

TO: Municipal Accountability Review Board
FROM: Michael Milone
DATE: Feb. 23, 2020
SUBJECT: State Partnership

Honorable Members,

I am writing to summarize the status of the estimated costs for medical benefit coverage for the city (and Allingtown Fire and Sewer Dept) and the Board of Education for FY '21 for active employees as well as pre 65 retirees and post 65 retirees. City and BOE Executive staff, Lockton representatives (City's benefit consultant) and the city's Anthem representative met on February 19 to review the multitude of issues impacting FY 21 rates and the associated operational implications.

One lingering issue was immediately resolved when Anthem confirmed that they will continue to provide coverage to City pre 65 retirees even if the BOE transitions to the State Partnership Plan. Previously, Anthem was somewhat unwilling to continue handling this coverage.

Unfortunately, since we still do not yet have the July 1, 2020 rates for the State Partnership Plan, any analysis of comparative rates is based on estimates of possible rate changes.

The City will again analyze the comparative rates of their pre and post 65 retiree benefit coverages to determine if coverage change to the SPP is financially advantageous as well as legally achievable for their post 65 retirees.

In the meantime, Lockton has developed preliminary estimates of the projected benefit costs for F.Y. '21 and it was included in your agenda packet. This analysis focuses primarily on comparing Anthem benefit rate increases using two scenarios.

Seth LaVigne of Lockton has reviewed the two remaining City and BOE Anthem groups, City pre 65 retirees and BOE actives and pre 65 retirees and estimated the Anthem rates using two methodologies.

The first approach used a "mutualized" approach similar to the existing costing method where the rate increase is spread among all participants, City pre 65 retirees and BOE actives and pre 65s and is reflected below in Section A.

The second approach, reflected below in Section B, is a "claims based" approach which shows the Anthem projected specific costs that are specific to the

City and BOE. This approach basically disaggregates the two groups into separately rated coverage groups which dramatically changes the cost for the City and BOE.

CITY/BOE ANTHEM COMPARATIVE RATE ESTIMATES-F.Y. '21
LOCKTON ANALYSIS- USING TWO DIFFERENT FUNDING
APPROACHES

A. <u>MUTUALIZED APPROACH</u>	<u>F.Y. '19-20</u> <u>PROJECTED</u>	<u>F.Y.'20-'21</u> <u>PROJECTED</u>	<u>\$</u> <u>INCREASE</u>	<u>%</u> <u>INCREASE</u>
CITY PRE-65 RETIREEES	2,832,240	2,911,542	79,302	2.80%
BOE ACTIVES & PRE 65 RETIREEES	14,419,775	14,823,529	403,754	2.80%
B. <u>CLAIMS BASED APPROACH</u>				
CITY PRE-65 RETIREEES	2,832,240	3,533,587	701,347	24.76%
BOE ACTIVES & PRE 65 RETIREEES	14,419,775	13,987,182	-432,593	-3.00%

I asked Mr. LaVigne to develop, to the extent possible, two analyses, one assuming a Partnership Plan rate increase of 8% (recommended by the SPP) and the other using a 4% increase at my request and these five pages of documents are attached to this correspondence. They provide some frame of reference of how each of these possible rate increases would compare to the estimated Anthem rate options.

Mr. LaVigne will be attending the MARB meeting to review and clarify the information contained in his reports and the rationale for the assumptions he used.

Thank you.

Very truly yours,
Michael A Milone
OPM/MARB WEST HAVEN LIAISON

Partnership Update

IBNR and Claims Processing Costs

	Projected IBNR Expense	Projected IBNR Claim Processing Cost	Total One-Time Costs
Actives:			
Teachers & Nurses	\$ 563,585	\$ 112,717	\$ 676,302
Para's	\$ 90,681	\$ 18,136	\$ 108,818
Admin	\$ 62,281	\$ 12,456	\$ 74,737
AFSCME	\$ 233,858	\$ 46,772	\$ 280,630
Total Actives	\$ 950,405	\$ 190,081	\$ 1,140,487
Non Medicare Retirees:			
Teachers & Nurses	\$ 93,349	\$ 18,670	\$ 112,019
Para's	\$ 17,507	\$ 3,501	\$ 21,008
Admin	\$ 7,141	\$ 1,428	\$ 8,570
AFSCME	\$ 1,893	\$ 379	\$ 2,272
RCSC	\$ 44,369	\$ 8,874	\$ 53,242
Misc Retirees	\$ 5,393	\$ 1,079	\$ 6,472
Total Non Medicare Retirees	\$ 169,652	\$ 33,930	\$ 203,583
Total All	\$ 1,120,058	\$ 224,012	\$ 1,344,069

Partnership Update

West Haven BOE Projection

Group	Transition Effective	FY 21 Projected Costs (based on 7/1/20 BOE Only Self-Funded Rates) - 8.1% for Active & +53% for Retiree	FY 21 Projected Costs (based on projected 7/1/20 State Partnership Rates) +4%	Projected Savings/(Cost) FY21 Partnership Rates vs Self-Funded Rates
Actives:				
Teachers & Nurses	7/1/2020	\$ 10,685,266	\$ 10,299,106	\$ (386,160)
Para's	7/1/2020	\$ 882,372	\$ 835,326	\$ (47,046)
Admin	7/1/2020	\$ 717,855	\$ 651,310	\$ (66,545)
AFSCME*	7/1/2020	\$ 591,474	\$ 528,651	\$ (62,823)
Total Actives		\$ 12,876,967	\$ 12,314,393	\$ (562,574)
Non Medicare Retirees:				
Teachers & Nurses	7/1/2020	\$ 934,520	\$ 1,014,301	\$ 79,781
Para's	7/1/2020	\$ 85,974	\$ 67,151	\$ (18,824)
Admin	7/1/2020	\$ 161,896	\$ 179,331	\$ 17,435
AFSCME	7/1/2020	\$ 21,027	\$ 14,850	\$ (6,177)
RCSC	7/1/2020	\$ 514,359	\$ 646,720	\$ 132,360
Misc Retirees	7/1/2020	\$ 123,684	\$ 127,528	\$ 3,844
Total Non Medicare Retirees		\$ 1,841,460	\$ 2,049,880	\$ 208,420
Total All		\$ 14,718,427	\$ 14,364,273	\$ (354,154)

*AFSCME employees in the HDHP plan are included in the teachers numbers.

Partnership Update

West Haven BOE Projection

Group	Transition Effective	FY 21 Projected Costs (based on 7/1/20 BOE Only Self-Funded Rates) - 3% for Active & Retiree	FY 21 Projected Costs (based on projected 7/1/20 State Partnership Rates) +4%	Projected Savings/(Cost) FY21 Partnership Rates vs Self-Funded Rates
Actives:				
Teachers & Nurses	7/1/2020	\$ 11,237,163	\$ 10,299,106	\$ (938,057)
Para's	7/1/2020	\$ 931,486	\$ 835,326	\$ (96,160)
Admin	7/1/2020	\$ 757,812	\$ 651,310	\$ (106,502)
AFSCME*	7/1/2020	\$ 624,396	\$ 528,651	\$ (95,745)
Total Actives		\$ 13,550,857	\$ 12,314,393	\$ (1,236,464)
Non Medicare Retirees:				
Teachers & Nurses	7/1/2020	\$ 592,529	\$ 1,014,301	\$ 421,773
Para's	7/1/2020	\$ 54,512	\$ 67,151	\$ 12,639
Admin	7/1/2020	\$ 102,649	\$ 179,331	\$ 76,682
AFSCME	7/1/2020	\$ 13,332	\$ 14,850	\$ 1,518
RCSC	7/1/2020	\$ 326,128	\$ 646,720	\$ 320,592
Misc Retirees	7/1/2020	\$ 78,421	\$ 127,528	\$ 49,107
Total Non Medicare Retirees		\$ 1,167,570	\$ 2,049,880	\$ 882,310
Total All		\$ 14,718,427	\$ 14,364,273	\$ (354,154)

*AFSCME employees in the HDHP plan are included in the teachers numbers.

Partnership Update

West Haven BOE Projection

Group	Transition Effective	FY 21 Projected Costs (based on 7/1/20 BOE Only Self-Funded Rates) - 3% for Active & Retiree	FY 21 Projected Costs (based on projected 7/1/20 State Partnership Rates) +8%	Projected Savings/(Cost) FY21 Partnership Rates vs Self-Funded Rates
Actives:				
Teachers & Nurses	7/1/2020	\$ 11,237,163	\$ 10,704,567	\$ (532,596)
Para's	7/1/2020	\$ 931,486	\$ 871,160	\$ (60,326)
Admin	7/1/2020	\$ 757,812	\$ 676,564	\$ (81,249)
AFSCME*	7/1/2020	\$ 624,396	\$ 549,542	\$ (74,854)
Total Actives		\$ 13,550,857	\$ 12,801,832	\$ (749,025)
Non Medicare Retirees:				
Teachers & Nurses	7/1/2020	\$ 592,529	\$ 1,053,567	\$ 461,038
Para's	7/1/2020	\$ 54,512	\$ 69,886	\$ 15,374
Admin	7/1/2020	\$ 102,649	\$ 186,482	\$ 83,833
AFSCME	7/1/2020	\$ 13,332	\$ 15,421	\$ 2,089
RCSC	7/1/2020	\$ 326,128	\$ 671,594	\$ 345,466
Misc Retirees	7/1/2020	\$ 78,421	\$ 132,636	\$ 54,215
Total Non Medicare Retirees		\$ 1,167,570	\$ 2,129,585	\$ 962,015
Total All		\$ 14,718,427	\$ 14,931,417	\$ 212,990

*AFSCME employees in the HDHP plan are included in the teachers numbers.