

Memorandum



CITY OF DALLAS

DATE October 4, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Retiree 2020 Health Benefits**

During the week of August 21 – 27, 2019, and on September 17, 2019, staff met with council members and provided an update on the City's 2020 health benefit plans for employees and retirees. Staff also communicated that we would provide talking points to assist councilmembers in responding to questions they may receive from retirees about the changes in subsidy levels. The attached document provides a brief overview and answers to the questions most frequently asked by retirees.

For your information, on Thursday, September 26, 2019, staff hosted at Dallas City Hall, with United Healthcare, the first benefit information session for pre- and post-65 retirees. More than 300 individuals were in attendance. Retirees were presented with the 2020 health plans and rates. Some of the plan participants are impacted by the reduction in health plan subsidy for their spouses and dependents. Staff will continue to work with retirees to provide information as they consider their best options during this 2020 open enrollment process.

As a reminder, we will issue a formal Request for Proposal (RFP) in early 2020 to begin the solicitation process for new competitive benefit options for both active employees and retirees in 2021 and beyond

Thank you for your support during this process. Staff is available to provide any additional information you may need in this regard. Should you have any questions about the retiree plans and rates, please contact myself or Nina Arias, Director of Human Resources at (214) 671-9050.

A handwritten signature in black ink, appearing to read 'Kimberly B. Tolbert'.

Kimberly Bizer Tolbert
Chief of Staff to the City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Michael Mendoza, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

City of Dallas 2020 Retiree Health Plans Subsidies - Talking Points

Background

- The City of Dallas (COD) currently subsidizes the monthly health plan premiums for retirees hired pre and post 2010, including their spouses and dependents. The amount of the subsidy for spouses and dependents varies by health plan and category and ranges from 0% to 52%.
- For 2020, the COD will begin to align the retiree health plan rates to provide greater subsidy level for “retirees only” and gradually decrease subsidy for spouses and dependents over the next 4 - 5 years. As a result of this change, rates for pre- and post-65 retirees will change for those presently receiving subsidies for their spouses and dependents covered on a City of Dallas health plan.
- There are approximately 1,700 pre-65 retirees and 3,242 post-65 retirees that may be impacted by this change in subsidy for spouses and dependents.

What is the impact for 2020?

- The City of Dallas truly values the contributions of its retirees and we know how important it is to have access to healthcare.
- As adopted by the City Council in the FY19/20 Operating Budget, for 2020, the City will increase the monthly health plan subsidy for the “retiree only” from an average of 42% to an average of 45% per month (for those hired prior to 2010) and that are in a COD health plan.
- This increase in subsidy for “retirees only” will provide an average savings of \$29.00 per month for those that choose the Co-pay or HRA plans.
- The City of Dallas will continue to propose increases in the subsidy for “retiree only” to a maximum of 50% over the next 4-5 years.
- Financial subsidy for the spouses and dependents will be proposed to gradually be phased out over the next 4-5 years.
- This will prevent a major immediate impact to retirees and provide retirees over the next 4-5 years the time to explore other coverage options or financially prepare for unsubsidized coverage.
- Subsidies for retirees hired after 2010, their spouses and families will be eliminated. This change is consistent with the City Council action taken on September 22, 2010 to amend the Personnel Rules Health Benefits, Section 34-32. (5) as follows:
 - **“A person hired as a city employee on or after January 1, 2010 who retires from the city may participate in the retiree health benefit program but the cost of the continued health benefits coverage must be paid entirely by the person.”**
- The City has identified alternate non-COD coverage options and will be sharing this information with Retirees. Those options will include direction to the Public Exchange, Agent Directed Individual Coverage, or Private Individual Exchange Coverage as an alternate to COD coverage.

How much will the retiree plan cost the retiree this year?

Pre-65 Retirees

- Like for our active employees, Cigna is the third-party administrator for the pre-65 retiree **self-funded** health insurance program.
- For 2020, for pre-65 retirees hired prior to 2010, the City of Dallas will provide:
 - A 45% subsidy to the monthly health plan premium for the retiree-only rate.
 - A 33% subsidy for the retiree/spouse rate and the family rates.
 - A flat rate subsidy for surviving spouses and children of pre-65 retirees.
- There is no subsidy for retirees hired after 2010.

Post-65 Retirees

- Health benefit plans are fully insured and managed by United Healthcare, Medicare and supported by AARP. All of these entities have impact upon the rates and plans offered to this group of retirees (they determine the rates).
- For 2020, for post-65 retirees hired prior to 2010, the City of Dallas will provide:
 - Two (2), fully insured Medicare Advantage PPO plans.
 - A 25% subsidy for retiree only plans.
 - See rates below in Table B for the 2020 Medicare Advantage PPO Plans designed for our post-65 retirees.
- There is no subsidy for retirees hired after 2010 (please refer to the September 28, 2010 City Council action on the previous page).

Elimination of Plans F and C for Post-65 Retirees

- There is new legislation affecting Plans F and C and these plans will **not** be offered to new enrollees turning age 65 after January 1, 2020. Therefore, the City of Dallas has eliminated these Plans effective January 1, 2020.
- COD retirees currently enrolled in Plans F and C provided by UnitedHealthcare have the option to decline the COD plan and remain with UnitedHealthcare. However, retirees who choose to remain on the UnitedHealthcare Plans F or C will be direct billed by UnitedHealthcare and will permanently lose eligibility to enroll in a City of Dallas health plan.

Where do I go if I have questions?

The full retiree enrollment guide, including rates is available on the City of Dallas website at:

<https://dallascityhall.com/departments/humanresources/benefits/Pages/retiree.aspx>

You can also visit or call:

Dallas City Hall, 1500 Marilla Street
Room 1D-South, Dallas, Texas 75201
Phone: 214-671-6947, Option 1