

CITY COUNCIL

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☐ **APPROVED** ☐ **DENIED**

Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: 6

Date: August 22, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Sheryl Bennett, Human Resources Director
Cindy Titgen, Benefits and Workers' Compensation Manager

SUBJECT: Reimbursement for Retirees under the Affordable Care Act Early Retiree Reinsurance Program

RECOMMENDATION:

It is requested that Council adopt Resolution No. 2010-147 allowing the City of Escondido to seek reimbursement for Early Retirees under the Federal Affordable Care Act.

FISCAL ANALYSIS:

A one time administrative fee of \$1,400 being charged by PacifiCare is part of costs paid by our benefits insurance broker. The Program does not allow the fee to be taken from reimbursed federal funds.

BACKGROUND:

As City of Escondido employees retire they may elect to stay on the Early Retiree Health Coverage (under age 65). Due to health issues, many retirees have a difficult time obtaining individual health insurance coverage and desire to remain on a City-sponsored health plan.

The City, assisted by its benefits broker, selects the group health insurance carriers for Early Retirees (under age 65) and retirees pay 100% of health insurance premiums. Early Retiree insurance premiums continue to rise due to the City's small group of retirees, health issues, overall aging of the retiree population and increased health care costs. Insurance premiums for this group begin at \$320 per month and can be as much as \$990 per month. The anticipated health insurance increase for 2011 is between 19 – 21%.

The Affordable Health Care Act created a "bridge" to the new health insurance Exchanges in 2014, by providing \$5 billion in financial assistance to employers to assist them to maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare (age 65). Employers who are accepted into the Program will receive reimbursement for medical claims for early retirees, their spouses, surviving spouses, and dependents. The City will not know the amount of reimbursement for the early retirees until reports are provided from the health insurance carriers, and money is received from the Department of Health and Human Services. Reimbursements from the Program

are to be used to provide relief to these early retirees as the government prepares the Exchanges. The \$5 billion is available until the fund runs out or until January 1, 2014.


In July 2010, the City applied to the U.S. Department of Health & Human Services (HHS) to participate in the Early Retiree Reinsurance Program (ERRP). The City of Escondido was one of the first 2000 nation-wide agencies to receive approval to seek reimbursement under this Program. Reimbursement is provided only for high-cost claims of retirees and their families.

Program details are emerging on an on-going basis and not all information is developed. Current Program information indicates that the ERRP reimbursement may not be used as general revenue, that a form notice is to be provided to early retirees, claims may only be submitted for items and services that Medicare would cover, and programs and procedures are in place for Chronic and High-Cost Conditions. Additionally, HHS requires written agreements with an employer's health insurance carrier(s) regarding disclosure of medical information, data, other information and documents to the extent necessary to determine reimbursements and related oversight. Further, reimbursements must be used to reduce or offset increases or premium contributions, etc. for plan participants or a plan sponsor.

In the City of Escondido's case, the City does not contribute to Early Retiree Coverage. Accordingly, any ERRP reimbursement received must be 100% reimbursed to early retirees to offset their monthly premiums. Funds received will be deposited into the City's Benefits Administration Fund to be disbursed to early retirees under ERRP Program guidelines.

Accordingly, Staff requests approval of Resolution 2010-147 which provides Staff authority to seek ERRP reimbursement for Early Retirees and delegate's authority to the Human Resources Director or designee to comply with the HHS/ERRP Program requirements. Delegation of authority includes, but is not limited to: developing any and all required notices, submitting insurance claims to the Department of Health and Human Services, entering into contracts with health insurance carriers to comply with promulgated rules set forth under the Program and authority to provide reimbursement to the City's early retirees through the Benefits Administration Fund.

Respectfully submitted,



Sheryl Bennett
Human Resources Director



Cindy Titgen
Benefits & Workers' Compensation Manager

RESOLUTION NO. 2010-147

6.

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
ADOPTING RESOLUTION NO. 2010-147
AUTHORIZING THE CITY TO SEEK
REIMBURSEMENT FOR EARLY RETIREES
UNDER THE FEDERAL AFFORDABLE CARE
ACT

WHEREAS, the Federal Affordable Health Care Act, through the Department of Health and Human Services, created a “bridge” to the new health insurance Exchanges in 2014, by providing \$5 billion in financial assistance to employers; and

WHEREAS, the City of Escondido was approved by the Department of Health and Human Services to seek reimbursement under the Early Retiree Reinsurance Program; and

WHEREAS, reimbursements from the Program are to be used to provide relief to early retirees as the government prepares the Exchanges; and

WHEREAS, the Department of Health and Human Resources is promulgating Early Retiree Reinsurance Program rules and requirements.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council provides Staff authority to seek Early Retiree Reinsurance Program reimbursement for Early Retirees.
3. That the City Council delegates authority to the Human Resources Director or designee to comply with current and future program requirements set forth by the

Department of Health and Human Service Early Retiree Reimbursement Program requirements.

4. That the City Council delegates authority to the Human Resources Director or designee to:

- a) Develop any and all required notices;
- b) Submit insurance claims to the Department of Health and Human Services;
- c) Enter into contracts such as health insurance carrier(s);
- d) Implement Program requirements;
- d) Provide reimbursement to the City's early retirees through the Benefits Administration Fund.