

LRB-Research & Analysis Section

Finance & Personnel Committee
File: 080491

July 21, 2008
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Title

Resolution authorizing the City to provide an additional health care plan for City Medicare retirees only.

Introduction

This resolution authorizes the Department of Employee Relations in cooperation with Employees' Retirement System and the City Attorney's Office to provide an additional healthcare to City Medicare retirees with comparable benefits and network characteristics, at a lower premium cost.

Background

This resolution addresses only single Medicare retirees and Medicare retirees whose spouses are also Medicare-eligible and who have no dependents. This category of City retiree will be referred simply as "Medicare-eligible retirees," "Medicare retirees" or "retirees" throughout the remainder of this Fiscal Analysis.

The City offers Medicare-eligible retirees supplemental healthcare benefits under the City's Basic Plan, administered by Anthem, and through the City's Health Maintenance Organization ("HMO") administered by United Healthcare. The City pays 25% of the cost of retiree premiums for these programs. In 2008, Medicare retirees paid \$340.77 per month (single coverage) and \$681.54 per month for a couple.

The DER notes that have recently been opting out of City healthcare plans to save money, switching primarily to two private supplemental plans which are part of the U.S Government's initiative to privatize certain Medicare services. Under United Healthcare's Secure Horizons Complete plan, retirees pay no premiums (premiums are paid by Medicare). Under Humana's Gold Advantage plan (also subsidized by Medicare) retirees pay \$110 per month for more extensive benefits. The entire premium for these supplemental plans is borne by the retirees as the City pays no portion of the premiums for these private plans.

Retirees who opt out of City healthcare benefit plans are free to re-enroll in a City plan during open enrollment each Fall.

DER notes the reason retirees switch from City plans to these private plans is purely to save money on monthly premiums because the benefits and the network structure offered are less attractive than benefits provided by the City's plans.

Secure Horizons Medicare Complete has proposed a plan which offers benefits and network characteristics similar to City supplemental healthcare plans for Medicare retirees for \$267.85 per month for single retirees and \$535.70 per month for couples, approximately \$72 and \$144 respectively saved each month.

Discussion

Retirees have asked the City to find a supplemental healthcare plan that offers benefits similar to benefits available to them under City plans, but at a lower monthly premium.

This resolution will allow the City to offer Medicare retirees a Medicare supplement healthcare plan with premiums which are equal to or lower than plans currently offered by the City with comparable benefits and network coverage.

As discussed in the Fiscal Impact section on page 2, this will be at no additional cost to the City and will provide Medicare retirees with a valued healthcare benefit.

Fiscal Impact

Because the City currently pays 25% of Medicare retirees healthcare benefits, and no plan with premiums greater than City plans currently offered to these retirees will be offered under this resolution, DER estimates no fiscal impact from this resolution. However, the DER recognizes the City's healthcare costs will be reduced to the extent Medicare retirees opt for less costly plans offered by the City.