

M Management Committee

For the Metropolitan Council meeting of October 22, 2008

Item: 2008-263

ADVISORY INFORMATION

Date Prepared: October 15, 2008

Subject: Extension of contract with Health Partners for dental and medical insurance

Proposed Action:

To extend the Health Partners contract for dental and medical insurance for one year.

Summary of Committee Discussion / Questions:

Health Partners offered an extension of the contract for one year at an overall 9.5% increase for medical; 7% for dental coverage.

Based on recent Metropolitan Council and industry-wide trends, this contract extension represents a rate that is likely lower than what could be achieved through an RFP process:

- o Employee annual claims are high due to utilization
- o Age of our population – median age is 49
- o Trend for medical costs is projected at 10%-12%
- o Projected trend rates for 2009 health insurance premiums is 10.4%

The total cost for medical insurance in 2009 is projected to be \$56,905,724 based on current enrollment. This is a total increase of \$4,700,000 over 2008. The total cost of dental insurance for 2009 based on current enrollment will be \$3,717,236. This is an increase of \$243,000 over 2008.

Employer/employee cost sharing for active employees varies by contract, but on average is approximately

- o Medical – 80%/20%
- o Dental – 80%/20%
- o 2009 cost sharing estimated to be similar based upon settled contracts

We are also offering a new plan, Distinctions III, as a less expensive option:

- o Co-pays based on clinic/hospital selected by employee
- o Lower out of pocket costs if higher quality, lower cost providers are chosen

Total monthly premiums for 2009:

	ATU Open Access	Non-ATU Open Access	Distinctions	Empower/HRA	Dental
Single	\$655.15	\$625.56	\$596.54	\$473.41	\$39.69
Family	\$1638.75	\$1563.89	\$1492.14	\$1184.14	\$105.28

Questions asked by the Committee:

- How many employees/retirees are covered under these plans?

ATU Open Access	1868
Non-ATU Open Access	1230
Retirees	1370
<u>Empower HRA</u>	<u>193</u>
Total	4,661

- How many employees are eligible for subsidized retiree medical benefits?
1,189

The Management Committee approved the recommendation for a one-year, Health Partners contract extension as a non-consent item.

M Management Committee

Business Item

Item: 2008-263

Meeting date: October 8, 2008

ADVISORY INFORMATION

Date:	October 1, 2008
Subject:	Extension of contract with Health Partners for dental and medical insurance
District(s), Member(s):	All
Policy/Legal Reference:	Council Policy 3-3 Expenditures more than \$100,000
Staff Prepared/Presented:	Sandi Blaeser, Assistant Director, Human Resources, 651-602-1582, and Barbara Padrnos, Manager, Human Resources – Benefits, 651-602-1370
Division/Department:	Human Resources/Benefits

Proposed Action/Motion

That the Metropolitan Council authorize the Regional Administrator to execute an extension of one year (1/1/09-12/31/09) to the contracts for medical and dental insurance with Health Partners.

Issues/Background

Health Partners had been selected through a competitive process in 2005 for medical insurance for three years (2006-2008). They were also selected in 2006 for dental insurance for two years (2007-2008). Health Partners offered rates for 2009 ranging from 5.27% - 12% on our 3 medical plans and a 7% increase for our dental plan.

The total cost for medical insurance in 2008 was \$52,144,605 for active and retired employees. The total cost in 2009 is estimated at \$56,905,725. The total cost of dental insurance in 2008 was \$3,473,907. The estimated cost for 2009 is \$3,717,236.

Additionally, through Health Partners we are offering to non-represented employees, ATU, and TMSA an additional medical option called Distinctions III, which is a tiered plan that determines benefits based on the clinic that is utilized. This option offers a less costly option for both employees and the Metropolitan Council and encourages the use of high quality, low cost clinics.

Rationale

Because rates for 2009 are competitive based on our utilization of health care and market trend, staff recommends the contracts be extended for one year. We are not recommending a contract beyond 2009 because we may conduct an RFP or recommend a one-year extension for 2010 based upon market conditions and our utilization.

Funding

Funds are budgeted and within the Council's operation budget.

Known Support / Opposition

None.