

## City Council – Action Request Form

**Date:** September 5, 2017

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**To:** The City Manager

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**From:** Carmen Caruth, Human Resources Director

**Council Action Requested:**

Consideration of a Resolution Authorizing the City Manager to Enter Into An Agreement With Aetna For the Provision of a Medicare Advantage Plan for Retirees

**Strategic Focus Area:** Service Excellence  
**Strategic Objective:** Maintain City’s Financial Strength  
**Strategic Plan Action Item:** No  
**Key Work Item:** No



**Summary of Information:**

The City of Winston-Salem offers a Medicare Advantage health insurance plan for retirees (age 65+) who are eligible for Medicare coverage. This coverage supplements retirees’ Medicare Parts A (hospital insurance) and B (medical insurance) coverage and provides a benefit that closely matches the health insurance coverage provided for employees and pre-65 retirees.

The current provider of this plan is Aetna and the plan provides coverage for 722 retirees and 211 retiree spouses. The premium cost for retiree coverage is \$165.58/month/retiree, the cost of which is borne by the City. The current agreement for retiree coverage is \$1,362,000. Retiree spouses may sign up for this plan at the \$165.58 monthly rate, with the cost of the spouse premium borne by the retiree or spouse.

The current agreement with Aetna expires December 31, 2017. Aetna has submitted a proposal for a renewal rate of \$218.77/month/retiree, a 32.1% increase. This increase is primarily due to the imposition of a new Health Insurer Fee (HIF) required under the Affordable Care Act. This fee is imposed on insurers to help fund both federal and state insurance marketplaces/exchanges.

**Committee Action:**

<b>Committee</b>	Finance 9/11/17	<b>Action</b>	Approval
<b>For</b>	Unanimous	<b>Against</b>	

**Remarks:**

The HIF was waived for 2017, but the federal government has not waived the fee for 2018. If the fee were to be waived, the 2018 premium proposed by Aetna would be \$182.76/month/retiree, a 10.4% increase. However, the City's benefits consultant's governmental affairs section advises that a waiver for 2018 is unlikely.

Marketing the insurance coverage to achieve a lower rate was considered. However, since Aetna was a low bidder just a year ago and all insurers would be required to pay (and pass along) the HIF fee, the decision was made to consider plan modifications to bring the cost of the Medicare Advantage plan within the City Council approved cap of \$210/month/retiree. Two alternatives were considered. The first was changing the drug formulary to achieve a rate of \$201.32/month/retiree, a 21.6% increase. This option would result in an increase in the cost of drugs currently purchased by 577 retirees and spouses on the plan. The second alternative considered implementing a \$300 annual deductible for non-preventive medical coverage to achieve a rate of \$185.00/month/retiree, an 11.7% increase. This second alternative would not impact the pharmacy and preventive care (annual physicals, mammograms, colonoscopies, etc.) coverages and would only apply to members' non-preventive medical services. Based on staff's evaluation of both options, it was determined that the second alternative would have the least disruptions in coverage and would provide the best value for retirees.

The accompanying resolution authorizes the City Manager to enter into an agreement with Aetna for the provision of a Medicare Advantage plan whose coverage is based on the second option with a \$300 deductible on non-preventive medical services at a rate of \$185.00/month/retiree and an annual not to exceed amount of \$1,625,000.