

Joint Powers Pool Board

A G E N D A

October 10, 2012

9:30 a.m.

City Hall

Room 402
large conference room

- Call to Order
- Approval of Minutes from September 26, 2012, Meeting
- Treasurer's Report
- COBRA/Retiree TPA Agreement
- 2013 Medical Premium Rate Setting
- 2013 JPE Meeting Dates & Locations
- Adjourn



Income Statement

Through 09/30/12
Summary Listing

Organization	Organization Description	Annual Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget	Prior Year Total Actual
Fund Category Proprietary Funds							
Fund Type Internal Service Funds							
Fund 630 - Medical Health							
REVENUE							
Department 036 - Insurance Accounts							
1650	Insurance - Administration	100,000.00	166,549.13	303,273.75	(203,273.75)	303	271,490.43
1651	Insurance - General City	9,196,000.00	791,669.79	7,005,082.33	2,190,917.67	76	8,050,065.57
1655	Insurance - HRA	725,700.00	60,981.43	535,912.42	189,787.58	74	629,986.91
1657	Insurance - DECC	445,300.00	24,206.55	322,575.86	122,724.14	72	382,007.05
1659	Insurance - Airport	319,300.00	23,996.00	232,323.49	86,976.51	73	282,643.40
1660	Insurance - City Retirees	9,448,000.00	783,807.30	7,279,711.04	2,168,288.96	77	8,394,422.09
1663	Insurance - COBRA	29,075.00	1,628.09	9,806.66	19,268.34	34	16,770.85
Department 036 - Insurance Accounts Totals		\$20,263,375.00	\$1,852,838.29	\$15,688,685.55	\$4,574,689.45	77%	\$18,027,386.30
REVENUE TOTALS		\$20,263,375.00	\$1,852,838.29	\$15,688,685.55	\$4,574,689.45	77%	\$18,027,386.30
EXPENSE							
Department 036 - Insurance Accounts							
1650	Insurance - Administration	295,000.00	7,621.47	191,085.72	103,914.28	65	416,361.13
1651	Insurance - General City	9,464,285.00	1,028,293.35	7,529,815.23	1,934,469.77	80	9,474,748.79
1655	Insurance - HRA	743,800.00	64,855.50	631,725.59	112,074.41	85	649,094.38
1657	Insurance - DECC	485,300.00	36,357.46	221,405.01	263,894.99	46	261,946.92
1659	Insurance - Airport	381,781.00	23,317.47	192,368.09	189,412.91	50	236,703.35
1660	Insurance - City Retirees	10,026,562.00	633,344.99	7,190,103.99	2,836,458.01	72	9,734,770.35
1663	Insurance - COBRA	33,432.00	1,016.79	3,945.40	29,486.60	12	33,506.80
Department 036 - Insurance Accounts Totals		\$21,430,160.00	\$1,794,807.03	\$15,960,449.03	\$5,469,710.97	74%	\$20,807,131.72
EXPENSE TOTALS		\$21,430,160.00	\$1,794,807.03	\$15,960,449.03	\$5,469,710.97	74%	\$20,807,131.72
Fund 630 - Medical Health Totals							
REVENUE TOTALS		20,263,375.00	1,852,838.29	15,688,685.55	4,574,689.45	77%	18,027,386.30
EXPENSE TOTALS		21,430,160.00	1,794,807.03	15,960,449.03	5,469,710.97	74%	20,807,131.72
Fund 630 - Medical Health Net Gain (Loss)		(\$1,166,785.00)	\$58,031.26	(\$271,763.48)	\$895,021.52	23%	(\$2,779,745.42)
Fund Balance - Beginning		4,876,328.75		4,876,328.75			7,656,073.17
Fund Balance - Ending		3,709,543.75		4,604,565.27			4,876,328.75

CITY OF DULUTH COMPARISON OF HEALTH INSURANCE CLAIMS

Last 5 Years

MONTH	MEDICAL CLAIMS					DRUG CLAIMS					CURRENT YEAR TOTAL
	2008 CLAIMS	2009 CLAIMS	2010 CLAIMS	2011 CLAIMS	2012 CLAIMS	2008 DRUGS	2009 DRUGS	2010 DRUGS	2011 DRUGS	2012 DRUGS	
JANUARY	888,408.55	827,666.65	801,436.77	1,234,669.69	1,100,449.57	355,697.16	389,124.56	335,446.06	331,655.32	380,509.58	1,480,959.15
FEBRUARY	863,222.32	1,067,061.73	977,792.41	678,161.83	1,222,880.65	358,927.20	340,880.69	303,838.61	330,489.79	361,178.61	1,584,059.26
MARCH	793,219.61	1,290,192.70	1,148,186.40	949,937.52	1,359,088.68	364,444.39	380,512.46	357,544.97	365,427.67	371,024.67	1,730,113.35
APRIL	1,048,479.37	915,593.34	1,215,446.70	1,327,399.31	1,453,292.68	358,099.80	392,631.97	346,143.11	342,566.68	368,588.37	1,821,881.05
MAY	1,161,418.71	1,019,277.90	702,635.26	1,134,964.13	1,334,579.59	353,874.37	373,346.72	327,234.36	381,380.26	430,286.34	1,764,865.93
JUNE	1,059,711.97	1,205,329.29	1,304,337.72	1,265,561.60	1,248,652.10	358,405.78	368,877.95	340,637.60	351,733.92	369,188.99	1,617,841.09
JULY	1,033,839.80	955,162.92	1,010,845.69	1,297,361.73	1,219,884.23	351,703.29	392,202.73	364,114.39	346,092.46	369,026.05	1,588,910.28
AUGUST	956,377.80	915,279.37	1,042,775.55	1,169,698.92	983,419.56	347,815.20	375,615.25	335,099.46	372,221.79	393,628.85	1,377,048.41
SEPTEMBER	873,659.98	860,647.02	910,166.98	1,243,901.47	1,326,819.12	368,738.02	388,341.38	313,318.44	392,179.25	348,781.55	1,675,600.67
OCTOBER	863,499.09	1,166,014.52	1,348,344.90	1,944,341.14	0.00	372,829.47	384,519.32	330,875.83	347,749.90	0.00	0.00
NOVEMBER	1,253,679.96	1,291,212.94	1,313,610.84	1,235,709.23	0.00	333,680.21	368,163.32	355,540.72	379,396.77	0.00	0.00
DECEMBER	963,969.48	1,585,589.06	1,469,666.01	1,253,016.54	0.00	391,372.36	448,743.95	345,656.11	357,759.00	0.00	0.00
YTD Subtotal*	8,678,338.11	9,056,210.92	9,113,623.48	10,301,656.20	11,249,066.18	3,217,705.21	3,401,533.71	3,023,377.00	3,213,747.14	3,392,213.01	14,641,279.19
Annual Total	11,759,486.64	13,099,027.44	13,245,245.23	14,734,723.11	11,249,066.18	4,315,587.25	4,602,960.30	4,055,449.66	4,298,652.81	3,392,213.01	
STOP-LOSS	-377,010.00	-115,382.00	-80,417.00	-202,550.88	-219,194.28						
	11,382,476.64	12,983,645.44	13,164,828.23	14,532,172.23	11,029,871.90						
YTD Average*	964,259.79	1,006,245.66	1,012,624.83	1,144,628.47	1,249,896.24	357,522.80	377,948.19	335,930.78	357,083.02	376,912.56	
Annual AVG w/SL	948,539.72	1,081,970.45	1,097,069.02	1,211,014.35	1,225,541.32	359,632.27	383,580.03	337,954.14	358,221.07	376,912.56	
MEDICAL CLAIMS YTD						DRUG CLAIMS YTD					
2012	11,249,066.18					2012	3,392,213.01				
2011	10,301,656.20					2011	3,213,747.14				
	<u>947,409.98</u>						<u>178,465.87</u>				
		9.20% INCREASE						5.55% INCREASE			

* YTD for previous years is based on number of months of current year.

CITY OF DULUTH

YTD TOTAL MEDICAL CLAIMS COMPARED TO PROJECTED MEDICAL CLAIMS

MONTH	PROJECTED	ACTUAL	YTD PERCENT	
			PROJECTED	ACTUAL
JANUARY	1,165,690.35	1,100,449.57	7.5%	7.1%
FEBRUARY	1,150,147.81	1,222,880.65	7.4%	7.9%
MARCH	1,212,317.96	1,359,088.68	7.8%	8.7%
APRIL	1,305,573.19	1,453,292.68	8.4%	9.4%
MAY	1,196,775.43	1,334,579.59	7.7%	8.6%
JUNE	1,398,828.42	1,248,652.10	9.0%	8.0%
JULY	1,227,860.50	1,219,884.23	7.9%	7.8%
AUGUST	1,181,232.89	983,419.56	7.6%	6.3%
SEPTEMBER	1,150,147.81	1,326,819.12	7.4%	8.5%
OCTOBER	1,523,168.72	0.00	9.8%	0.0%
NOVEMBER	1,507,626.19	0.00	9.7%	0.0%
DECEMBER	1,523,168.72	0.00	9.8%	0.0%
YTD SUBTOTAL	15,542,538.00	11,249,066.18	100.0%	

2012 PROJECTED MEDICAL CLAIMS 15,542,538.00

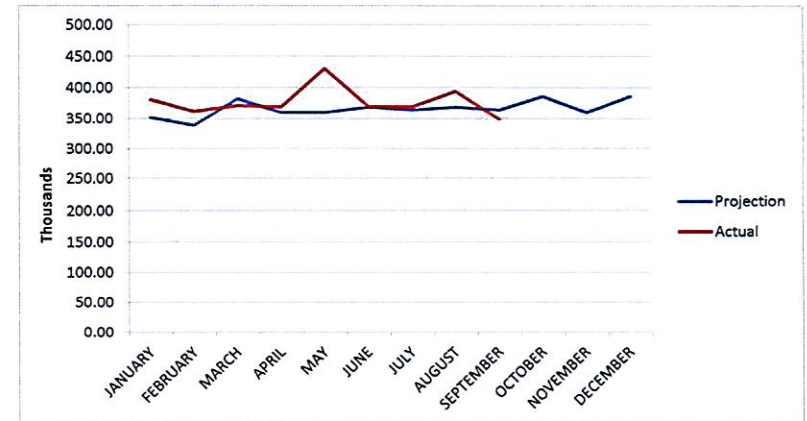


CITY OF DULUTH

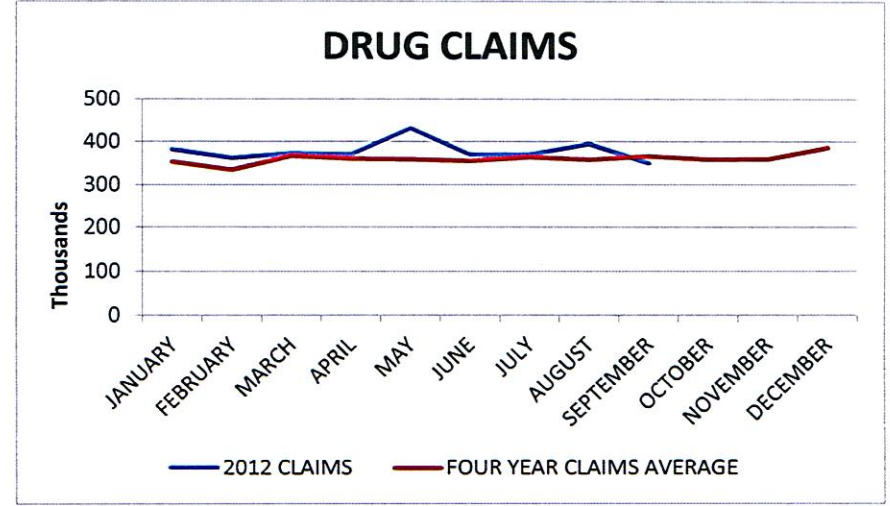
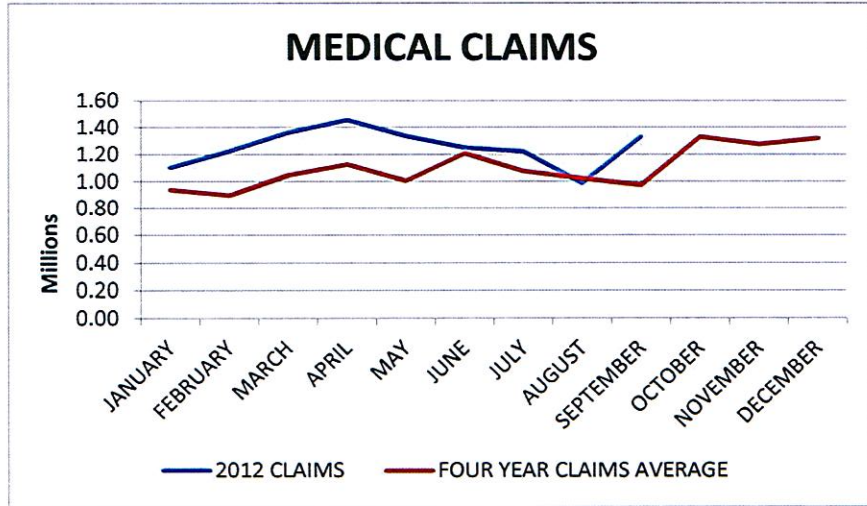
YTD TOTAL DRUG CLAIMS COMPARED TO PROJECTED DRUG CLAIMS

MONTH	PROJECTED	ACTUAL	YTD PERCENT	
			PROJECTED	ACTUAL
JANUARY	350,708.40	380,509.58	8.0%	8.7%
FEBRUARY	337,556.84	361,178.61	7.7%	8.2%
MARCH	381,395.39	371,024.67	8.7%	8.5%
APRIL	359,476.11	368,588.37	8.2%	8.4%
MAY	359,476.11	430,286.34	8.2%	9.8%
JUNE	368,243.82	369,188.99	8.4%	8.4%
JULY	363,859.97	369,026.05	8.3%	8.4%
AUGUST	368,243.82	393,628.85	8.4%	9.0%
SEPTEMBER	363,859.97	348,781.55	8.3%	8.0%
OCTOBER	385,779.24	0.00	8.8%	0.0%
NOVEMBER	359,476.11	0.00	8.2%	0.0%
DECEMBER	385,779.24	0.00	8.8%	0.0%
YTD SUBTOTAL	4,383,855.00	3,392,213.01	100.0%	

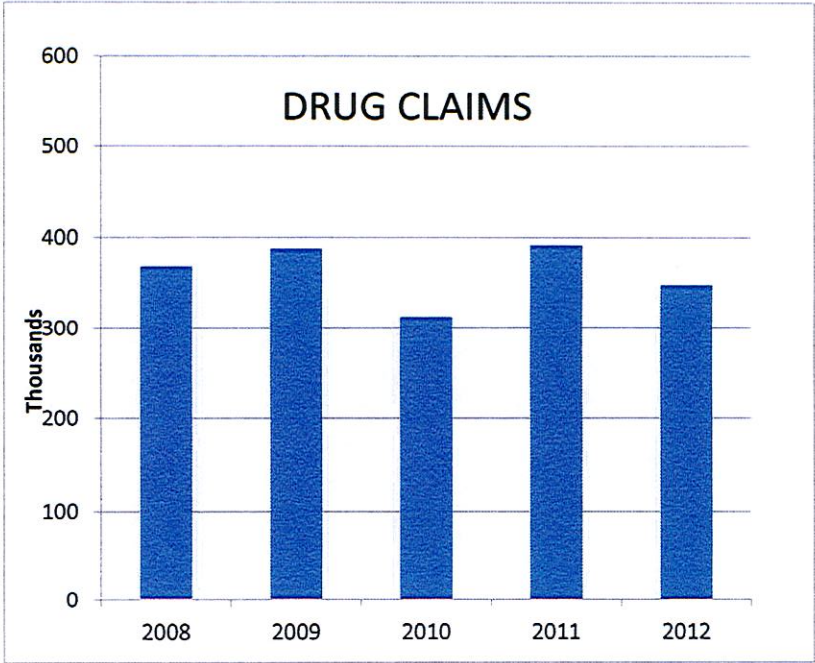
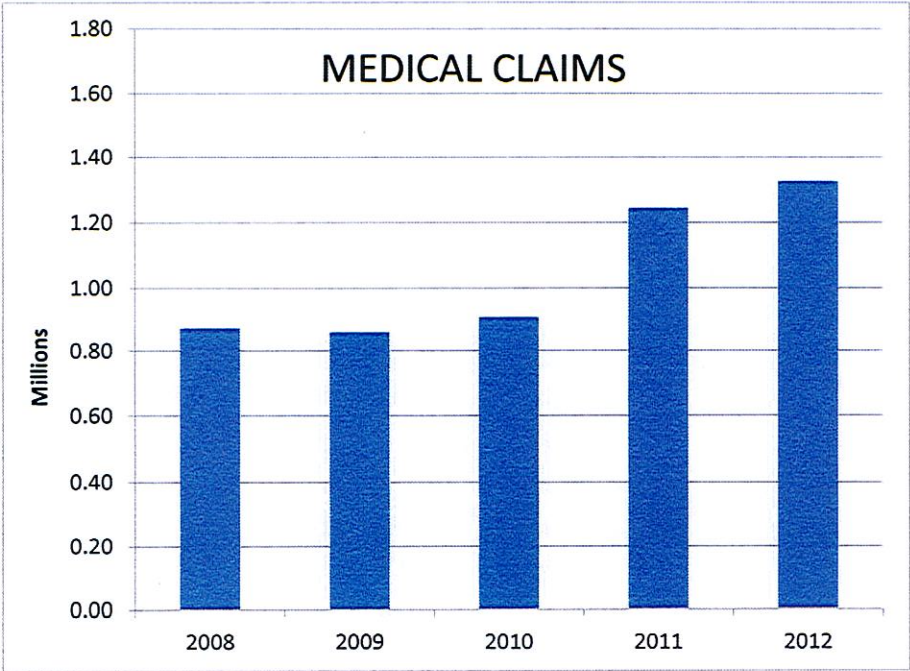
2012 PROJECTED DRUG CLAIMS 4,383,855.00



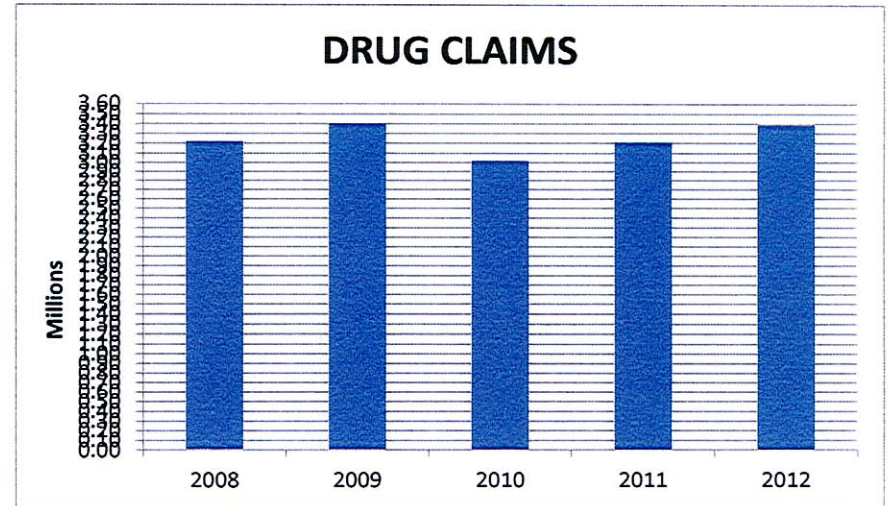
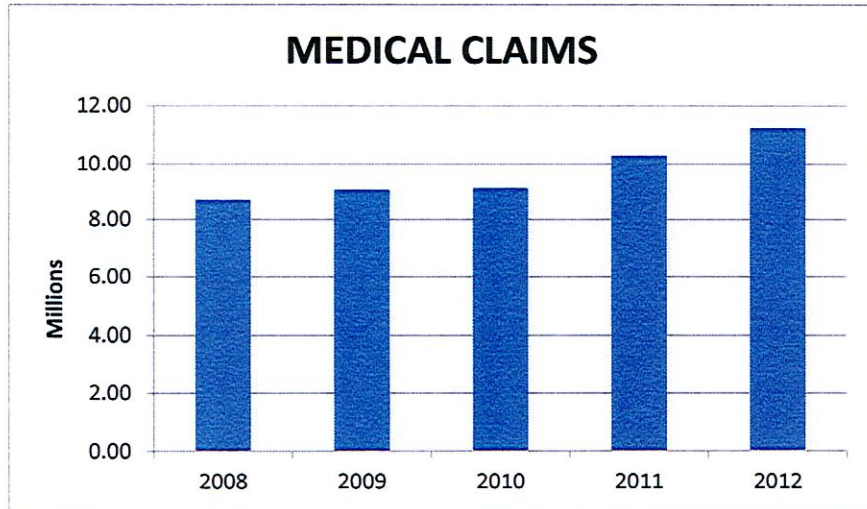
2012 CLAIMS



SEPTEMBER CLAIMS



YEAR TO DATE - JANUARY THRU SEPTEMBER



Duluth JPE
HealthPartners Freedom and Retiree National Choice
Medical and Prescription Drug Plan Overview with Wrap
Effective 1/1/2013

Benefit/Service within U.S.	HealthPartners Freedom and Retiree National Choice with Wrap
Lifetime maximum	Unlimited
Annual deductible	\$250 Annual Combined for outpatient services for illness and injury
Monthly premium	\$240.00
Annual out-of-pocket maximum	\$1,250 (Medical only)
Preventive Health Care	
Routine physical, eye and hearing exams	100% coverage, not subject to deductible
Immunizations	100% coverage, not subject to deductible
Hearing	100% coverage, not subject to deductible
Vision	100% coverage, not subject to deductible
Office Visits	
For illness or injury	80% coverage after deductible
Chiropractic care	80% coverage after deductible
Mental health care	80% coverage after deductible
Podiatry	80% coverage after deductible
Inpatient Hospital Care	
For illness or injury	\$50 copay, not subject to deductible
Mental health care	\$50 copay, not subject to deductible
Chemical health care	\$50 copay, not subject to deductible
Skilled nursing facility	100% coverage
Emergency Care	
Emergency room	80% coverage not subject to deductible
Urgently needed care	80% coverage after deductible
Ambulance	80% coverage not subject to deductible
Outpatient Medical Services and Supplies	
Physical/occupational therapy	80% coverage after deductible
Speech/language therapy	80% coverage after deductible
Durable medical equipment	80% coverage not subject to deductible
Prosthetics	80% coverage not subject to deductible
Diabetes self-monitoring training, nutrition therapy	100% coverage
Diabetes supplies	80% coverage not subject to deductible
Diagnostic tests, radiology, lab services	80% coverage not subject to deductible
Drug Benefit, Retail Pharmacy	
Generic drugs	\$0 copay
Preferred brand drugs	\$15 copay
Non-preferred brand drugs	\$30 copay
Specialty drugs	\$30 copay

HealthPartners is a health plan with a Medicare contract.

The benefit information provided herein is a brief summary, not a comprehensive description of benefits. For more information refer to your Summary of Benefits or Evidence of Coverage or call Member Services at 952-883-7979 or 1-800-233-9645. Benefits, formulary, pharmacy network, premiums and/or copayments may change on January 1, 2012.

You may be able to get Extra Help to pay for your prescription drug premiums and costs. To see if you qualify for Extra Help, call:

- 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048, 24 hours a day/7 days a week.
- The Social Security Office at 1-800-772-1213 between 7 a.m. and 7 p.m., Monday through Friday. TTY users should call 1-800-325-0778.
- Or your Medicaid Office.



DULUTH JPE TRUST 2013 MEDICAL RENEWAL EXECUTIVE SUMMARY



PLAN ANALYSIS:

The Duluth JPE is renewing its Third Party Administrative Services (TPA) and Stop Loss Insurance contracts with HealthPartners for 2013. Clear Script continues to administer the pharmacy services in 2013 for active employees and under 65 retirees. A Medicare Supplement Plan is being proposed for retirees over age 65.

The city's top five (5) Major Diagnostic Categories (MDCs) during the most recent two times periods are consistent:

2011

- 19% Musculoskeletal System
- 14% Circulatory System
- 10% Factors Influencing Health Status
- 7% Nervous System
- 7% Digestive System

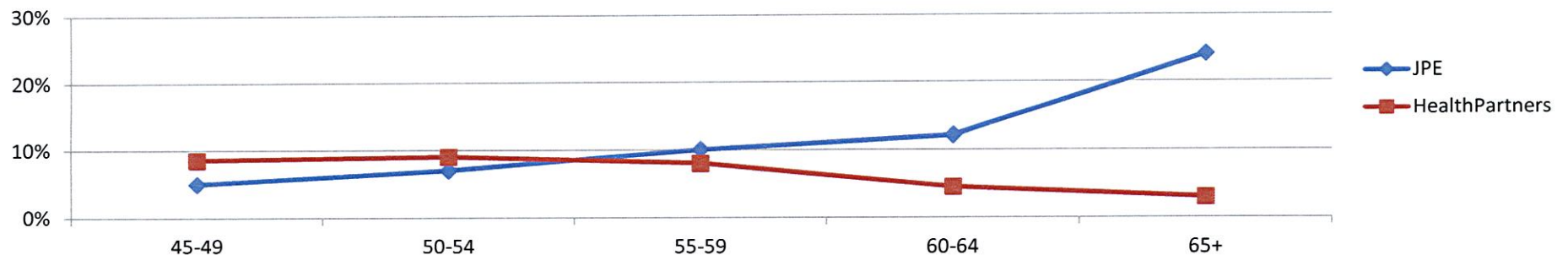
2012 YTD

- 21% Musculoskeletal System
- 15% Malignant Neoplasms
- 10% Factors Influencing Health Status
- 8% Nervous System
- 6% Circulatory System

The Plan currently has nine (9) cancer claims for a total of \$1,993,804 paid year to date.

From a demographic perspective, the Plan's population on the medical plan is significantly older than HealthPartners's Public Employer Book of Business. This negatively impacts the medical and pharmacy costs for the Plan. The most costly age group on every medical plan is members forty (40) years of age and older. The Plan demographics are as follows:

Age Distribution	45-49	50-54	55-59	60-64	65+	Total
Duluth JPE	5%	7%	10%	12%	24%	48%
HealthPartners	8.5%	9%	8%	4.5%	3%	33%





Key Observations from the Renewal Analysis

Historical Review

For the 2009 - 2011 renewals the Health Insurance Committee made the decision to adopt a 0% increase each year as part of a plan to reduce the accumulated excess reserves in the self-insurance fund. For the 2012 renewal the Duluth JPE was presented with a calculated renewal increase of 21.5%. The Duluth JPE made the decision to adopt a 15% increase in order to mitigate the cost to active employees. The Duluth JPE determined that the 15% increase was the minimum necessary to preserve the self-insurance fund and to bring the premiums up closer to actual plan costs. The illustration below displays the 2012 Renewal Projections as developed by CBIZ Actuary Services.

<u>Costs for the 2011 Plan Year</u>	<u>PEPM (Per Employee Per Month)</u>				<u>Annual Cost</u>
Based on 2011 Funding	\$765.57				\$17,242,000
<u>Costs for Plan Year Starting January 1, 2012</u>	<u>PEPM</u>	<u>Change from Current Year</u>	<u>Annual Cost</u>	<u>Change from Current Year</u>	
Expected	\$930.08	21.5%	\$20,949,200	21.5%	
<i>2012 Actual and Projection</i>	<i>\$944.67</i>		<i>\$21,632,782</i>		

Estimated 2012 Funding Shortfall \$1,440,302 or 7.5%

CBIZ proposes that the Post 65 retired members transition to a Medicare Supplement Plan. The Post 65 retired members will be placed in a freestanding, fully-insured Medicare Supplement Plan in which members' benefits match or exceed the active Plan. We will illustrate in the following pages how this option lowers future claim costs of the Plan. In addition CBIZ is recommending lowering the specific stop loss level to \$300,000. Although there is an increase to the fixed costs, the aggregate attachment point is lower, thereby mitigating the increased fixed fee cost. The lower attachment point provides increased protection to the JPE.



2013: Financial Review

Claim Projections

	2012 Entire Population	2013 Entire Population	2012 Actives & Under 65 Retirees	2013 Actives & Under 65 Retirees	2013 Medicare Retirees
Fixed Costs	\$1,648,702	\$1,730,150	\$1,291,820	\$1,564,680	
RX Claim Costs	\$4,634,970	\$4,870,302	\$2,556,767	\$2,782,068	
Medical Claims Costs	\$15,349,110	\$17,586,532	\$13,437,716	\$14,000,000**	
Total Costs	\$21,632,782	\$24,186,984	\$17,286,303	\$18,346,750	\$2,335,680
				$\underbrace{\hspace{10em}}_{\$20,672,555}$	
<u>Revenue Projections</u>					
Revenue	\$20,192,480*	\$24,312,000 21% increase	\$15,164,564	\$18,414,600	\$2,335,680
			$\underbrace{\hspace{10em}}_{21\% \text{ Increase}}$		
				$\underbrace{\hspace{10em}}_{\$20,750,285}$	
2.7% Overall Increase					

Five (5) year average annual rate increase from 2009-2013 has been 7.2% in a time when trend has been 9.6%

* less additional revenue i.e. Medicare Part D reimbursements and ERRP reimbursements.

** only funding to the aggregate attachment point as established by HealthPartners. The expected medical claim cost is \$15.3M

HealthPartners Freedom Plan

Medicare Eligible Retirees will be enrolled in HealthPartners Freedom Plan. They will receive new medical cards indicated that they are under a new plan. The new Medicare plan with HealthPartners will also be providing both the prescription coverage and the medical coverage. It is the same network.



Monthly Medical Premium Rates

	<u>Current</u>	<u>2013</u>
<u>Active & Under 65 Retirees</u>		
Single	\$546.34	\$660.00
Family	\$1,345.75	\$1,628.00
 <u>Medicare</u>		
Single	\$443.84	\$240.00
Retiree + Spouse Over 65	\$866.12	\$480.00
1 over 65 + 1 under 65	\$968.61	\$900.00
Family (at least 1 over 65)	\$1,276.00	\$1,208.00



General Information on HealthPartners Freedom Plan

The Freedom Plan is a Medicare Cost product. Under this arrangement, members must have both Parts A and B. Medicare pays primary on all Part A services and HealthPartners pays primary on all Part B and D services. Because Medicare believes that HealthPartners does a better job of managing member health than Medicare can do on their own, they also pay HealthPartners a capitation amount every month for each enrolled participant. The cost savings of the Coordination of Benefits (COB) and the capitation, results in a significant reduction in the premium needed. Lastly, under the Cost contract, all rates employers are “pooled”, no individual group is rated on its own but rather a rate is set (and approved by CMS) for the entire pool/community. Our Freedom pool/community is made up of approximately 50,000 contracts. This allows for a very stable pool and risk calculation.

Additionally, the reason the cost for an employer to cover their Medicare Retirees is typically higher than a Medicare Plan is because Medicare sets the COB rules associated with commercial plans. When a retiree is covered under an employer plan, there are instances when the employer plan pays primary. These COB rules, as defined by Medicare are in place to pass the risk (or portions of it) on to the employer.

Joint Powers Pool Board

2013 MEETING DATES

- **February 6, 2013, 10:30 a.m.**
 - **Duluth Airport Authority Board Room**
- **March 13, 2013, 10:30 a.m.**
 - **Housing & Redevelopment Authority**
- **April 3, 2013, 10:30 a.m.**
 - **DECC Business Office Conference Room**
- **July 10, 2013, 10:30 a.m.**
 - **City Hall 402 Conference Room**
- **September 11, 2013, 10:30 a.m.**
 - **City Hall 402 Conference Room**
- **October 9, 2013, 9:30 a.m.**
 - **City Hall 402 Conference Room**

