

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-461
OCTOBER 28, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
RETIREE HEALTH INSURANCE PREMIUMS	◆ RESOLUTION ORDINANCE RECEIVE/FILE	MARK DURHAM ACTING FINANCE DIRECTOR

SYNOPSIS —

Every year the City reviews the past year's health insurance costs for retired personnel in order to establish the next year's premium. For the period December 1, 1996 to September 30, 1997, it is proposed that the premiums be adjusted as per the attached premium schedule. This schedule shows the current premiums and the proposed premiums. There are no changes proposed to the level of benefits to be provided.

FISCAL IMPACT —

The costs are paid the from the Trust and Agency Fund and are included in the FY1996-97 Operating Budget, page 311. Reimbursements in the form of premiums are received from those retired personnel participating in the plans and deposited back in the Trust and Agency Fund.

RECOMMENDATION —

Approval of the proposed premium rates.

BACKGROUND —

On June 20, 1994, Roll Call No. 94-2354, the City Council approved retiree premiums for FY1994-95. The retiree cost experience at the end of FY1994-95 was such that the rates were not changed for FY1995-96, and no Council action was required. Upon reviewing the cost experience at the end of FY1995-96, it was found that the costs for single retirees over the age of 65 had increased the most and that to apply the projected inflation factor to calculate anticipated claims would increase their monthly premium by approximately 35 percent.

The City Manager held several meetings with staff, the City Council Employee Benefits Subcommittee, Council Members Vlassis and Hensley, and the retiree group's Health Insurance Committee to determine what approach to take to calculate premiums. The Council members' direction, concurred with by staff, was to base premiums for the next fiscal year on actual costs of the prior year, with no factor for inflation being included. While this methodology will result in the City being one year behind in collecting the cost increases experienced in a given fiscal year, it ensures that City retirees are not overcharged for health insurance benefits because the factor used to project inflation was greater than what is actually experienced. By calculating premiums based only on actual costs for last fiscal year, the cost increase for single retirees over age 65 for FY1996-97 is reduced from 35 to 28 percent.

Attachment

October 28, 1996

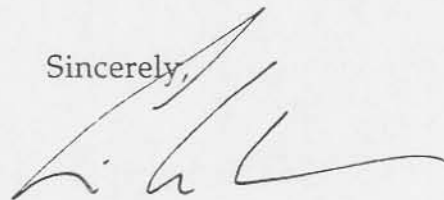
The Honorable Mayor
and
Members of the City Council
City of Des Moines, Iowa

Re: Agenda Item No. 49
October 28, 1996, Council Meeting
Correction to Premium Schedule

Enclosed is the blue letter for the above item with a revised schedule attached. Please substitute it for the one you received previously.

Inadvertently, the number of members enrolled in the Over/Under 65 age group were also included in the member counts for the Over 65 age group and the Under 65 age group. The revised premium schedule corrects those member counts (shaded for easy identification). The corrections did not affect the calculation of the premiums proposed.

Sincerely,



Eric A. Anderson
City Manager

EAA/lf

Enclosure



OFFICE OF THE CITY MANAGER
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DES MOINES, IOWA 50309 - 1591
(515) 283-4141

ALL-AMERICA CITY 1949, 1975, 1981

RETIREE HEALTH INSURANCE PREMIUMS (12/1/96 - 9/30/97):					
Medical, Dental, Drug Over 65		FY 95/96	FY 95/96 Actual	FY 96/97	Premium Percent
		Current	Cost Per	Proposed	Change
TRADITIONAL		Premium	Employee	Premium	+ or -
PLAN	Members				
Total	370		238.11		
Single	288	150.00	191.80	192.00	28%
Family	82	310.00	290.34	291.00	-6%
COMPREHENSIVE					
PLAN					
Total	257		204.71		
Single	114	130.00	164.34	165.00	27%
Family	143	225.00	247.83	248.00	10%
Total Members	627				
RETIREE HEALTH INSURANCE PREMIUMS (12/1/96 - 9/30/97):					
Under 65		FY 95/96	FY 95/96 Actual	FY 96/97	Premium Percent
		Current	Cost Per	Proposed	Change
TRADITIONAL		Premium	Employee	Premium	+ or -
PLAN	Members				
Total	125		426.64		
Single	38	270.00	223.38	224.00	-17%
Family	87	550.00	476.27	477.00	-13%
COMPREHENSIVE					
PLAN					
Total	171		368.33		
Single	68	210.00	192.89	193.00	-8%
Family	103	415.00	406.56	407.00	-2%
Total Members	296				
RETIREE HEALTH INSURANCE PREMIUMS (12/1/96 - 9/30/97):					
Over/Under 65		FY 95/96	FY 95/96 Actual	FY 96/97	Premium Percent
		Current	Cost Per	Proposed	Change
TRADITIONAL		Premium	Employee	Premium	+ or -
PLAN	Members				
Total					
Family	34	420.00	415.18	416.00	-1%
COMPREHENSIVE					
PLAN					
Total					
Family	63	340.00	357.23	358.00	5%
Total Members	97				
Grand Total Members	1020				
NOTE: Comprehensive Plan equals a 15% discount for single and 16% discount for family					