

# BENEFACTS

## REVISED BULLETIN: 2003 HEALTHCARE PREMIUM CHANGES

Many employees have asked questions about the recommended employee health plan premium changes in the proposed fiscal year 2002-2003 budget. Over the past several years, as healthcare costs have increased dramatically, the City has had to share more of those costs with participants. This year, the severe shortfall in the upcoming budget required even closer examination of how much money the City can continue to contribute towards health coverage of employees, retirees, and their respective dependents for 2003, without spending so much that the future of the program becomes jeopardized.

Two years ago, employee premiums were increased for the first time in ten years – as with most employers nationwide, the City could no longer afford to absorb rising expenses without passing some of the cost to plan participants. Like most large employers, the City does not “buy” insurance, but has a self-funded health plan. This means that every dollar contributed by employees, retirees and the City is placed in a fund to pay for all participant health plan expenses. Because of this structure, the City is able to keep expenses relatively low while retaining the flexibility to create a plan design to best meet participant’s needs.

According to a survey conducted by the Hay Group, national healthcare costs are expected to increase by 18-20% next year, with average medical costs for a healthy adult estimated to be approximately \$3,700 per year. By comparison, the City’s self-funded PPO plan is projected to cost approximately \$87M in 2003, and covers approximately 30,000 participants (employees, retirees, and dependent children and spouses). This is equivalent to approximately \$2,900 per year per participant, an impressively low amount given the fact that our participants range in age from infants to senior citizens.

For 2003, recommendations have been made to **increase employee premium categories that include a dependent spouse**. This means that the City will contribute a much smaller subsidy to pay for coverage of a dependent spouse, although they can still participate in our plan. **The City is increasing its subsidy for dependent children, so the premium for Employee + Child(ren) is decreasing**. The City will subsidize approximately 90% of an employee’s healthcare premium – the monthly premium for Employee Only coverage will remain unchanged at \$23/month – and will raise the dependent children subsidy to reflect 60% of total cost covered by the City.

**Why is the City proposing to maintain the employee only premium and increase the subsidy for children, while lowering the subsidy for spouses?** In times of budgetary constraints like this, the City must spend money where it realizes the most benefit to the organization and the citizens of Dallas. It is important to citizens that City services are delivered efficiently and in a timely manner. Therefore, employees must be in good health to be productive – it makes sense for the City to continue to ensure affordable healthcare for employees so that they remain healthy and can report to work and provide services as required. In order to minimize time taken off of work by employee-parents to care for sick children, it is also crucial that an employee’s children receive the care they need to stay healthy. Since many employees’ spouses have jobs and can obtain their own subsidized health coverage through a current employer, it is less crucial for the City to provide a greatly subsidized premium for them. Even without a subsidy, our costs to provide healthcare to a spouse are extremely competitive, at a proposed premium of less than \$2,600 per year, a rate that is difficult to match in the private sector market of purchased insurance, or by other employers.

The City of Dallas is committed to providing affordable healthcare to employees and retirees – cautious spending today helps ensure continued affordable healthcare coverage for future participants. In an age when many employers are getting out of the “health care business”, the City is committed to promoting a healthy workforce and productive work environment.

### What is a subsidy?

*An amount of money contributed by the City towards healthcare coverage for an employee or dependent*

MONTHLY PPO PREMIUMS (Employee PPO Plan)				
Premium Coverage Tier	Jan-Dec 2002		Jan-Dec 2003 (proposed)	
	Employee Pays	City Pays	Employee Pays	City Pays
Employee Only	\$23	\$153	\$23	\$193
Employee + Child(ren)	\$81	\$267	\$65	\$313
Employee + Spouse	\$93	\$288	\$216	\$216
Employee + Family	\$148	\$382	\$258	\$336

If you have any additional questions about this, or any other personnel matter, please contact the Human Resources Generalist assigned to your department.