

BOARD OF ALDERMEN

ITEM NO. B(3)

AGENDA ITEM ABSTRACT  
MEETING DATE: May 13, 2003

SUBJECT: Recommendation for Health Insurance Coverage for  
Fiscal Year July 1, 2003 – June 30, 2004

|                               |  |
|-------------------------------|--|
| DEPARTMENT: Personnel         | PUBLIC HEARING: YES ___ NO <u>x</u>                  |
| ATTACHMENTS:<br>A. Resolution | FOR INFORMATION CONTACT:<br>Desiree White – 918-7321 |
|                               |  |

**PURPOSE**

The purpose of this item is to present the staff’s recommendation for health insurance coverage for the 2003-2004 fiscal year. The staff requests that the Mayor and Board of Aldermen continue to offer WellPath Community Health Plans as the Town’s health insurance provider with the suggested plan modifications. Staff further recommends that the Town continues to contribute 50% toward the cost of dependent health care.

**INFORMATION**

In preparing for the new year, staff considered several objectives that are important in selecting the Town’s health insurance providers: *providing excellent coverage at affordable costs; providing coverage for domestic partners and retirees; and employee satisfaction.*

Currently, the Town provides health insurance to employees through WellPath Community Health Plans. WellPath has been offered as a provider for the past five years, and as the sole provider for the past year. The company offers HMO benefits with a large network of physicians and hospital choices, and employee satisfaction with WellPath has remained constant.

This year WellPath quoted the Town a renewal rate that reflected a 21.8% increase in premiums. The increase was based upon claims experience, prescription drug utilization, use of Prima (Duke) network, and change in demographics (age/sex of group and coverage of retirees).

Even though the Town’s past experience with WellPath has been very satisfactory, this increase was not such that the Town or its employees could comfortably afford. As a result, staff asked WellPath to propose plan alternatives that would provide competitive benefits with a lower premium. WellPath proposed a modified plan that would increase premiums by only 9.6% and still provide excellent benefits. This plan would require employees to pay a 10% coinsurance (of WellPath’s contracted rate) for inpatient hospital care and outpatient surgery, and a slightly higher copayment for prescription drugs and doctor office visits. In providing this option, the greater expense would be borne by the subscribers who utilize the coverage.

Prior to making this recommendation to the Board, staff invited its WellPath representative to conduct information meetings with employees and retirees to introduce the proposed plan and to

provide participants an opportunity to ask questions. Even though employees have grown accustomed to the benefits of the current plan, once explained, the recommended plan was well received overall. It is worthy of noting that Carrboro has very competitive health insurance rates, with rates this year being lower than some of our labor market competitors (i.e. Garner, Apex, Holly Springs).

**RECOMMENDATION AND ACTION REQUESTED**

The staff requests that the Mayor and Board of Aldermen continue to offer WellPath Community Health Plans with the modified benefits. Staff further recommends that the Town continues to contribute 50% toward the cost of dependent health care.

**HEALTH INSURANCE RATES  
EFFECTIVE JULY 1, 2003**

**WellPath Community Health Plans**

| <b>Renewal Rate for Current Plan –<br/>21.8% increase</b> |          |               | <b>Renewal Rate for Recommended Plan–<br/>9.6% increase</b> |          |               |
|---|----------|---------------|---|----------|---------------|
|   | Premium  | Employee Pays |   | Premium  | Employee Pays |
| Individual  | \$276.43 | \$ -0-        | Individual  | \$248.79 | \$ -0-        |
| Employee + 1  | \$594.24 | \$ 79.45 pp   | Employee + 1  | \$534.82 | \$ 71.50pp    |
| Family  | \$788.08 | \$127.91 pp   | Family  | \$709.27 | \$115.12 pp   |

| <b>Current Plan Benefits</b>                              | <b>Recommended Plan Benefits</b>                         |
|---|--|
| \$10 Primary care physician; \$10 specialist              | \$15 primary care physician; \$30 specialist             |
| \$7/17/40 prescription drugs                              | \$10/20/45 prescription drugs                            |
| Inpatient hospital and outpatient surgery covered at 100% | Inpatient hospital and outpatient surgery covered at 90% |
| \$10 copay/12 months + \$100/24 months vision allowance   | \$10 copay/12 months + \$100/24 months vision allowance  |

