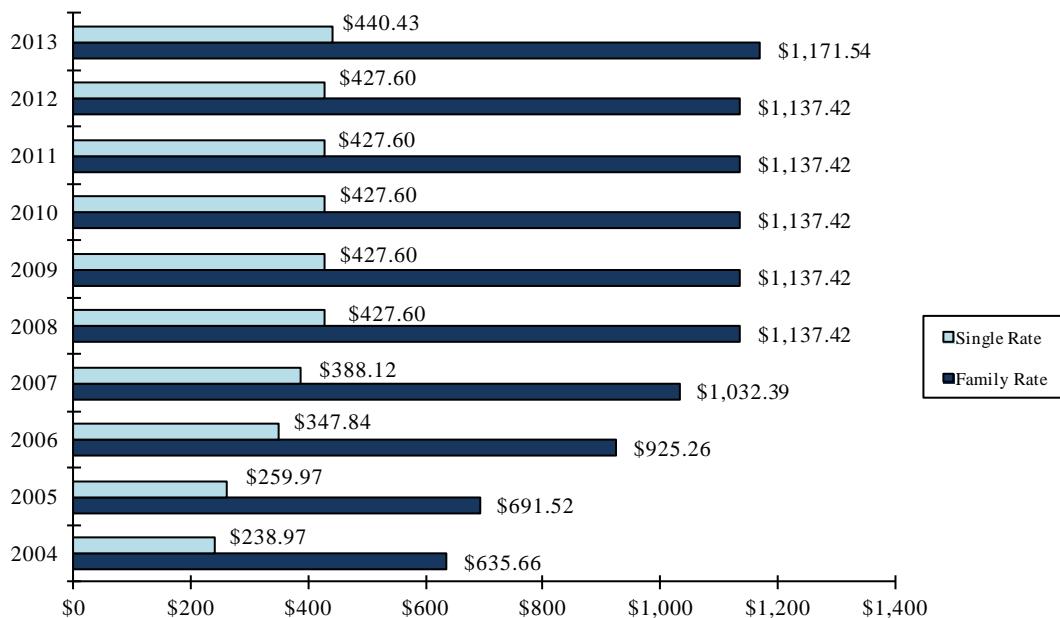
Health Insurance Claims and Administrative Fees



The monthly premium charges for single and family health insurance coverage for City employees, dependents, and retirees has varied significantly over the last ten years as shown in the following table. For January 1, 2006 rates increased by 33.8% for both single and family coverage. This increase was directly related to the dramatic increase in health insurance claims for the City's group. For January 1, 2007 rates increased by 11.6% for both single and family coverage. For January 1, 2008 rates again increased by 10.2% for both single and family coverage. Due to a leveling of claim costs in 2008, the 2008 rates were maintained for 2009, 2010, 2011, and 2012. For January 1, 2013 rates increased by 3% for both single and family coverage.

The City made a number of changes in the health insurance plan in the last ten years. In 2003 the City changed to a Preferred Provider Organization (PPO) plan with Blue Cross/Blue Shield. This plan resulted in increased discounts on medical claim costs to the City and its employees when using health care providers on the "preferred providers" list. In 2004 deductibles were increased from \$200 to \$300 for single coverage and from \$500 to \$600 for family coverage. Out-of-pocket maximums were increased from \$500 to \$600 for single and from \$1,000 to \$1,300 for family coverage. These provisions remained in effect until 2013 when the deductibles were increased from \$300 to \$400 for single coverage and from \$600 to \$800 for family coverage. Out-of-pocket maximums were increased from \$600 to \$800 for single and from \$1,300 to \$1,600 for family coverage.

Monthly Health Insurance Rate History



CURRENT TRENDS AND ISSUES:

For January 1, 2007 the single and family rates were set at \$388.12 and \$1,032.39, respectively. For January 1, 2008 both the single and family rates increased by 10.2% to \$427.60 and \$1,137.42. Due to a leveling of insurance claims in 2008, the 2008 rates were maintained for 2009, 2010, 2011 and 2012. For January 1, 2013 both the single and family rates increased by 3% to \$440.43 and \$1,171.54. The annual aggregate maximum level has been established at \$2,908,700 for calendar year 2013 compared to \$2,941,900 for calendar year 2012. The annual aggregate amounts reflect 125% of estimated claims for 2012 and 2013 for the City's

group. The premium rates for 2012 included an administrative fee of \$106.14 per month per contract. This fee is paid to Wellmark Blue Cross/Blue Shield for claims processing services, as fees for the individual and aggregate stop loss insurance, and the Wellmark network access fee. For 2013 the monthly administrative fee increase

The 2012/2013 revised estimate and 2013/2014 budget each include \$5,000 to fund administrative costs of the flexible benefit plan implemented in 1997. Savings in the City share of FICA and Medicare costs are expected to offset the fees charged to administer this program.

The Employee Wellness program was established by the City in 1987. The 2012/2013 revised estimate and 2013/2014 budget include transfers to fund 100% of the cost of this program. This program is the responsibility of the Parks and Recreation department. The costs of this program are \$55,800 for the 2012/2013 revised estimate and \$57,600 for the 2013/2014 budget. Additional information on this program can be found in the Wellness Program activity budget in the General Fund section of this document.

Health Insurance Fund

Fund Statement

	Actual 2010/2011	Actual 2010/2011	Budget 2012/2013	Revised Estimate 2012/2013	Budget 2013/2014
Beginning Balance, July 1	\$ 1,453,106	\$ 1,580,753	\$ 1,508,153	\$ 1,587,859	\$ 1,571,759
Revenues					
Interest	\$ 3,930	\$ 2,936	\$ 2,500	\$ 2,500	\$ 2,500
City Contributions	2,177,155	2,202,663	2,241,500	2,228,400	2,311,300
Employee Contributions	144,156	133,143	149,800	154,800	160,700
Retiree Contributions	143,956	143,127	156,000	148,700	151,600
Miscellaneous	0	1,027	0	3,400	0
Total Revenues	<u>\$ 2,469,197</u>	<u>\$ 2,482,896</u>	<u>\$ 2,549,800</u>	<u>\$ 2,537,800</u>	<u>\$ 2,626,100</u>
Funds Available	<u>\$ 3,922,303</u>	<u>\$ 4,063,649</u>	<u>\$ 4,057,953</u>	<u>\$ 4,125,659</u>	<u>\$ 4,197,859</u>
Expenditures					
Health Insurance Claims	\$ 1,967,884	\$ 2,096,580	\$ 2,200,000	\$ 2,150,000	\$ 2,250,000
Administrative Fees	301,771	310,560	311,700	322,000	325,900
Flexible Benefit Plan Fees	3,322	4,638	5,000	5,000	5,000
Audit Fees	1,050	1,050	1,100	1,100	1,100
State Assessment	14,007	8,826	17,000	17,000	17,000
Other	0	3,101	0	0	0
Transfers Out					
General Fund Wellness Program	50,516	48,035	59,600	55,800	57,600
Administrative Fee	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Total Expenditures	<u>\$ 2,341,550</u>	<u>\$ 2,475,790</u>	<u>\$ 2,597,400</u>	<u>\$ 2,553,900</u>	<u>\$ 2,659,600</u>
Ending Balance, June 30	<u>\$ 1,580,753</u>	<u>\$ 1,587,859</u>	<u>\$ 1,460,553</u>	<u>\$ 1,571,759</u>	<u>\$ 1,538,259</u>

Increase (Decrease) in Fund Balance	\$ 127,647	\$ 7,106	\$ (47,600)	\$ (16,100)	\$ (33,500)
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Explanation of Changes in Fund Balances:

The balance in this fund increased in 2010/2011 due to favorable health insurance claims experience. Under the City's modified self insurance health plan, the City funds health insurance claims up to the individual and aggregate stop loss insurance levels. The individual stop loss amount is \$75,000 and the aggregate amount is 125% of expected claims for the City's group. In both 2010/2011 and 2011/2012 actual insurance claims were less than the expected claims levels which resulted in the increases in fund balance in those years. Based on the budgeted levels of claims in the 2012/2013 revised estimate and 2013/2014 budget, the fund balance is budgeted to decrease in each of those years. Actual fund balance changes, however, will depend on the actual health insurance claims each year.