

# 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/FUND HIGHLIGHTS**

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.

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 saved additional funds. 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**

	2011	2012	2012	2013	INCREASE
<b>APPROPRIATION</b>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ESTIMATE</u>	<u>BUDGET</u>	<u>(DECREASE)</u>
CONTRACTUAL	\$18,109,845	\$21,413,400	\$19,051,423	\$21,627,400	\$214,000
SUPPLIES	16,513	0	0	500	500
OTHER EXPENSE	<u>1,212,100</u>	<u>115,500</u>	<u>155,360</u>	<u>179,075</u>	<u>63,575</u>
TOTAL	<u>\$19,338,458</u>	<u>\$21,528,900</u>	<u>\$19,206,783</u>	<u>\$21,806,975</u>	<u>\$278,075</u>

	2010	2011	2012	2013	INCREASE
<b>FUNDING SOURCE</b>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>(DECREASE)</u>
EMPLOYER PREMIUMS	\$16,432,026	\$17,044,452	\$19,000,118	\$18,839,081	(\$161,037)
EMPLOYEE PREMIUMS	1,186,858	1,067,685	1,110,330	1,094,665	(15,665)
RETIREES	2,091,159	2,269,368	2,377,692	1,987,990	(389,702)
OUTSIDE AGENCIES	0	10,714	33,696	0	(33,696)
OTHER	630,072	330,412	(173,000)	(112,000)	61,000
INTEREST INCOME	<u>37,077</u>	<u>241,958</u>	<u>54,500</u>	<u>96,100</u>	<u>41,600</u>
TOTAL	\$20,377,192	\$20,964,589	\$22,403,336	\$21,905,836	(\$497,500)

## **BUDGET HIGHLIGHTS**

- Minimal growth in expenses over 2012 reflects the continued impact of the decision to implement Blue Cross Blue Shield as both network and third party administrator. Wellness efforts are also impacting claims expenses.
- Revenue reflects no change in premiums from 2012, and changes in coverage elections from year to year. In addition, the number of retirees on the plan decreases for 2013.

# **Health Insurance Fund**

## **HEALTH INSURANCE FUND FIVE YEAR FINANCIAL FORECAST (IN 000'S)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues	\$23,899	\$26,068	\$28,456	\$31,081	\$33,969
Expenses	<u>23,797</u>	<u>25,979</u>	<u>28,369</u>	<u>30,994</u>	<u>33,868</u>
Excess (Deficit)	<u>102</u>	<u>89</u>	<u>87</u>	<u>87</u>	<u>101</u>
Beginning Balance	<u>6,503</u>	<u>6,605</u>	<u>6,695</u>	<u>6,781</u>	<u>6,869</u>
Ending Balance	<u>\$6,605</u>	<u>\$6,694</u>	<u>\$6,782</u>	<u>\$6,868</u>	<u>\$6,970</u>
Rate Increase	10.0	10.0	10.0	10.0	10.0
Reserve Percentage	27.3	25.4	23.6	21.9	20.3

The 2014-2018 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 2014-2018. 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.