

An aerial photograph of a city grid, likely Columbia, South Carolina, showing a dense arrangement of buildings and streets. A large white rectangular box is overlaid on the top-left portion of the image, containing the title and introductory text. Several smaller white rectangular boxes are scattered across the city grid, possibly representing redacted information or specific locations of interest.

# City of Columbia

## Health Care Strategy: Findings and Recommendations

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June 21, 2016

## Background

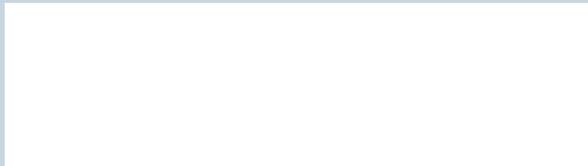
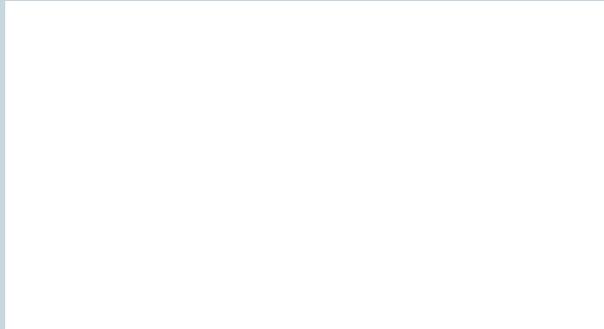
The City of Columbia (“The City”) engaged Willis Towers Watson (“WTW”) to develop projected medical/pharmacy benefit plan cost for Fiscal 2017 (7/1/2016 – 6/30/2017) and to develop premium equivalent rates for Calendar Year 2017. In addition, The City will consider The City’s Pre-Medicare retiree contributions for purposes of calculating the GASB liability and expense:

- The presentation includes the following:
  - GASB results
    - Effect of eliminating the Pre-Medicare Defined Dollar Benefit (DDB)
      - Defined Dollar Benefit: A specified benefit amount provided to a retiree to be used for the purchase of health care coverage
  - Baseline cost projections for active employees and Pre-Medicare retirees
    - Pre-Medicare retirees are assumed to have the same benefits as active employees
  - Impact on Pre-Medicare contributions based on keeping the current plan design and maintaining the DDB
  - Impact on Pre-Medicare contributions based on plan design changes and maintaining the DDB
- The purpose of the today’s discussion is to:
  - Review current cost projections
  - Identify next steps

## Current Cost Analysis

- The City's net budgeted cost is \$8,700 Per Employee Per Year (PEPY) for fiscal 2016
- The preliminary net budget for fiscal 2017 is \$9,500 PEPY
- Estimated plan cost for fiscal year 2017: \$30.9 million or \$12,327 PEPY (active and Pre-Medicare retirees combined)
- Estimated net cost for fiscal year 2017: \$27.2 million or \$10,836 PEPY (active and Pre-Medicare retirees combined)
  - 13.4% higher than the \$9,500 net budgeted cost PEPY
  - Projected net cost assumes no change in plan design or employee/retiree contributions for CY 2017

# GASB Results



# Postretirement Health Care Valuation

## Effect of eliminating the Pre-Medicare Retiree Defined Dollar Benefit (DDB)

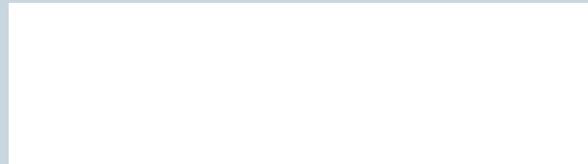
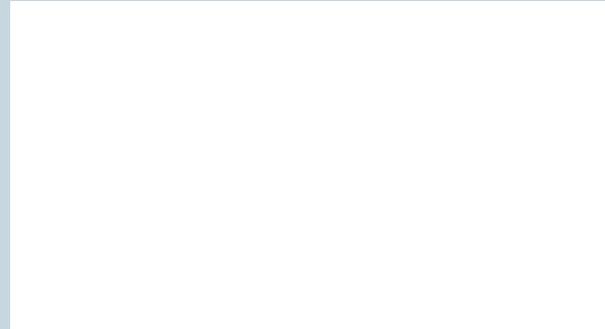
Fiscal Year Ending In \$millions	6/30/2015	Preliminary 6/30/2016* Enforce DDB/Increase Pre-65 Retiree Contributions	Preliminary 6/30/2016* Eliminate Pre-65 DDB / Maintain Current Cost Share Arrangement
<b>Assumptions</b>			
Discount rate	5.25%	5.25%	5.25%
Mortality	RP2000	RP2000	RP2000
Amortization factor	22.3157	22.3157	22.3157
Valuation date	7/1/2013	7/1/2015	7/1/2015
<b>Unfunded Actuarial Accrued Liability (AAL)</b>			
Total AAL	138.7	136.1	189.3
Assets	0.0	0.0	0.0
Unfunded Actuarial Accrued Liability (UAAL)	138.7	136.1	189.3
<b>Annual OPEB Costs and Net OPEB Obligation</b>			
Employer Normal Cost	3.8	3.2	6.5
Amortization of UAAL	6.5	6.1	8.5
Annual Required Contribution (ARC)	10.3	9.3	15.0
Interest on Net Obligation	2.6	2.7	2.7
Adjustment to the ARC	(2.2)	(2.3)	(2.3)
Annual OPEB Cost	10.7	9.7	15.4
Net OPEB Obligation, July 1 (beginning of year)	48.6	52.1	52.1

Eliminating the Pre-Medicare DDB and maintaining current cost share arrangement increases AAL by \$53.2M and OPEB Cost by \$5.7M

For every \$10M contribution made to an irrevocable trust, The City's UAAL and OPEB cost will decrease \$10M and \$0.45M respectively.

\*Results are preliminary until the ongoing plan administration/design is confirmed and actuarial assumptions for mortality and discount rate are reviewed.

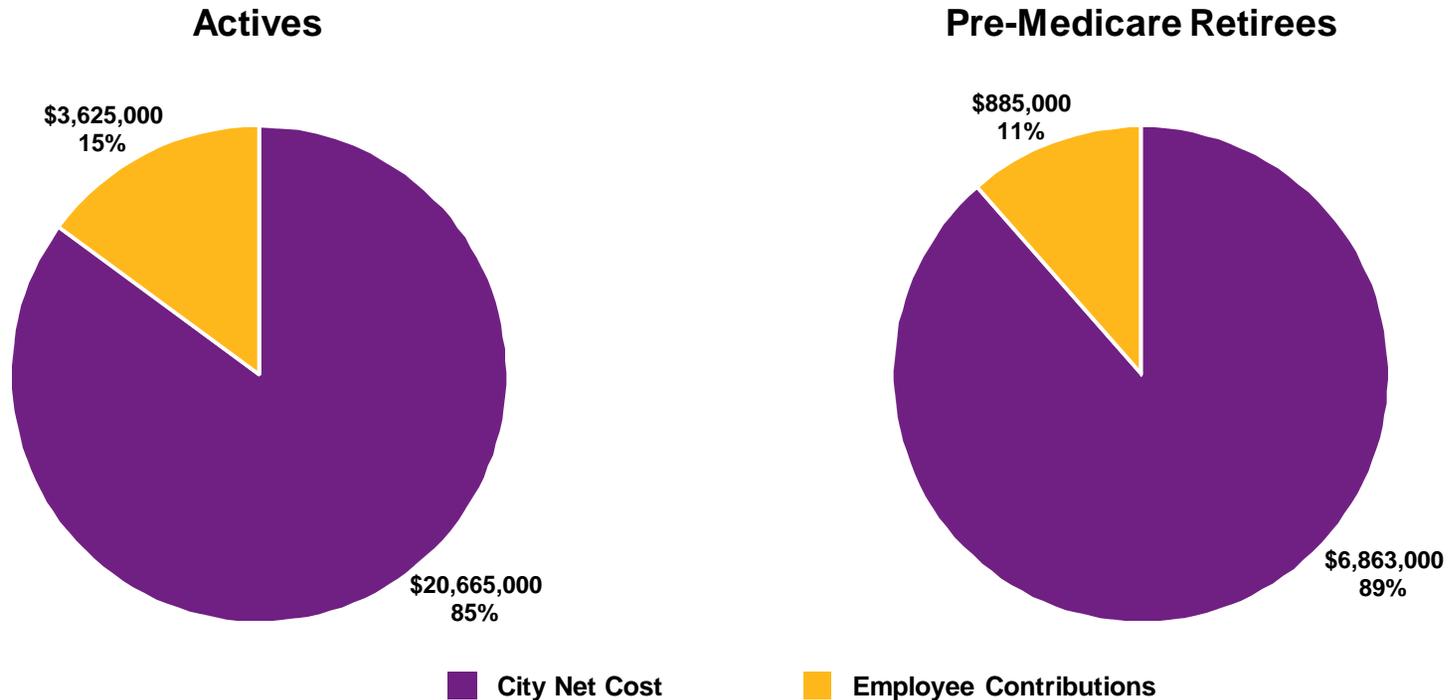
## Status Quo: No Change in Plan Design



## Total Health Care Cost

The charts below show The City's estimated annual net cost and annual employee contributions for actives and Pre-Medicare retirees under the current plan design for calendar year 2017 (January 2017 – December 2017)

- Actives projected to pay 15% of projected plan cost, while Pre-Medicare retirees only pay 11% of their plan cost



## Financial Summary

### Calendar Year 2017

- The table below shows the incurred cost for the active and Pre-Medicare retiree populations for calendar year 2017 (January 2017 – December 2017)

Annual Totals	CY 2016 Current City Budget	CY 2017 Current Plan Design Maintain Overall Cost Share	\$ /% Increase / (Decrease)
<b>Actives</b>			
Gross Projected Cost	\$21,962,000	\$24,290,000	\$2,328,000 / 10.6%
EE Contributions	\$3,007,000	\$3,625,000	\$618,000 / 20.6%
Net City Cost	\$18,955,000	\$20,665,000	\$1,710,000 / 9.0%
Net City Cost PEPY	\$9,100	\$9,921	\$821 / 9.0%
EE Cost Share	13.7%	14.9%	
<b>Pre-Medicare Retirees</b>			
Gross Projected Cost	\$4,611,000	\$7,748,000	\$3,137,000 / 68.0%
Retiree Contributions	\$734,000	\$885,000	\$151,000 / 20.6%
Net City Cost	\$3,877,000	\$6,863,000	\$2,986,000 / 77.0%
Net City Cost PEPY	\$9,100	\$16,110	\$7,010 / 77.0%
Retiree Cost Share	15.9%	11.4%	
<b>Actives and Pre-Medicare Retirees Combined</b>			
Gross Projected Cost	\$26,573,000	\$32,037,000	\$5,464,000 / 20.6%
EE/Retiree Contributions	\$3,741,000	\$4,510,000	\$769,000 / 20.6%
Net City Cost	\$22,832,000	\$27,527,000	\$4,695,000 / 20.6%
Net City Cost PEPY	\$9,100	\$10,971	\$1,871 / 20.6%
EE/Retiree Cost Share	14.1%	14.1%	

## Rates and Contributions

### Calendar Year 2017

- Below are the proposed active and Pre-Medicare budget rates and contributions for calendar year 2017; assumes the overall cost share of The City is maintained

Status Quo Maintain Current Cost Share							
Monthly Budget Rates	Actives			Pre-Medicare Retirees			TOTAL
	Base	Core	Buy Up	Base	Core	Buy Up	
EE/Retiree Only	\$522.47	\$560.40	\$596.99	\$939.12	\$1,007.31	\$1,073.07	
EE/Retiree + Spouse	\$1,097.19	\$1,176.85	\$1,253.69	\$1,878.24	\$2,014.62	\$2,146.15	
EE/Retiree + Child	\$992.69	\$1,064.77	\$1,134.28	\$1,220.86	\$1,309.50	\$1,395.00	
Family	\$1,671.90	\$1,793.29	\$1,910.37	\$2,253.89	\$2,417.54	\$2,575.38	
Annual Total	\$3,841,394	\$9,393,923	\$11,054,600	\$274,975	\$2,065,789	\$5,407,009	\$32,037,690
PEPY	\$10,582	\$11,117	\$12,634	\$22,915	\$17,963	\$18,084	\$12,769

EE/Retiree Contribution Rates	Base	Core	Buy Up	Base	Core	Buy Up	TOTAL
EE/Retiree Only	\$18.08	\$44.02	\$83.78	\$18.08	\$44.02	\$83.78	
EE/Retiree + Spouse	\$94.02	\$228.84	\$324.26	\$94.02	\$228.84	\$324.26	
EE/Retiree + Child	\$45.20	\$110.00	\$169.67	\$45.20	\$110.00	\$169.67	
Family	\$137.40	\$334.43	\$461.70	\$137.40	\$334.43	\$461.70	
Annual Total	\$237,833	\$1,262,276	\$2,124,765	\$14,840	\$194,598	\$675,565	\$4,509,877
PEPY	\$655	\$1,494	\$2,428	\$1,237	\$1,692	\$2,259	\$1,797

City Contribution Rates	Base	Core	Buy Up	Base	Core	Buy Up	TOTAL
EE/Retiree Only	\$504.38	\$516.38	\$513.21	\$921.04	\$963.29	\$989.29	
EE/Retiree + Spouse	\$1,003.17	\$948.02	\$929.42	\$1,784.23	\$1,785.78	\$1,821.89	
EE/Retiree + Child	\$947.49	\$954.76	\$964.61	\$1,175.66	\$1,199.50	\$1,225.32	
Family	\$1,534.50	\$1,458.86	\$1,448.67	\$2,116.49	\$2,083.11	\$2,113.68	
Annual Total	\$3,603,561	\$8,131,647	\$8,929,834	\$260,135	\$1,871,191	\$4,731,444	\$27,527,813
PEPY	\$9,927	\$9,623	\$10,206	\$21,678	\$16,271	\$15,824	\$10,972

## Summary of Contributions

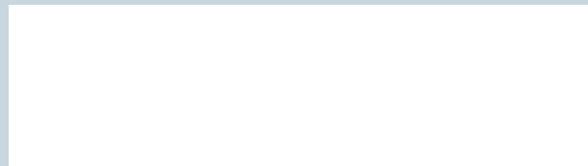
- Below are the active and Pre-Medicare monthly contributions for calendar year 2017; assumes no plan design changes

Monthly EE/Retiree Contribution Rates	Active Projected Enrollment	Pre-Medicare Projected Enrollment	CY 2016 Current Monthly Contribution	CY 2017 Maintain Current Cost Share Monthly Contribution	\$ / % Increase/(Decrease) from Current
<b>Base</b>					
Employee/Retiree Only	203	2	\$15.00	\$18.08	\$3.08 / 20.6%
Employee/Retiree + Spouse	41	4	\$77.98	\$94.02	\$16.04 / 20.6%
Employee/Retiree + Child	44	0	\$37.49	\$45.20	\$7.71 / 20.6%
Family	75	6	\$113.96	\$137.40	\$23.44 / 20.6%
Annual Total	363	12	\$209,571	\$252,673	\$43,102 / 20.6%
<b>Core</b>					
Employee/Retiree Only	453	57	\$36.51	\$44.02	\$7.51 / 20.6%
Employee/Retiree + Spouse	92	22	\$189.80	\$228.84	\$39.04 / 20.6%
Employee/Retiree + Child	161	15	\$91.24	\$110.00	\$18.76 / 20.6%
Family	139	21	\$277.38	\$334.43	\$57.05 / 20.6%
Annual Total	845	115	\$1,208,356	\$1,456,874	\$248,518 / 20.6%
<b>Buy-Up</b>					
Employee/Retiree Only	404	160	\$69.49	\$83.78	\$14.29 / 20.6%
Employee/Retiree + Spouse	77	55	\$268.95	\$324.26	\$55.31 / 20.6%
Employee/Retiree + Child	218	47	\$140.73	\$169.67	\$28.94 / 20.6%
Family	176	37	\$382.94	\$461.70	\$78.76 / 20.6%
Annual Total	875	299	\$2,322,641	\$2,800,330	\$477,689 / 20.6%

## Actives and Pre-Medicare Retirees

	Current Plan Design		
	Base	Core	Buy Up
	In-Network	In-Network	In-Network
<b>Deductible (single/family)</b>	\$1,250 / \$3,750	\$750 / \$2,250	\$500 / \$1,500
<b>Annual Maximum Wellness Credit Earned (as offset to Deductible)</b>	\$225 / \$450	\$225 / \$450	\$225 / \$450
<b>Annual Out-of-Pocket Maximum (Excluding Deductible)</b>	\$5,000 / \$9,450	\$3,500 / \$7,000	\$2,500 / \$5,000
<b>Annual Out-of-Pocket Maximum (Including Deductible)</b>	\$6,250 / \$13,200	\$4,250 / \$9,250	\$3,000 / \$6,500
<b>Coinsurance</b>	70%	80%	90%
<b>Primary Care Office Visit</b>	\$35 copay	\$30 copay	\$25 copay
<b>Specialist Office Visit</b>	\$45 copay	\$40 copay	\$35 copay
<b>Preventive Care</b>	100%	100%	100%
<b>Inpatient Facility</b>	Deductible, 70%	Deductible, 80%	Deductible, 90%
<b>Outpatient Facility</b>	Deductible, 70%	Deductible, 80%	Deductible, 90%
<b>Emergency Room</b>	\$150 copay, 70%	\$150 copay, 80%	\$150 copay, 90%
<b>Prescription Drug</b>			
<b>Retail (Generic/Preferred/Non-Preferred)</b>	\$10/\$40/\$60	\$10/\$30/\$50	\$10/\$30/\$50
<b>Mail (Generic/Preferred/Non-Preferred)</b>	\$20/\$100/\$150	\$25/\$75/\$125	\$25/\$75/\$125

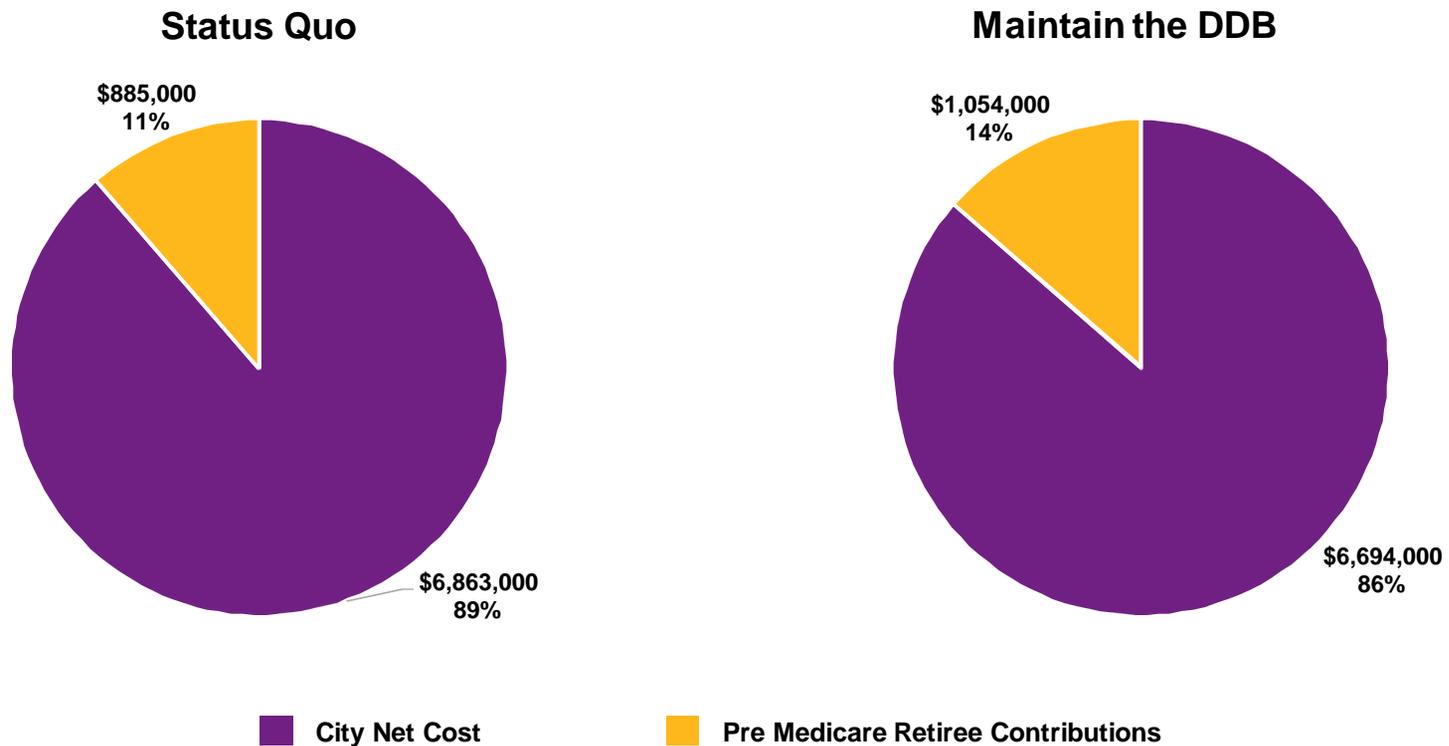
## Pre-Medicare Retirees: Maintaining the Defined Dollar Benefit (DDB)



## Total Health Care Cost

### Status Quo and Current Plan Design

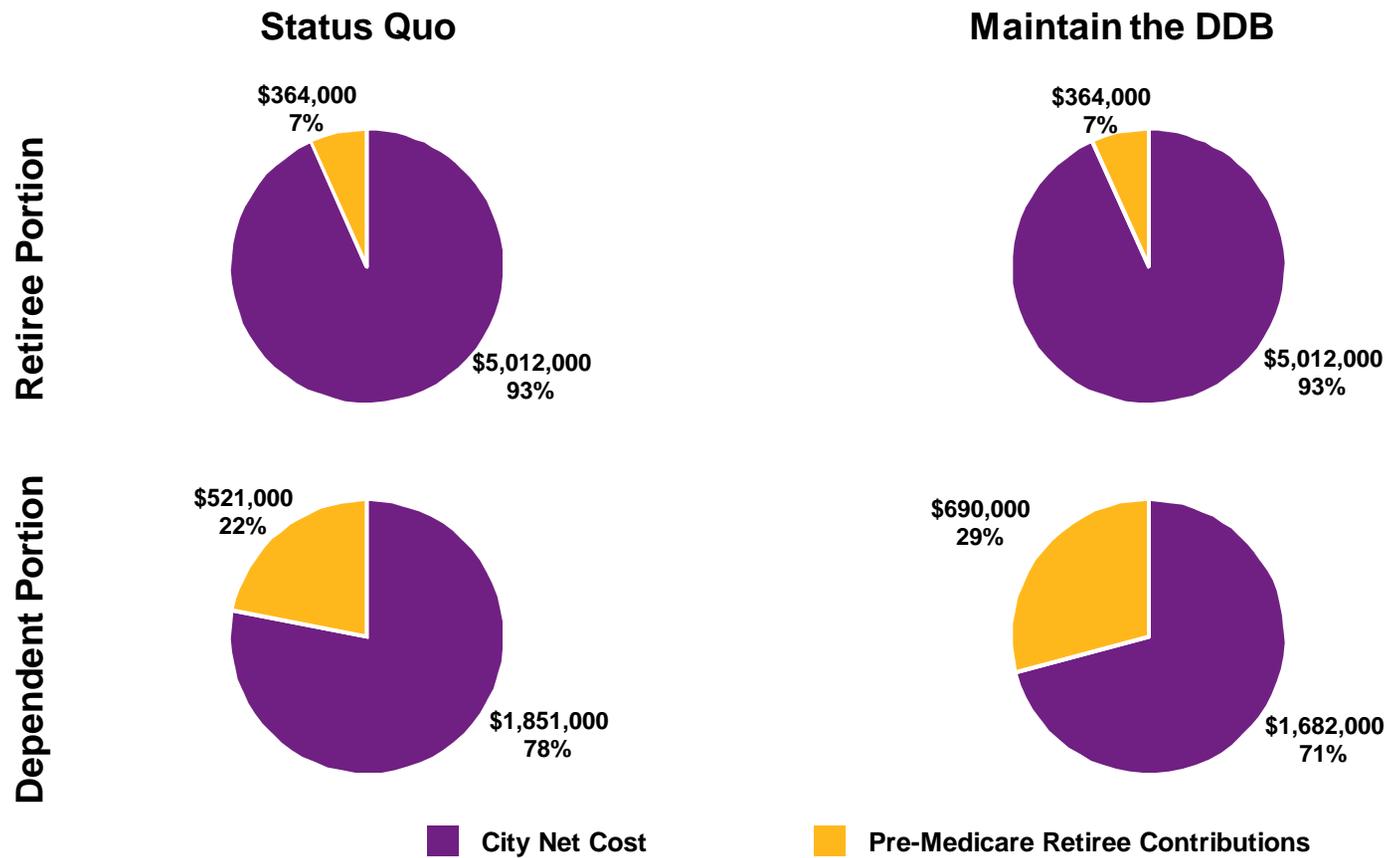
- The charts below show The City's budgeted annual net cost and annual employee contributions for Pre-Medicare retirees under both the status quo and the current plan design while maintaining the DDB for calendar year 2017 (January 2017 – December 2017)



# Total Health Care Cost

## Retiree and Dependents

- The charts below show The City's budgeted annual net cost and annual contributions, attributable to both retiree portions and dependent portions



## Financial Summary

### Calendar Year 2017

The table below shows the incurred cost and savings for the Pre-Medicare retiree populations while maintaining the DDB for calendar year 2017 (January 2017 – December 2017)

- Assumes no change in plan designs
- Retiree contributions are sufficient to maintain difference between premium equivalent rate and Defined Dollar Benefit (DDB)

Annual Totals	CY 2016 Budget	CY 2017 Status Quo	CY 2017 Maintain DDB	\$ / % Increase / (Decrease) from CY 2016 Budget	
				CY 2017 Status Quo	CY 2017 Maintain DDB
<b>Pre-Medicare Retirees</b>					
Gross Projected Cost	\$4,611,000	\$7,748,000	\$7,748,000	\$3,137,000 / 68.0%	\$3,137,000 / 68.0%
Retiree Contributions	\$734,000	\$885,000	\$1,054,000	\$151,000 / 20.6%	\$320,000 / 43.6%
Net City Cost	\$3,877,000	\$6,863,000	\$6,694,000	\$2,986,000 / 77.0%	\$2,817,000 / 72.7%
Net City Cost PEPY	\$9,100	\$16,110	\$15,714	\$7,009 / 77.0%	\$6,613 / 72.7%
Retiree Cost Share	15.9%	11.4%	13.6%		

## Pre-Medicare Retiree Rates and Contributions

### Calendar Year 2017

Monthly Budget Rates	Maintain the DDB			TOTAL
	Pre-Medicare Retirees			
	Base Rate	Core Rate	Buy-Up Rate	
Retiree Only	\$939.12	\$1,007.31	\$1,073.07	
Retiree + Spouse	\$1,878.24	\$2,014.62	\$2,146.15	
Retiree + Child	\$1,220.86	\$1,309.50	\$1,395.00	
Family	\$2,253.89	\$2,417.54	\$2,575.38	
Annual Total	\$274,975	\$2,065,789	\$5,407,009	\$7,747,773
Annual Composite PEPY	\$22,915	\$17,963	\$18,084	\$18,187

Retiree Contribution Rates	Base Rate	Core Rate	Buy-Up Rate	TOTAL
	Rate	Rate	Rate	
Retiree Only	\$18.08	\$44.02	\$83.78	
Retiree + Spouse	\$94.02	\$228.84	\$324.26	
Retiree + Child	\$90.86	\$179.50	\$265.00	
Family	\$283.89	\$447.54	\$605.38	
Annual Total	\$25,387	\$235,612	\$793,122	\$1,054,121
Annual Composite PEPY	\$2,116	\$2,049	\$2,653	\$2,474

City Defined Dollar Benefit	Base Rate	Core Rate	Buy-Up Rate	TOTAL
	Rate	Rate	Rate	
Retiree Only	\$921.04	\$963.29	\$989.29	
Retiree + Spouse	\$1,784.23	\$1,785.78	\$1,821.89	
Retiree + Child	\$1,130.00	\$1,130.00	\$1,130.00	
Family	\$1,970.00	\$1,970.00	\$1,970.00	
Annual Total	\$249,588	\$1,830,177	\$4,613,887	\$6,693,652
Annual Composite PEPY	\$20,799	\$15,915	\$15,431	\$15,713

## Summary of Contributions

Below are the Pre-Medicare monthly contributions for calendar year 2017. Assumes no plan design changes and maintenance of the DDB.

- Contributions for 126 retirees or 30% of Pre-Medicare Retirees increase significantly (**shown in red**)

Monthly Retiree Contribution Rates	Pre-Medicare Projected Enrollment	CY 2016 Current Monthly Contribution	CY 2017 Status Quo Plan Design	CY 2017 Current Plan Design Maintain DDB	\$ / % Increase / (Decrease)	
					CY 2017 Status Quo Plan Design	CY 2017 Current Plan Design Maintain DDB
<b>Base</b>						
Retiree Only	2	\$15.00	\$18.08	\$18.08	\$3.08 / 20.6%	\$3.08 / 20.6%
Retiree + Spouse	4	\$77.98	\$94.02	\$94.02	\$16.04 / 20.6%	\$16.04 / 20.6%
Retiree + Child	0	\$37.49	\$45.20	<b>\$90.86</b>	\$7.71 / 20.6%	<b>\$53.37 / 142.4%</b>
Family	6	\$113.96	\$137.40	<b>\$283.89</b>	\$23.44 / 20.6%	<b>\$169.93 / 149.1%</b>
Annual Total	12	\$12,308	\$14,840	\$25,387	\$2,532 / 20.6%	\$13,079 / 106.3%
<b>Core</b>						
Retiree Only	57	\$36.51	\$44.02	\$44.02	\$7.51 / 20.6%	\$7.51 / 20.6%
Retiree + Spouse	22	\$189.80	\$228.84	\$228.84	\$39.04 / 20.6%	\$39.04 / 20.6%
Retiree + Child	15	\$91.24	\$110.00	<b>\$179.50</b>	\$18.76 / 20.6%	<b>\$88.26 / 96.7%</b>
Family	21	\$277.38	\$334.43	<b>\$447.54</b>	\$57.05 / 20.6%	<b>\$170.16 / 61.3%</b>
Annual Total	115	\$161,403	\$194,598	\$235,612	\$33,195 / 20.6%	\$74,209 / 46.0%
<b>Buy-Up</b>						
Retiree Only	160	\$69.49	\$83.78	\$83.78	\$14.29 / 20.6%	\$14.29 / 20.6%
Retiree + Spouse	55	\$268.95	\$324.26	\$324.26	\$55.31 / 20.6%	\$55.31 / 20.6%
Retiree + Child	47	\$140.73	\$169.67	<b>\$265.00</b>	\$28.94 / 20.6%	<b>\$124.27 / 88.3%</b>
Family	37	\$382.94	\$461.70	<b>\$605.38</b>	\$78.76 / 20.6%	<b>\$222.44 / 58.1%</b>
Annual Total	299	\$560,325	\$675,565	\$793,122	\$115,240 / 20.6%	\$232,797 / 41.5%
<b>Grand Total</b>	<b>426</b>	<b>\$734,036</b>	<b>\$885,003</b>	<b>\$1,054,121</b>	<b>\$150,967 / 20.6%</b>	<b>\$320,085 / 43.6%</b>

## Financial Summary

### Calendar Year 2018

The table below shows the incurred cost and savings for the Pre-Medicare retiree populations while maintaining the DDB for calendar year 2018 (January 2018 – December 2018)

- Assumes no change in plan designs
- Retiree contributions are sufficient to maintain difference between premium equivalent rate and Defined Dollar Benefit (DDB)
- Assumes average trend from 2017 to 2018 of 7.9%

Annual Totals	CY 2017 Status Quo	CY 2017 Maintain DDB	CY 2018 Maintain DDB	\$/ % Increase / (Decrease) from CY 2017 to 2018 – Maintain DDB
<b>Pre-Medicare Retirees</b>				
Gross Projected Cost	\$7,748,000	\$7,748,000	\$8,362,000	\$614,000 / 7.9%
Retiree Contributions	\$885,000	\$1,054,000	\$1,323,000	\$269,000 / 25.5%
Net City Cost	\$6,863,000	\$6,694,000	\$7,039,000	\$345,000 / 5.2%
Net City Cost PEPY	\$16,110	\$15,714	\$16,524	\$810 / 5.2%
Retiree Cost Share	11.4%	13.6%	15.8%	

## Pre-Medicare Retiree Rates and Contributions

### Calendar Year 2018

Monthly Budget Rates	Maintain the DDB Pre-Medicare Retirees			TOTAL
	Base Rate	Core Rate	Buy-Up Rate	
Retiree Only	\$1,013.54	\$1,087.13	\$1,158.11	
Retiree + Spouse	\$2,027.08	\$2,174.26	\$2,316.21	
Retiree + Child	\$1,317.60	\$1,413.27	\$1,505.54	
Family	\$2,432.49	\$2,609.11	\$2,779.46	
Annual Total	\$296,764	\$2,229,485	\$5,835,466	\$8,361,715
Annual Composite PEPY	\$24,730	\$19,387	\$19,517	\$19,628

Retiree Contribution Rates	Base Rate	Core Rate	Buy-Up Rate	TOTAL
	Rate	Rate	Rate	
Retiree Only	\$19.46	\$47.36	\$90.14	
Retiree + Spouse	\$101.15	\$246.20	\$348.87	
Retiree + Child	\$187.60	\$283.27	\$375.54	
Family	\$462.49	\$639.11	\$809.46	
Annual Total	\$38,622	\$309,434	\$974,520	\$1,322,576
Annual Composite PEPY	\$3,218	\$2,691	\$3,259	\$3,105

City Defined Dollar Benefit	Base Rate	Core Rate	Buy-Up Rate	TOTAL
	Rate	Rate	Rate	
Retiree Only	\$994.08	\$1,039.77	\$1,067.97	
Retiree + Spouse	\$1,925.93	\$1,928.06	\$1,967.35	
Retiree + Child	\$1,130.00	\$1,130.00	\$1,130.00	
Family	\$1,970.00	\$1,970.00	\$1,970.00	
Annual Total	\$258,143	\$1,920,051	\$4,860,946	\$7,039,140
Annual Composite PEPY	\$21,512	\$16,696	\$16,257	\$16,524

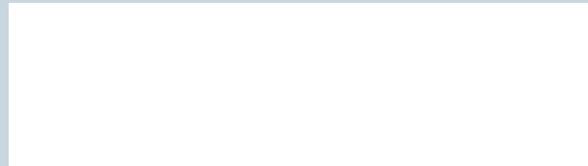
## Summary of Contributions

Below are the Pre-Medicare monthly contributions for calendar years 2017 – 2019. For comparison purposes, the CY 2017 Status Quo is shown. Assumes no plan design changes and maintenance of the DDB

- Contributions increase significantly each year after the DDB is reached (**shown in red**)

Monthly Retiree Contribution Rates	Pre-Medicare Projected Enrollment	CY 2017 Status Quo Plan Design	CY 2017 Current Plan Design Maintain DDB	CY 2018 Current Plan Design Maintain DDB	CY 2019 Current Plan Design Maintain DDB	\$ / % Difference from CY 2017 to 2018 to Maintain DDB	\$ / % Difference from CY 2018 to 2019 to Maintain DDB
<b>Base</b>							
Retiree Only	2	\$18.08	\$18.08	\$19.46	\$20.89	\$1.38 / 7.6%	\$1.43 / 7.4%
Retiree + Spouse	4	\$94.02	\$94.02	\$101.15	<b>\$213.02</b>	\$7.13 / 7.6%	<b>\$111.87 / 110.6%</b>
Retiree + Child	0	\$45.20	<b>\$90.86</b>	<b>\$187.60</b>	<b>\$288.96</b>	<b>\$96.74 / 106.5%</b>	<b>\$101.36 / 54.0%</b>
Family	6	\$137.40	<b>\$283.89</b>	<b>\$462.49</b>	<b>\$649.63</b>	<b>\$178.60 / 62.9%</b>	<b>\$187.13 / 40.5%</b>
Annual Total	12	\$14,840	\$25,387	\$38,622	\$57,499	\$13,235 / 52.1%	\$18,877 / 48.9%
<b>Core</b>							
Retiree Only	57	\$44.02	\$44.02	\$47.36	\$50.85	\$3.34 / 7.6%	\$3.49 / 7.4%
Retiree + Spouse	22	\$228.84	\$228.84	\$246.20	<b>\$371.52</b>	\$17.36 / 7.6%	<b>\$125.33 / 50.9%</b>
Retiree + Child	15	\$110.00	<b>\$179.50</b>	<b>\$283.27</b>	<b>\$391.99</b>	<b>\$103.77 / 57.8%</b>	<b>\$108.72 / 38.4%</b>
Family	21	\$334.43	<b>\$447.54</b>	<b>\$639.11</b>	<b>\$839.83</b>	<b>\$191.57 / 42.8%</b>	<b>\$200.72 / 31.4%</b>
Annual Total	115	\$194,598	\$235,612	\$309,434	\$415,056	\$73,822 / 31.3%	\$105,622 / 34.1%
<b>Buy-Up</b>							
Retiree Only	160	\$83.78	\$83.78	\$90.14	<b>\$117.20</b>	\$6.36 / 7.6%	<b>\$27.06 / 30.0%</b>
Retiree + Spouse	55	\$324.26	\$324.26	\$348.87	<b>\$524.40</b>	\$24.61 / 7.6%	<b>\$175.53 / 50.3%</b>
Retiree + Child	47	\$169.67	<b>\$265.00</b>	<b>\$375.54</b>	<b>\$491.36</b>	<b>\$110.54 / 41.7%</b>	<b>\$115.82 / 30.8%</b>
Family	37	\$461.70	<b>\$605.38</b>	<b>\$809.46</b>	<b>\$1,023.28</b>	<b>\$204.08 / 33.7%</b>	<b>\$213.82 / 26.4%</b>
Annual Total	299	\$675,565	\$793,122	\$974,520	\$1,302,589	\$181,398 / 22.9%	\$328,069 / 33.7%
<b>Grand Total</b>	<b>426</b>	<b>\$885,003</b>	<b>\$1,054,121</b>	<b>\$1,322,576</b>	<b>\$1,775,144</b>	<b>\$268,455 / 25.5%</b>	<b>\$452,568 / 34.2%</b>

## Future Considerations



## Future Pre-Medicare Retiree Considerations

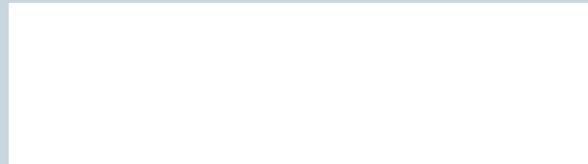
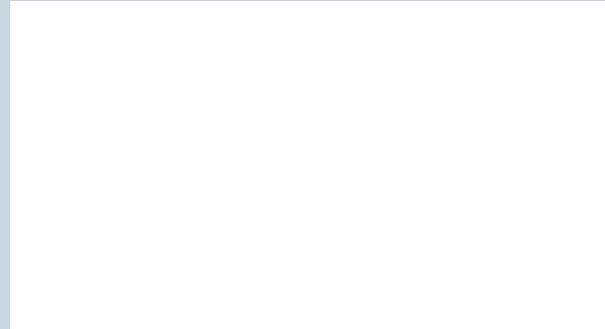
The table below summarizes the impact of either maintaining the status quo (not adhering to the DDB) and enforcing the DDB

- Eliminating the DDB will result in a significant increase in the GASB liability and expense
- Enforcing the DDB without plan changes will require a significant increase in the Pre-Medicare retiree contributions

Scenario	Plan Design Strategy	Impact of Retiree Contributions in 2017	Impact on DDB	GASB Results
Maintain Status Quo	No change	Mirrors Actives	Eliminated	Significant Increase
Enforce DDB	No change	Significant Increase for Retirees with Dependent Children	Maintained	As projected
Enforce DDB	Adopt plan changes	Mirrors Actives	Maintained	As projected

- To maintain the DDB in 2017 there are two options:
  - Pre-Medicare retiree contributions will have to increase for some retirees by about \$124 PEPM and \$222 PEPM for Retirees with Children and Retirees with Family in the Buy-Up Plan
  - Reduce the plan design for Pre-Medicare retirees
    - Eliminate all current plan options and replace with one plan option lower than the current Core Plan for all Pre-Medicare retirees; an example of the future plan design is as follows (contributions would be equal to the active Buy-Up plan)
      - \$1,500 / \$4,500 (single / family) deductible
      - \$6,000 / \$12,000 (single / family) out of pocket maximum (includes deductible)
      - 80% coinsurance
      - \$30/\$40 PCP / Specialist copays
      - \$10 / \$30 / \$50 Rx copays (2.5x for mail)

## Other Considerations



## Health Reimbursement Accounts (HRA)

- By definition, an HRA :
  - Is funded solely with employer contributions
    - Employee contributions are prohibited
  - Provides tax-free reimbursement of some/all IRC § 213(d) medical expenses incurred by the employee/retiree and the employee/retiree's spouse and/or tax dependents
  - Provides reimbursement up to a maximum dollar amount (set by employer) for a coverage period (e.g., plan year)
- Typical use for Pre-65 and Post-65 retirees
  - Pre-65
    - HRA integrated with employer-sponsored ABHP; retiree continues in active-like plan
    - Stand-alone HRA, similar to post-65
  - Post-65
    - Stand-alone HRA, often as part of private Medicare exchange approach
    - Annual allocation based on eligibility class
    - Used to reimburse premiums for Medigap, Medicare Advantage, and Part B/D
    - Some HRAs reimburse OOP expenses (e.g., medical and Rx)
- What other employers are doing<sup>1</sup>
  - Pre-65 Retirees: 4% of public sector employers provide account only or defined contribution support with no access to an employer sponsored health plan
  - Post-65 Retirees: 20% of public sector employers plan on converting subsidies to a retiree medical savings account arrangement

Source: 2014 Towers Watson/NBGH Employer Survey on Purchasing Value in Health Care.

# Postretirement Healthcare Design

## Alternatives Previously Considered

	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Description	Eliminate retiree medical for employees hired 2017+	Eliminate retiree dependent coverage for employees hired 2017+	Add age requirement for coverage <sup>1</sup> for employees hired 2017+	Remove option to add dependents after retirement	Eliminate Post-65 Coverage for employees retiring 2017+
Immediate Impact to GASB AAL	No immediate impact	No immediate impact	No immediate impact	No immediate impact <sup>2</sup>	\$14M reduction in AAL; \$1.4M reduction to OPEB Cost
Impact to Pay-Go	No impact for 20+ years	No impact for 20+ years	Gradual decrease in City contributions	Negligible impact <sup>2</sup>	Gradual decrease in City contributions

Design changes for future employees (Alternatives 1-3 above) will have no immediate impact on GASB liabilities but will limit liability growth

<sup>1</sup> Eligibility of age 55 and 25 years of service for police & firefighters  
Eligibility of age 55 and 28 years of service for others

<sup>2</sup> Changes to the spousal coverage assumption would have to be monitored. Lowering this assumption would lower the plan liabilities. Participants may consider changing dependent coverage before retirement if the option to add dependents is no longer allowed, which would negate the effects of the plan change

## Postretirement Health Care

### “Buy-Out”

- The council has considered deploying assets currently set aside to provide a one-time benefit to participants
- GASB impact will depend on how benefit is provided
  - Cash offering
    - Plan is terminated; liability drops to zero when coverage ceases
  - Stipend to HRA for medical benefits only (up to total asset value)
    - Liability ~ assets promised
      - Unfunded Actuarial Accrued Liability ~ 0
- Method of allocation to actives / retirees depends on promises made – if continued coverage has not been promised, there are no requirements around how benefit is allocated
- Significant GASB savings / significant decrease to retiree benefits

## Pre-Medicare Retiree Alternative: South Carolina Public Exchange

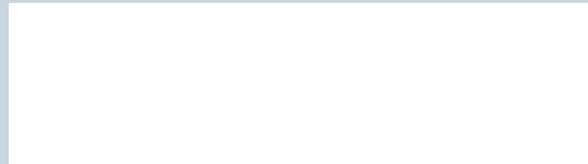
The retiree contribution rates shown below were calculated by subtracting The City's DDB from actual Marketplace premium rates for Gold Plan coverage (or actuarially determined premiums for the City's current 2016 plans)

- The Gold Marketplace plan is most similar to The City's plans
- Negative amounts would remain in the retiree's HRA and could be rolled over for future use
- Please note that Marketplace plans may reflect more narrow networks than The City's current plans

Carrier	Blue Cross Blue Shield SC	Blue Cross Blue Shield SC	BlueChoice Healthplan	BlueChoice Healthplan	Aetna/Coventry	Blue Cross Blue Shield SC (City of Columbia Plans)		
Plan's Marketing Name	Blue Cross Blue Shield Gold 1, a Multi-State Plan	BlueEssentials Gold 2	BlueOption Gold 1004	BlueOption Gold 800	Gold \$5 Copay POS Midlands	Base Plan 2016 Contribution Rates	Core Plan 2016 Contribution Rates	Buy Up Plan 2016 Contribution Rates
<b>Plan Design Characteristics</b>								
Deductible – Single	\$1,000	\$800	\$1,000	\$800	\$1,250	\$1,250	\$750	\$500
OOP Maximum – Single	\$4,200	\$4,000	\$3,500	\$3,500	\$4,250	\$6,250	\$4,250	\$3,000
Coinsurance	20%	30%	20%	30%	20%	30%	20%	10%
PCP/SPC OV Copay	\$20/\$50	\$15/\$40	\$20/\$40	\$20/\$50	\$5/\$40	\$35/\$45	\$30/\$40	\$25/\$35
Rx (Generic/Preferred/Non-Preferred)	\$12/\$35/\$100	\$6/\$30/\$100	\$10/\$30/\$55	\$10/\$35/30 % after ded	\$10/\$30/\$65	\$10/\$40/\$60	\$10/\$30/\$50	\$10/\$30/\$50
<b>Monthly Retiree Contribution Rates by County (assumes current DDB)</b>								
<b>Calhoun</b>								
Single (60 yr old)	(\$288)	(\$287)	(\$269)	(\$280)	(\$186)	\$15.00	\$36.51	\$69.49
Couple (60 yr old)	(\$285)	(\$283)	(\$248)	(\$270)	(\$83)	\$77.98	\$189.80	\$268.95
<b>Lexington</b>								
Single (60 yr old)	(\$288)	(\$287)	(\$269)	(\$280)	(\$186)	\$15.00	\$36.51	\$69.49
Couple (60 yr old)	(\$285)	(\$283)	(\$248)	(\$270)	(\$83)	\$77.98	\$189.80	\$268.95
<b>Richland</b>								
Single (60 yr old)	(\$225)	(\$224)	(\$205)	(\$217)	(\$220)	\$15.00	\$36.51	\$69.49
Couple (60 yr old)	(\$159)	(\$157)	(\$119)	(\$143)	(\$151)	\$77.98	\$189.80	\$268.95

Plans shown above are for comparative purposes only. Please visit [HealthCare.gov](http://HealthCare.gov) for a full listing of plans offered under South Carolina's Public Exchange.

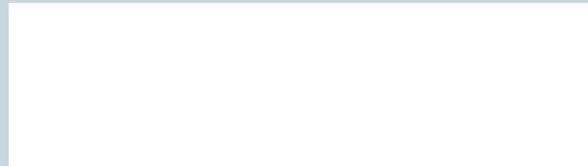
## Next Steps



## Next Steps

- Discuss plan design adjustments and contribution alternatives desired
- Review retiree contribution details and determine course of action
  - Maintain the DDB
    - Through contribution increases for some retirees in 2017 (refer to page 15)
      - Retirees (126) currently with Retiree + Child or Family coverage will have contribution increases of between 58% and 149% (depending on plan option selected)
    - Contribution increases significantly once the DDB is reached will be significant each year (refer to page 18)
      - Retirees (126) currently with Retiree + Child or Family coverage will have contributions increase between 33% and 63% in 2018
      - 363 Retirees will have increase over 26% in 2019
    - Plan design changes for Pre-Medicare retirees
      - For example, eliminate all current retiree options and replace with a plan option with lower benefits (refer to page 21)
  - Eliminate the DDB and exposing the City to greater GASB liability and expense
    - AAL increases by \$53.2M and OPEB cost by \$5.7M (refer to page 20)

## Appendix



## The Pre-Medicare Retiree Market

- Benchmark trends for Medicare-eligible retirees after plan changes (3.9%) are similar to trends for active employees (4.0%). However, trends for Pre-Medicare retirees are higher (5.5%), highlighting the total cost of providing medical coverage to these younger retirees without the benefit of Medicare subsidies
- On average, employers who offer retiree coverage to Pre-Medicare retirees charge contributions of approximately 40%
- Currently the City's Pre-Medicare Retirees pay the same rates as Active employees
  - Pre-Medicare Retiree contributions represent 5% of their projected total cost
- Other area public sector employers vary in cost share strategies
  - Cost share scale is based on years of service: up to 9 years requires 100% employee contribution, 10 – 14 years requires 75%, 15 – 19 years requires 50%, etc.
  - Pre-Medicare Retiree coverage is provided at no cost to the retiree however, Post-65 coverage is not offered.
    - Note that employers who provide 100% coverage to Pre-Medicare retirees vary in plan design and generally provides lower coverage than The City

*Source: Towers Watson 2015 Survey on Retiree Health Care Strategies.*

*2014 Towers Watson/NBGH Employer Survey on Purchasing Value in Health Care.*

## Methodology and Assumptions

- To develop baseline cost, we estimated the City's fiscal 2017 (July 2016 – June 2017) and calendar 2017 year costs using the following underwriting methodology and assumptions
  - Combined Active, Pre-Medicare and COBRA claims experience and enrollment from January 2014 through December 2015, provided by BCBSSC (medical) and ESI (Rx)
  - Fixed cost of operating the City's onsite clinic from January 2014 through December 2015 of \$800,000 annually
  - Combined Medical and Rx annual claims trend: 8.0%
  - Administrative fees based on BCBSSC ASO fee renewal for 2016 - 2018
  - Assumed trend on stop-loss premiums: 15%
  - Includes \$44 PMPY for the Transitional Reinsurance Fee for CY 2016
  - Fiscal year projections exclude \$2 PMPY for PCORI fees (per federal guidance, PCORI should be paid through general assets)
- Future plan enrollment was based on the March 2016 census provided by The City
  - Total projected enrollment of 2,083 active employees and 426 Pre-Medicare retirees, based on April 2016 information provided by The City
  - Did not assume any additional enrollment as a result of health care reform
- Assumed no changes to the current employee/retiree structure

## Methodology and Assumptions

- Future plan enrollment was based on the March 2016 census provided by The City
  - Total projected enrollment of 2,083 active employees and 426 Pre-Medicare retirees, based on April 2016 information provided by The City
  - Did not assume any additional enrollment as a result of health care reform
- Assumed no changes to the current employee/retiree structure
- The projection of the clinic's cost for fiscal year 2017 and calendar 2017 is based on the following:
  - Total estimated charges (including BCBSSC clinic fees) of \$800,000 filed for reimbursement of services provided by UCI at health center in 2015
  - Assumes no trend and that no additional services were added, and that hours of operations remained unchanged (7:00 a.m. to 5:00 p.m. daily)

## About This Report

- In preparing the results contained in this presentation, Willis Towers Watson has used information and data provided to us by the City of Columbia. We have relied on all the data and information provided, including plan provisions, as being complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information.
- The calculations reported herein are based on the following assumptions and methods:
  - Discount rates as shown in the exhibit
  - Data and measurement date as of July 1, 2015
  - The scenario eliminating the pre-65 DDB is based on the following claims and contributions for pre-65 benefits:

Age	2016 Claims Cost	2016 Admin Cost		Base	Core	Buy-Up
40 - 44	\$6,809	\$665	Retiree Only	\$15.00	\$36.51	\$69.49
45 - 49	\$7,857	\$665	Retiree + Spouse	\$77.98	\$189.80	\$268.95
50 - 54	\$9,647	\$665	Retiree + Child(ren)	\$37.49	\$91.24	\$140.73
55 - 59	\$11,584	\$665	Retiree + Family	\$113.96	\$277.38	\$382.94
60 - 64	\$14,335	\$665				

- Claims and retiree contributions are expected to increase each year at a rate of 7% in 2016, dropping to a long term increase assumption of 5% after 7 years; Administration costs are expected to increase at a flat 3% each year.

Except as otherwise provided above, the presented results are based on the assumptions, methods, plan provisions and other information, outlined in the actuarial valuation report to determine accounting results for the plan for the fiscal year ending June 30, 2014 dated September 2014. Therefore, such information, and the reliances and limitations of the valuation report and its use, should be considered part of this report. The undersigned consulting actuaries are members of the Society of Actuaries and meet the “Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States” relating to postretirement welfare plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson.

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