

# **Health Insurance Fund**

## **Mission Statement**

It is the mission of the Health Insurance Fund is to provide health insurance benefits for City employees, City retirees, and outside participants through a self-insured plan (since 1978) financed by employer and partial premiums for employees in addition to those by retirees and outside participants.

**Primary Functions** → The primary function of the health insurance fund is to account for all health insurance costs including medical dental expenses, administrative expenses and excess coverage policies.

## **Fund Highlights**

With health insurance costs continuing to escalate as a percentage of the City's cost of doing business, the City refined its traditional PPO plan and introduced a new health savings account (HSA) offering in 2007. A multi-year schedule designed to increase employee deductibles and co-pays was approved. For 2009, the City secured new agreements for the dental, life insurance, health savings account, and flex care programs. In 2011, a change in network and third party administrators was expected to save \$800,000. With these changes, the City continues to offer its employees excellent health insurance at a reasonable cost.

The City will work to maintain a 25% reserve for this fund.

# Health Insurance Fund

## Budget Summary

<b>HEALTH INSURANCE FUND BUDGET SUMMARY</b>					
<b>APPROPRIATION</b>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	2011 <u>ACTUAL</u>	2012 <u>BUDGET</u>	INCREASE <u>(DECREASE)</u>
CONTRACTUAL	\$18,617,789	\$20,455,600	\$18,386,646	\$21,413,400	\$957,800
SUPPLIES	187	0	16,513	0	0
OTHER EXPENSE	<u>108,500</u>	<u>1,212,100</u>	<u>1,212,100</u>	<u>115,500</u>	<u>(1,096,600)</u>
TOTAL	<u>\$18,726,476</u>	<u>\$21,667,700</u>	<u>\$19,615,259</u>	<u>\$21,528,900</u>	<u>(\$138,800)</u>
<b>FUNDING SOURCE</b>		2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>	2012 <u>AMOUNT</u>	2012 <u>PERCENTAGE</u>
EMPLOYER CONTRIBUTIONS		<u>\$17,115,532</u>	<u>80.0</u>	<u>\$18,327,118</u>	<u>81.8</u>
TOTAL CITY CONTRIBUTION		<u>17,115,532</u>	<u>80.0</u>	<u>18,327,118</u>	<u>81.8</u>
EMPLOYEE PREMIUMS		1,102,206	5.2	1,110,330	5.0
RETIRES		2,616,060	12.2	2,377,692	10.6
OUTSIDE AGENCIES		32,136	0.2	33,696	0.2
OTHER		<u>500,000</u>	<u>0.1</u>	<u>500,000</u>	<u>2.2</u>
		<u>4,250,402</u>	<u>17.7</u>	<u>4,021,718</u>	<u>18.0</u>
INTEREST INCOME		<u>28,800</u>	<u>0.0</u>	<u>54,500</u>	<u>0.2</u>
TOTAL		<u>\$21,394,734</u>	<u>97.7</u>	<u>\$22,403,336</u>	<u>100.0</u>

## Budget Analysis

After several deficit years, experience since 2008 has been positive allowing the fund balance to once again be positive after eight deficit years. This is a result of premium increases as well as increased employee participation. As the schedule below illustrates, the ratio has ranged from 84% to 128%.

# Health Insurance Fund

	<u>REVENUE</u>	<u>EXPENSE</u>	<u>NET</u>	<u>BALANCE</u>	<u>BALANCE %</u>	<u>RATIO</u>	<u>% INC(DEC)</u>
1988	2,777,020	2,549,611	227,409	560,612		91.8	10 ALL
1989	3,144,942	2,967,420	177,522	738,134	18.9	94.4	10 ALL
1990	3,176,403	3,365,489	(189,086)	549,048	21.9	106.0	0
1991	3,483,241	4,452,611	(969,370)	(420,322)	12.3	127.8	10 ALL
1992	4,095,408	4,954,672	(859,264)	(1,279,586)	(8.5)	121.0	25 ALL
1993	5,296,853	5,404,698	(107,845)	(1,387,430)	(23.7)	102.0	25 ALL
1994	6,392,149	5,364,154	1,027,995	(359,435)	(25.9)	83.9	25 ALL
1995	6,359,549	5,500,937	858,612	499,177	(6.5)	86.5	0
1996	6,535,598	6,124,402	411,196	910,373	8.2	93.7	0
1997	7,367,537	7,645,259	(277,722)	632,651	11.9	103.8	5 ALL
1998	7,217,807	7,652,194	(434,387)	198,264	8.3	106.0	0
1999	7,564,951	7,613,746	(48,795)	149,468	2.6	100.6	5 ALL
2000	8,076,883	9,246,188	(1,169,305)	(1,019,837)	1.6	114.5	5 ALL
2001	10,042,763	10,374,979	(332,216)	(1,352,053)	(9.8)	103.3	20 ALL
2002	11,538,109	12,533,560	(995,451)	(2,347,504)	(10.8)	108.6	20 ALL
2003	13,260,622	12,542,048	718,574	(1,628,930)	(18.7)	94.6	20 ALL
2004	15,020,931	15,513,193	(492,262)	(2,121,192)	(10.5)	103.3	10 ALL
2005	16,122,114	16,816,537	(694,423)	(2,815,615)	(12.6)	104.3	5 ALL
2006	18,135,153	17,364,862	770,291	(2,045,324)	(16.2)	95.8	15 ALL
2007	19,324,075	17,904,315	1,419,760	(625,564)	(11.4)	92.7	10 ALL
2008	20,671,082	19,308,042	1,363,040	737,476	(3.2)	93.4	5 ALL
2009	21,156,324	19,641,928	1,514,396	2,251,872	3.8	92.8	5 ALL
2010	20,381,094	18,726,289	1,654,805	3,906,677	12.0	91.9	5 ALL
2011	20,915,957	19,615,259	1,300,698	5,207,375	19.9	93.8	5 ALL
2012	22,403,336	21,528,900	874,436	6,081,811	24.2	96.1	5 ALL
2013	23,428,978	23,464,300	(35,322)	6,046,489	25.9	100.2	5 ALL
2014	25,556,878	25,572,700	(15,822)	6,030,667	23.6	100.1	10 ALL
2015	27,896,578	27,899,600	(3,022)	6,027,645	21.6	100.0	10 ALL
2016	30,471,778	30,421,700	50,078	6,077,723	19.8	99.8	10 ALL
2017	33,304,078	33,176,900	127,178	6,204,901	18.3	99.6	10 ALL

## Five Year Financial Forecast

The 2013-2017 five year plan assumes that medical costs will increase up to 10% annually and that the revenue mix of employer, employee, and third party contributions will continue to evolve in order to continue a financially viable plan. Revenue increases are anticipated to be 5% to 10% per year for 2013-2017. Full participation in the plan by the two public safety unions would be beneficial for all employees as well as for Rockford taxpayers. As information evolves about the new federal health insurance program, changes will be made to the City's program. Those changes are anticipated to add cost to the City's plan.

HEALTH INSURANCE FUND 2013-2017 FINANCIAL FORECAST (IN 000'S)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues	\$23,429	\$25,557	\$27,897	\$30,472	\$33,304
Expenses	23,464	25,573	27,900	30,422	33,177
Excess (Deficit)	(35)	(16)	(3)	50	127
Beginning Balance	4,504	4,469	4,453	4,450	4,500
Ending Balance	\$4,469	\$4,453	\$4,450	\$4,500	\$4,627
Rate Increase	5.0	10.0	10.0	10.0	10.0
Reserve Percentage	19.2	17.5	16.0	14.6	13.6