

# City of Cincinnati



**Roxanne Qualls**  
*Councilmember*

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To: Mayor Mallory, Members of Council, Interested Parties  
From: Councilmember Roxanne Qualls  
Date: October 24, 2008  
Subject: Retirement Task Force recommendations (revised document)

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This document was prepared in an effort to better understand the impacts of the Retirement Task Force's recommendations on both retirees and on the Cincinnati Retirement system. The issues are complicated and very important because of their financial impact on retirees and their fiscal impact on the City of Cincinnati. This is not an exhaustive overview, but it does pull together in one place very basic information that may be useful in City Council's deliberations.

This document differs from the original summary dated October 2, 2007 on the following pages:

1. The estimates for the years 2016, 2017, and 2018 on page 7 have been corrected.
2. Pages 19-24 have been added. These pages include a Q&A about the modified PPO, and a comparison of four examples of yearly medical expenses and how they would be paid by the existing four retiree health care plans and the modified PPO. This is done for both the regular retirees and the special group of retirees that have worked 30 years, have a pension of \$20,000 or less, and are 70 years old or older.

## **Retirement Task Force Recommendations**

Whether elected officials, city employees or retirees, or residents, we are first and foremost citizens of this great city. We share the common goals of building strong, vibrant neighborhoods; creating a climate for progressive economic development; and building the infrastructure for a smarter, better quality of life in our neighborhoods.

While Cincinnati continues to experience many challenges and obstacles to achieve these goals, we have the capacity to succeed because past elected officials and civic and neighborhood leaders could put aside their narrow self-interest and made prudent, albeit difficult decisions for the good of the entire city and all our citizens

Prior mayors and councils performed their duty as good stewards of the public purse so that even in tough economic times we could responsibly provide basic services, invest in infrastructure, and support community and economic development. Prior mayors and councils were also responsible and generous employers and created a system of employment that rewarded the people who pick up the garbage, build our roads, and work with our neighborhoods with good jobs and secure retirements. To be both good stewards and good employers sometimes required balancing competing demands on resources and making tough decisions.

Today's council must continue to be a good steward of the public trust and a responsible employer to all past, current and future City employees.

In 1931 the City of Cincinnati established the Cincinnati Retirement System (CRS). It stands as a remarkable achievement of fiscal planning. It guarantees that conscientious and loyal service to the citizens of Cincinnati will produce a secure and stable retirement for employees. Unlike some public pension systems, the CRS is one of the most stable in the country because of the diligence, prudence, and oversight of mayors, councils, city managers and administrators, and retirement boards.

In 1960 the City of Cincinnati generously included health care benefits for retirees. The City of Cincinnati has no legal obligation to provide retiree health care benefits, but has done so in recognition of the importance of access to health care. Retiree health care benefits are not a right.

The City of Cincinnati's Retirement System fund is \$2.6 billion (12/31/2007). Even in these tough economic times, its funding level is at 89.5%. This includes its combined current and future medical and pension obligations. It ranks highly compared with other systems – despite the soaring costs of health care – because past councils acted as good stewards and made prudent and sometimes very difficult decisions.

Now, the skyrocketing cost of health care jeopardizes the future of the system, and potentially threatens the city's future ability to meet its obligations to those who have labored and continue to labor diligently in the service of Cincinnati's citizens. If left unaddressed, the growing unfunded liability will significantly impact services and community and economic development.

The current unfunded liability of the CRS is \$307 million. This is due primarily to the relentlessly rising cost of health care, and the decision by Cincinnati City Council to underfund its required contribution to the CRS in order to maintain services to our citizens. If the current underfunding continues at its current rate, it is anticipated that the unfunded liability will reach \$1 billion by 2018 (see chart on page 6). This situation cannot be permitted to continue. If it does, it threatens the future stability of the system and our ability to honor our obligations to our citizens, our employees, and our retirees.

On December 5, 2007 Cincinnati City Council established a Retirement Task Force to make recommendations to the City Council to insure the long-term stability of the Cincinnati Retirement System. The members of the Task Force included:

Hillary Bohannon	Cincinnati Human Resources Director
Lea Carroll	Cincinnati Budget and Evaluation Director
Cathy Crain	Community Representative
Milton Dohoney	Cincinnati City Manager
Diana Frey	Representative of CODE
James Girton	Vice President and Director of Employee Benefits-Fifth Third Bank
Linda Graviss	Retiree
Joe Gray	Cincinnati Finance Director
Marijane Klug	Chair of the Retirement Board and Manager of Financial Services of the Park Board
Marianne Steger	AFSCME
Chris Stenger	Cincinnati Bell Pension Director
Francis Wagner	Former City Finance Director and current retiree

The Retirement Task Force issued its report on September 8, 2008. Its recommendations are prudent, fair and reasonable. They balance the needs of retirees, employees, and citizens while insuring the future of the CRS. The following is a summary of the Task Force's recommendations and information about their impacts and benefits.

### **Some Facts about the Current Retirement System**

- Number of retirees – 4,766
- Number of retirees and dependents receiving retiree health care – 7,524
- Market Value at the end of 2007 - \$2,685,339,891
- Funding ratio – 89.5% (the fund has enough assets to cover 89.5% of the benefits for the next 30 years. This assumes no change to the system and all actuarial assumptions are met.)
- The annualized return of the fund over the past 5 years was 12%
- The annualized return of the fund over the past 10 years, which includes the 2001 recession, was 6.6%
- As of August 31, the 2008 return on investment was -7.6%. As of September 29, 2008 the fund had lost an estimated \$400 million.
- In 2007 the fund return-on-investment ranked in the top 27% of all public funds and in the top 41% of funds with assets over \$1 billion.

### **Current Assumptions about Fund Performance**

The actuarial assumption for the return on investment is 8% each year. As noted above, the annualized return-on-investment over the past 10 years was 6.6%. If the 8% return on investment is not attained, the City's required contribution rate increases. In order to keep the City's contribution from erratically rising and falling, the return currently is smoothed over a five-year period. Because the City has not always met the required contribution rate due to a lower than expected return on investment and the council's desire not to cut basic services to make up the difference, there is an unfunded liability (the amount by which the City falls short of funding the retirement system at 100%). The unfunded liability now stands at \$307 million.

### **Retiree Health Care**

Retirees currently are on one of four different healthcare plans. The employees who retired after September 2007 and Early Retirement Plan Incentive retirees are on the Anthem Blue Access 80/20 plan. This is the same plan as for current employees. Those who retired before September 2007 are on the Blue Cross/Blue Shield Traditional Plan, the Blue Priority HMO, or the Blue Access (PPO). Two thirds of the retirees over 65 years old are on the Blue Cross/Blue Shield Traditional Plan. The existing retirees plan's actual claims experience has averaged an increase per year of 6.6% annually. Overall paid expenses combined for all plans were about \$6,950 per person in 2007, an increase of 9.2% over the prior year. The following chart compares the benefits of the four plans.

In-Network Medical Benefits Retiree Health Insurance Benefits				Current City Employee Health Benefits
Plan Feature	<b>BLUE PRIORITY</b> 888 single members 183 family members (network only)	<b>BLUE ACCESS</b> 772 single members 291 family members (In-network coverage)	<b>BLUE TRADITIONAL</b> 2983 single members 200 family members Indemnity	<b>BLUE ACCESS PPO 80/20</b> 289 single members 118 family members (In Network coverage)
Annual Deductible	\$0	\$0	Single- \$50 Family- \$150	Single- \$300 Family- \$600
Annual Out-of-Pocket Maximum	n/l	Single- \$300 Family-\$600	Single- \$450 Family- \$450/person to \$1350	Single- \$1,500 Family- \$3,000
Copay	\$0	\$10	Must meet deductible	Must meet deductible
Enrollee Coinsurance for Physician Services	Office calls covered in full 0% Associated services	0% after copay 0% Associated services	20% after deductible maximum \$400 annually	20% after deductible maximum s-\$1,500/f-\$3,000
Enrollee Coinsurance for Hospital Services	\$0; covered in full	\$100 copay; covered in full	\$0; covered in full	80% after deductible
Preventive Services	mammography/PAP- covered in full wellness/preventive- covered in full	mammography/PAP- \$10 copay/full covered; wellness/preventive- \$10 copay/full covered;	mammography/PAP-covered in full Member pays 20% to \$500 annually	mammography/PAP-covered in full wellness/preventive- covered in full
<b>2006 Self-Insured Monthly Premium for Benefit Recipients</b>				
Premium	<b>Non-Medicare</b> Single- \$5.35 2 person- \$10.70 Family- \$10.90 <b>Medicare</b> Single- \$5.20 2 person- \$10.40 Family- \$10.90	\$0	\$0	<b>Employee Per Month</b>
				Single- \$13.18 Family- \$36.40
				<b>Employee Per Year</b>
				Single- \$158.16 Family- \$436.80
<b>2006 Prescription Drug Benefits</b>				
<b>Retail</b>				
Copay/Coinsurance	Generic- \$3 Brand- \$3	Generic- \$5 Brand- \$12	Generic- \$5 Brand- \$5	Generic- \$10 Brand- \$20 Non-formulary Brand- \$30
<b>Mail Service</b>				
Copay/Coinsurance	60 day Generic- \$6 60 day Brand- \$6 supplies for diabetes/asthma covered from 80% up to 100%	60 day Generic- \$5 60 day Brand- \$12 supplies for diabetes/asthma covered from 80% up to 100%	60 day Generic- \$10 60 day Brand- \$10 supplies for diabetes/asthma covered from 80% up to 100% fertility drugs covered @ 50% Non-network covered @ 50%	90 day Generic- \$20 90 day Brand- \$40 90 day Non-F Brand- \$60 supplies for diabetes/asthma covered from 80% up to 100%

### The Impact of an Increasing Unfunded Liability and Increasing Healthcare Costs

The recently escalating required contribution by the City to the CRS has been the primary cause of budget difficulties. This problem will continue to grow each time the City is unable to meet the required contribution. The following chart shows how the Unfunded Liability would drop over the next 10 years if the City were able to meet the required contribution rate in each of those years, something the City has not been willing to do because of the serious service cuts that would result. The chart also estimates what would happen to the Unfunded Liability if the City made a contribution of 17% of payroll in each of the next ten years (the City made a 17% contribution in 2008) and all actuarial assumptions, including an annual 8% return, are met, and none of the Retirement Task Force’s recommendations are implemented. In the latter case, the Unfunded Liability would grow to almost \$1 billion in a decade.

Years	Growth of Unfunded Liability – 100% Payment of Annual Required Contribution	17% Contribution
2009	\$ 307,000,000	\$ 307,000,000
2010	\$ 286,500,000	\$ 357,283,908
2011	\$ 266,000,000	\$ 409,590,529
2012	\$ 245,500,000	\$ 468,081,680
2013	\$ 225,000,000	\$ 531,752,122
2014	\$ 204,500,000	\$ 601,016,200
2015	\$ 184,000,000	\$ 677,821,404
2016	\$ 163,500,000	\$ 761,771,024
2017	\$ 143,000,000	\$ 852,436,614
2018	\$ 122,500,000	\$ 951,355,451

Section A of the following chart shows the amount and percentage of the General Fund (funded by taxes) and Enterprise Funds (funded by rates and fees paid by citizens for parking, water, stormwater, etc.) that would be required under the current system for each of the next ten years to pay down the current unfunded liability. Section B shows the amount and percentage of the General and Enterprise Funds that would be required under the proposed system for each of the next ten years to pay down the current unfunded liability.

Section A: Old Plan - Contribution Percentage of All Funds				Section B: Proposed Plan - Contribution Percentage of All Funds			
Year	All Funds	Required Contribution	Percent of All Funds	Year	All Funds	Required Contribution	Percent of All Funds
2009	\$ 957,113,282	\$ 51,000,000	5%	2009	\$ 957,113,282	\$ 29,000,000	3%
2010	\$ 990,085,357	\$ 49,000,000	5%	2010	\$ 990,085,357	\$ 27,000,000	3%
2011	\$ 1,020,264,879	\$ 51,000,000	5%	2011	\$ 1,020,264,879	\$ 27,000,000	3%
2012	\$ 1,054,697,145	\$ 51,500,000	5%	2012	\$ 1,054,697,145	\$ 25,000,000	2%
2013	\$ 1,091,611,544	\$ 52,000,000	5%	2013	\$ 1,091,611,544	\$ 24,500,000	2%
2014	\$ 1,129,817,949	\$ 54,000,000	5%	2014	\$ 1,129,817,949	\$ 24,000,000	2%
2015	\$ 1,169,361,576	\$ 55,000,000	5%	2015	\$ 1,169,361,576	\$ 24,000,000	2%
2016	\$ 1,210,284,197	\$ 55,000,000	5%	2016	\$ 1,210,284,197	\$ 24,000,000	2%
2017	\$ 1,252,649,354	\$ 56,000,000	4%	2017	\$ 1,252,649,354	\$ 24,000,000	2%
2018	\$ 1,296,492,082	\$ 57,000,000	4%	2018	\$ 1,296,492,082	\$ 24,500,000	2%

### The Proposal

The Retirement Task Force has made the following recommendations to Council to address the problem of the growing Unfunded Liability:

#### Short-Term Recommendations

- Replace the Pre-September 2007 retiree medical plan with a Modified PPO for existing retirees
  - \$1,000 out of pocket limit on prescription drugs
  - \$100 deductible
  - \$1,000 limit on medical out-of-pocket
  - Prescription Drug Tiers: \$5 generic, \$15 brand, \$30 non-formulary
  - Retirees will pay no premiums
- Eliminate the traditional indemnity plan
- Revise the coordination of benefits paid by the City Retirement System and Medicare for retirees over 65 years old

- Change the amortization of actuarial accrued unfunded liability from 15 years to 30 years. This is analogous to changing from a 15 to a 30-year mortgage – payments by the City’s contribution on the unfunded liability are spread over a thirty-year period.

These four recommendations reduce the unfunded liability of \$307,450,000 to \$169,930,000, a reduction of \$137,520,000. They increase the funding ratio to 93.9% and reduce the City’s required contribution from \$51,022,000 to \$28,900,000, a reduction of \$22,120,000. The required contribution is reduced from 34.32% of payroll to 19.4% of payroll from both the General Fund and the Enterprise Funds.

To mitigate some of the financial stress caused by the Modified PPO for pre-September 2007 retirees who are 70 years of age or older with 30 or more years of service credit with the CRS, and an annual benefit of \$20,000 or less, the following is recommended:

- Reduce deductible from \$100 to \$0
- Reduce maximum medical out-of-pocket from \$1000 to \$500
- Reduce maximum prescription drug out-of-pocket from \$1000 to \$500.

Additional recommendations include:

- The City Budget Office should develop a policy that emphasizes and insures a disciplined payment of the Annual Required Contribution to the CRS
- Increase the length of the term for actual smoothing of gains and losses from five years to ten years. This will allow for a more consistent, less volatile contribution rate and will help the City’s Budget Office to plan long term.
- Retirees since September 2007 will remain on a healthcare plan similar to current employees.

### **Mid-Term Recommendations**

- Increase the employee contribution rate ½% per year for 4 years. The employee contribution rate will increase from 7% to 9% from 2009 to 2012.

### **Long-Term Recommendations:**

- For individuals hired after December 21, 2008:
  - Increase the age for normal retirement from 60 to 65
  - Increase the age for early retirement from 55 to 60
  - Add the minimum age of 55 to retirement with 30 or greater years of service
  - Decrease the retirement formula factor from 2.5% to 2.2% for new hires

All of the recommendations together reduce the unfunded liability to \$170,290,000, a reduction of \$137,160,000. The funding ratio is increased from 89.5% to 93.9%. The City's required contribution is reduced from \$51,022,000 to \$25,967,000, a reduction of \$25,055,000, which is a reduction from 34.32% of payroll to 17.46% of payroll.

#### **Additional Recommendations Regarding Future Sources of Funding**

- Research issuance of tax-exempt pension obligation bonds to retire current actuarial accrued unfunded liability
- Restore 6.1 Millage and allocate 1/3 to retirement of actuarial accrued unfunded liability
- On a periodic, systematic schedule, review market alternatives for Medicare eligible retirees and dependents for healthcare coverage and prescription drug coverage

#### **How the Recommended Modified PPO Healthcare Plan Compares**

The chart on the following page compares the recommended Modified PPO with the current health care plans for City retirees.

In-Network Medical Benefits Retiree Health Insurance Benefits				Proposed	Current City Employee Health Benefits
Plan Feature	<b>BLUE PRIORITY</b> 888 single members 183 family members (network only)	<b>BLUE ACCESS</b> 772 single members 291 family members (In-network coverage)	<b>BLUE TRADITIONAL</b> 2983 single members 200 family members Indemnity	<b>Modified PPO</b> (In Network coverage)	<b>BLUE ACCESS PPO 80/20</b> 289 single members 118 family members (In Network coverage)
Annual Deductible	\$0	\$0	Single- \$50 Family- \$150	Single- \$100 Family- \$200	Single- \$300 Family- \$600
Annual Out-of-Pocket Maximum	n/l	Single- \$300 Family- \$600	Single- \$450 Family- \$450/person to \$1350	Single- \$1,000 Family- \$2,000	Single- \$1,500 Family- \$3,000
Copay	\$0	\$10	Must meet deductible	Must meet deductible	Must meet deductible
Enrollee Coinsurance for Physician Services	Office calls covered in full 0% Associated services	0% after copay 0% Associated services	20% after deductible maximum \$400 annually	Deductible then 20% until reaching maximum out of pocket	20% after deductible maximum s-\$1,500/f-\$3,000
Enrollee Coinsurance for Hospital Services	\$0; covered in full	\$100 copay; covered in full	\$0; covered in full	Deductible then 20% until reaching maximum out of pocket	80% after deductible
Preventive Services	mammography/PAP- covered in full wellness/preventive- covered in full	mammography/PAP- \$10 copay/fully covered; wellness/preventive- \$10 copay/full covered;	mammography/PAP-covered in f Member pays 20% to \$500 annually	Most preventive and wellness covered in full	mamographyPAP-covered in ful wellness/preventive- covered in full
<b>2006 Self-Insured Monthly Premium for Benefit Recipients</b>					
Premium	<b>Non-Medicare</b> Single- \$5.35 2 person- \$10.70 Family- \$10.90 <b>Medicare</b> Single- \$5.20 2 person- \$10.40 Family- \$10.90	\$0	\$0	<b>Retiree Per Month</b>	<b>Employee Per Month</b>
				Single- \$0 Family- \$0	Single- \$13.18 Family- \$36.40
				<b>Employee Per Year</b>	<b>Employee Per Year</b>
				Single- \$0 Family- \$0	Single- \$158.16 Family- \$436.80
<b>2006 Prescription Drug Benefits</b>					
<b>Retail</b>				<b>Rx- Anthem Network</b>	
Copay/Coinsurance	Generic- \$3 Brand- \$3	Generic- \$5 Brand- \$12	Generic- \$5 Brand- \$5	<b>\$1000 Max Out of Pocket per Individual</b>	
				Generic- \$5 Brand- \$15 Non-formulary Brand- \$30	Generic- \$10 Brand- \$20 Non-formulary Brand- \$30
<b>Mail Service</b>					
Copay/Coinsurance	60 day Generic- \$6 60 day Brand- \$6 supplies for diabetes/asthma covered from 80% up to 100%	60 day Generic- \$5 60 day Brand- \$12 supplies for diabetes/asthma covered from 80% up to 100%	60 day Generic- \$10 60 day Brand- \$10 supplies for diabetes/asthma covered from 80% up to 100% fertility drugs covered @ 50% Non-network covered @ 50%	90 day Generic- \$10 90 day Brand- \$30 90 day Non-formulary Brand- \$60 supplies for diabetes/asthma covered from 80% up to 100%	90 day Generic- \$20 90 day Brand- \$40 90 day Non-F Brand- \$60 supplies for diabetes/asthma covered from 80% up to 100%

The chart on the following page compares the recommended Modified PPO with other public health care plans in the State of Ohio. As can be seen, the new plan compares very favorably to any of the other plans.

In-Network Medical Benefits *											
Plan Feature	OPERS			SERS	OP & F	State Highway Patrol	STRS Ohio		Cincinnati Retirement	Cincinnati Retirement**	
	PPO Plan			Aetna/MMO PPO	Aetna/MMO PPO	Basic Plan	Plus Plan	Basic Plan	Modified PPO	Anthem Blue Access 80/20	
	Enhanced	Intermediate	Basic								
Annual Deductible	\$250/single \$400/family	\$400/single \$800/family	\$900/single \$1,800/family	\$340/person \$700/family	\$500/individual \$1,000/family	\$100/person (Non-Medicare) \$25/person (Medicare)	\$500/person	\$1,500/person	\$100/person \$200/family	\$300/person \$600/family	
Annual Out-of-Pocket Maximum	Single	\$850	\$1,000	\$1,500	\$1,500	\$750	\$1,500	\$2,500	\$1,000	\$1,500	
	Family	\$1,600	\$2,000	\$3,000	\$3,000	\$1,500	\$3,000	\$5,000	\$2,000	\$3,000	
Copay	\$15	\$25	N/A	\$25	\$30	\$15 PCP \$25 SPC	N/A		N/A	N/A	
Enrollee coinsurance for physician services	0% after office visit copay; 20% for all other associated services			0% after office visit copay; 20% for all other associated services	0% after office visit copay; 20% for all other associated services	0% after office visit copay; 20% for all other associated services	20%		Deductible then 20% until reaching max out of pocket	Deductible then 20% until reaching max out of pocket	
Enrollee coinsurance for hospital services	20% after \$100 Admission Deductible			20% after \$250 Admission Deductible	20% after \$250 Admission Copay	0% after \$100 Admission Deductible for Non-Medicare	20%		Deductible then 20% until reaching max out of pocket	Deductible then 20% until reaching max out of pocket	
Preventive Services	Member pays any costs exceeding the established usual, customary, and reasonable fees for screenings (No deductible)  Member pays any costs exceeding \$100 per year for routine physicals			Member pays 10% of any costs exceeding \$100 for mammography, PAP, and PSA tests after ded.	Member pays 0% for screening after OV copay, if applicable  Member pays 20% for diagnostic tests after deductible and OV copay, if applicable	Member pays 20% for mammography, PAP, and PSA tests  Member pays any costs exceeding \$400 over a 2-year period for other screenings and physicals (No deductible)	Member pays 20% after deductible	Member pays 0% (No deductible)	Most preventive and wellness covered in full.	Most preventive and wellness covered in full	

\* Benefits shown here apply when members use in-network PPO providers. Reduced benefits apply when members use providers not participating in the PPO network.

\*\*Benefits presented in this column subject to change. Information shown represents current health care benefits for City of Cincinnati employees.

2007 Prescription Drug Benefits

Plan Feature	OPERS			SERS	OP & F	Highway Patrol	STRS Ohio		Cincinnati Retirement Modified Blue Access	Cincinnati Retirement	
	Enhanced	Intermediate	Basic				Plus Plan	Basic Plan			
<b>ADMINISTRATOR</b>											
PBM Administrator	Medco Health Solutions			Medco Health Solutions	Medco Health Solutions	Medco Health Solutions	Caremark (AdvancePCS)		Anthem Network		
<b>RETAIL</b>											
Copay/Coinsurance	Tier I - Generic	\$5	\$15	35%	20%w/ minimum of \$2.50	\$5	\$5	\$10	\$10	\$5	\$10
	Tier II – Formulary Brand	\$10	\$35	35%	20% w/ minimum of \$2.50	\$20	\$10	\$30	\$30	\$15	\$20
	Tier III – Non-formulary Brand	\$25	\$50	50%	35% w/ minimum of \$5	\$30	\$30	\$50	\$50	\$30	\$30
Days Supply	34			34	30	30	30	30	30	30	30 day
<b>MAIL-SERVICE</b>											
Copay/Coinsurance	Tier I - Generic	\$15	\$45	35%	\$15	\$10	\$10	\$25	\$25	\$10	\$20
	Tier II – Formulary Brand	\$30	\$105	35%	\$45	\$40	\$20	\$75	\$75	\$30	\$40
	Tier III – Non-formulary Brand	\$75	\$150	50%	\$80	\$60	\$60	\$125	\$125	\$60	\$60
Days Supply	90			90	90	90	90	90	90	90	90 day
<b>OTHER FEATURES</b>											
Deductible	N/A	N/A	\$500/single \$1,000/family	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Out-of-Pocket Max	N/A			N/A	N/A	N/A	\$2,000	N/A	\$1,000 per individual	No Maximum	
Maximum Annual Benefit	N/A			N/A	N/A	N/A	N/A	\$5,000 Tier 2 & 3 drugs only	N/A		
Medicare Part D enrollment rules	Dual enrollment in Medicare Part D is not permitted for plan-sponsored coverage.			Dual enrollment in Medicare Part D is not permitted for plan-sponsored coverage.	Dual enrollment in Medicare Part D is not permitted for plan-sponsored drug coverage.	Dual enrollment in Medicare Part D is not permitted for plan-sponsored coverage.	Dual Enrollment is permitted.		Dual enrollment is required except for Medicare Part D.		Dual enrollment is permitted.
Other	If brand-name medication is dispensed when a generic is available, member pays generic copay plus the difference in cost between the brand and generic drugs up to \$100.			Two-fill limit at retail for maintenance medications	Oral & pellet MEDs: 3/30 days Injectible MEDs: 2/30 days NSAs no longer covered	Two-fill limit at retail for maintenance medications			Supplies for diabetes and asthma may be covered from 80% to 100%.	Supplies for diabetes and asthma may be covered from 80% to 100%	

[2007 Self-Insured Monthly Premium for Benefit Recipients\[1\]](#)

	OPERS**						SERS		OP & F				State Highway Patrol		STRS Ohio**				Cinti Retirement modified Blue Access	Cincinnati Retirement 80/20	
	MMO PPO						Aetna/MMO PPO		Aetna/MMO PPO Pre 7/24/1986		Aetna/MMO PPO Post 7/24/1986		Basic Plan		MMO Plus Plan		MMO Basic Plan		In-network		
	Enhanced		Intermediate		Basic																
Premium	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Medicare/Non-Medicare	Non-Medicare	Medicare
Medical	\$0	\$0	\$0	\$0	\$0	\$0	\$163	\$45	\$143.92	\$27.58	\$143.92	\$27.58	TBD	TBD	\$163	\$67	\$94	\$40	\$0	\$13.18/sngle	\$13.18/sngle
Prescription Drug	included	included	included	included	included	included	included	included	\$54.56	\$54.56	\$54.56	\$54.56	included	included	included	included	included	included	included	included	included
Total BR Premium*	\$0	\$0	\$0	\$0	\$0	\$0	\$163	\$45	\$198.48	\$82.14	\$198.48	\$82.14	TBD	TBD	\$163	\$67	\$94	\$40	\$0	\$13.18/sngle	\$13.18/sngle
Spouse*	\$80	\$40	\$80	\$40	\$80	\$40	\$520	\$181	\$293.34	\$149.31	\$440.01	\$223.96	TBD	TBD	\$581	\$301	\$313	\$148	N/A	N/A ***	N/A ***
Child*	\$40	\$40	\$40	\$40	\$40	\$40	\$113	\$181	\$130.15	\$77.08	\$195.22	\$115.60	TBD	TBD	\$182	\$301	\$108	\$148	N/A	N/A ***	N/A ***

\* Includes premium for prescription drug plan

\*\* Base plan rates

\*\*\* Included in family premium

\*\*\*\*The Cincinnati Retirement plan items are not official. They are preliminary plan features and costs and should not be construed as the official plan.

[\[1\] Benefit recipient premium is based on the following definition for each system:](#)

OPERS – Any benefit recipient

SERS – Any service retiree with 25 or more years of service, any service retiree who retired prior to 8/1/89, any disability retiree, or any survivor.

OP&F – Benefit recipients who retired prior to July 24, 1986 receives a 75% subsidy, Spouses & dependents are subsidized at 50%. Benefit recipients who retired after July 24, 1986 receives a subsidy of 75%.

Spouses & dependents are subsidized at 25%. Prescription Drug premiums are equalized between Medicare & Non Medicare for both Pre & Post July 24, 1986.

State Highway Patrol – Any benefit recipient. If a spouse or retiree is currently employed and medical coverage is offered, then they are required to enroll in the active employer’s coverage as primary.

STRS Ohio – Any benefit recipient with 30 or more years of service.

### Effect of the New Plan on Retirees

The following chart shows the number of retirees by years of service and the average monthly retirement income for each group. The plan will have the greatest effect on those retirees who worked less than the full 30-year term of City service. It is unknown how many individuals in this group have other pensions or social security in addition to their Cincinnati Retirement System Plan.

#### Cincinnati Retirement System Retirees by Years of Service With Average Monthly Pension

Years of Service	Total Retirees	Average Monthly Pension
<5	28	597.55
5<10	188	642.32
10<15	225	906.06
15<20	369	1,302.40
20<25	390	1,706.99
25<30	502	2,134.66
30<35	1,903	3,212.70
35<40	260	3,853.14
40<45	33	4,330.89
45<50	12	5,618.73

The following charts show the actual claims distribution for retirees. They show the number of claims and the amount claimed for retirees. The charts show that a large majority of retirees will not reach their out of pocket maximum amounts. The median claims cost for allowed medical expenses is less than \$600 per member.

<b>RETIREE MEDICAL CLAIMS DISTRIBUTION 1/1/2007 - 12/31/2007</b>									
		CUMUL.		CUMUL.		CUMUL.		CUMUL.	
AMOUNT	# PTS.	# PTS.	% PTS.	% PTS.	TOTAL PAID	TOTAL PAID	% PAID	% PAID	
\$0	968		12.9%		\$0				
< \$100	576	1,544	7.7%	20.5%	(\$140,400)		-0.6%		
\$100 - \$199	593	2,137	7.9%	28.4%	\$87,991	(\$52,409)	0.4%		-0.2%
\$200 - \$299	526	2,663	7.0%	35.4%	\$130,890	\$78,481	0.5%		0.3%
\$300 - \$399	446	3,109	5.9%	41.3%	\$155,632	\$234,113	0.6%		0.9%
\$400 - \$499	313	3,422	4.2%	45.5%	\$140,700	\$374,813	0.6%		1.5%
\$500 - \$599	338	3,760	4.5%	50.0%	\$185,756	\$560,569	0.7%		2.3%
\$600 - \$699	253	4,013	3.4%	53.3%	\$163,842	\$724,411	0.7%		2.9%
\$700 - \$799	188	4,201	2.5%	55.8%	\$140,126	\$864,537	0.6%		3.5%
\$800 - \$899	170	4,371	2.3%	58.1%	\$144,465	\$1,009,002	0.6%		4.1%
\$900 - \$999	167	4,538	2.2%	60.3%	\$158,063	\$1,167,065	0.6%		4.7%
\$1,000 - \$1,499	592	5,130	7.9%	68.2%	\$734,755	\$1,901,820	3.0%		7.6%
\$1,500 - \$1,999	456	5,586	6.1%	74.2%	\$791,158	\$2,692,978	3.2%		10.8%
\$2,000 - \$2,499	291	5,877	3.9%	78.1%	\$649,738	\$3,342,716	2.6%		13.4%
\$2,500 - \$2,999	236	6,113	3.1%	81.2%	\$638,083	\$3,980,799	2.6%		16.0%
\$3,000 - \$3,499	150	6,263	2.0%	83.2%	\$487,369	\$4,468,168	2.0%		18.0%
\$3,500 - \$3,999	141	6,404	1.9%	85.1%	\$531,182	\$4,999,350	2.1%		20.1%
\$4,000 - \$4,499	111	6,515	1.5%	86.6%	\$522,103	\$5,521,453	2.1%		22.2%
\$4,500 - \$74,999	970	7,485	12.9%	99.5%	\$13,382,378	\$18,903,831	53.8%		76.0%
\$75,000 - \$99,999	12	7,497	0.2%	99.6%	\$1,027,370	\$19,931,201	4.1%		80.1%
> \$100,000	27	7,524	0.4%	100.0%	\$4,950,285	\$24,881,486	19.9%		100.0%
	7,524		100.0%		\$24,881,486		100.0%		
NOTES:	The median claims cost for allowed medical expenses is \$600 per member.								
	After \$4,600 in allowed claims expense the member has paid their \$1,000 out-of-pocket maximum. (\$100 deductible and 20% of \$4,500)								
	87% of insured members will not reach the \$1,000 out-of-pocket cap.								
	This chart represents retirees plus their dependents. You can only be on the chart once.								
	This chart includes all three retiree plans for 2007. (Traditional, PPO & HMO)								
	1,009 members would have reached their out-of-pocket maximum ( 13%)								

**RETIREE DRUG CLAIMS DISTRIBUTION 1/1/2007 - 12/31/2007**

PAID AMOUNT CATEGORY	# OF MBRS.	CUMUL. # OF MBRS.	% OF MBRS.	CUMUL. % OF MBRS.	TOTAL PAID	CUMUL. TOTAL PAID	% PAID	CUMUL. % PAID
\$0	1,446		19.2%		\$0			
< \$100	636	2,082	8.5%	27.7%	\$17,938	\$17,938	0.1%	
\$100 - \$199	289	2,371	3.8%	31.5%	\$42,032	\$59,970	0.2%	0.4%
\$200 - \$299	222	2,593	3.0%	34.5%	\$55,191	\$115,161	0.3%	0.7%
\$300 - \$399	163	2,756	2.2%	36.6%	\$56,715	\$171,876	0.3%	1.0%
\$400 - \$499	167	2,923	2.2%	38.8%	\$75,697	\$247,573	0.4%	1.5%
\$500 - \$599	137	3,060	1.8%	40.7%	\$75,379	\$322,952	0.4%	1.9%
\$600 - \$699	130	3,190	1.7%	42.4%	\$84,692	\$407,644	0.5%	2.4%
\$700 - \$799	118	3,308	1.6%	44.0%	\$88,342	\$495,986	0.5%	2.9%
\$800 - \$899	148	3,456	2.0%	45.9%	\$126,211	\$622,197	0.7%	3.7%
\$900 - \$999	125	3,581	1.7%	47.6%	\$119,165	\$741,362	0.7%	4.4%
\$1,000 - \$1,499	605	4,186	8.0%	55.6%	\$756,762	\$1,498,124	4.5%	8.9%
\$1,500 - \$1,999	521	4,707	6.9%	62.6%	\$910,782	\$2,408,906	5.4%	14.2%
\$2,000 - \$2,499	448	5,155	6.0%	68.5%	\$1,002,843	\$3,411,749	5.9%	20.2%
\$2,500 - \$2,999	359	5,514	4.8%	73.3%	\$987,158	\$4,398,907	5.8%	26.0%
\$3,000 - \$3,499	325	5,839	4.3%	77.6%	\$1,053,347	\$5,452,254	6.2%	32.2%
\$3,500 - \$3,999	293	6,132	3.9%	81.5%	\$1,096,375	\$6,548,629	6.5%	38.7%
\$4,000 - \$4,499	237	6,369	3.1%	84.6%	\$1,011,524	\$7,560,153	6.0%	44.7%
\$4,500 - \$4,999	211	6,580	2.8%	87.5%	\$1,000,745	\$8,560,898	5.9%	50.6%
\$5,000 - \$5,999	285	6,865	3.8%	91.2%	\$1,558,287	\$10,119,185	9.2%	59.8%
\$6,000 - \$6,999	191	7,056	2.5%	93.8%	\$1,235,992	\$11,355,177	7.3%	67.1%
\$7,000 - \$7,999	148	7,204	2.0%	95.7%	\$1,101,532	\$12,456,709	6.5%	73.6%
\$8,000 - \$8,999	85	7,289	1.1%	96.9%	\$723,326	\$13,180,035	4.3%	77.9%
\$9,000 - \$9,999	48	7,337	0.6%	97.5%	\$455,079	\$13,635,114	2.7%	80.6%
\$10,000 - \$14,999	109	7,446	1.4%	99.0%	\$1,323,301	\$14,958,415	7.8%	88.4%
\$15,000 - \$19,999	34	7,480	0.5%	99.4%	\$586,179	\$15,544,594	3.5%	91.9%
\$20,000 - \$24,999	29	7,509	0.4%	99.8%	\$684,652	\$16,229,246	4.0%	95.9%
\$25,000 - \$29,999	5	7,514	0.1%	99.9%	\$164,438	\$16,393,684	1.0%	96.9%
\$30,000 - \$39,999	3	7,517	0.0%	99.9%	\$117,451	\$16,511,135	0.7%	97.6%
\$40,000 - \$49,999	3	7,520	0.0%	99.9%	\$127,775	\$16,638,910	0.8%	98.4%
\$50,000 - \$74,999	3	7,523	0.0%	100.0%	\$182,199	\$16,821,109	1.1%	99.4%
\$75,000 - \$99,999	1	7,524	0.0%	100.0%	\$94,802	\$16,915,911	0.6%	100.0%
	7,524		100.0%		\$16,915,911			
NOTES:	The \$5/\$15/\$30 copays results in the member paying about 18% of the cost on average.							
	Members in the paid amount category of less than \$6,000 will probably not reach the \$1,000 out of pocket cap. (\$6,000 x .18 = \$1,080)							
	There are 659 members with paid amounts greater than \$6,000 ( 8.7%) that will reach the \$1,000 out-of-pocket maximum.							

## **CRS TASK FORCE RECOMMENDATION ON HEALTH BENEFITS - MODIFIED PPO PLAN**

### **QUESTIONS AND ANSWERS**

#### **1. What will retirees have to pay for medical services and prescription drugs under the new plan?**

Individuals will first have to pay a \$100 deductible and then 20% of the allowed charges until they have paid another \$900 out-of-pocket for a total of \$1,000 for medical expenses. Prescription drug copays will be \$5.00 for a generic drug, \$15.00 for a brand drug and \$30 for a non-formulary drug, however, drug out-of-pocket expenses are capped at \$1,000. (Current plans do not have a cap on out-of-pocket expenses for drugs.) (Based upon 2007 retiree health care claims data, 50% of the retired members covered by the CRS have annual medical expenses of less than \$600 and 74% have annual medical expenses of less than \$2,000. Only 13% of covered members have annual medical expenses that would take them to the out-of-pocket annual maximum of \$1,000.)

#### **2. Can I still get my medications through mail-order?**

Yes. In fact, the new plan has a retiree incentive to use the mail order. Retirees will be able to obtain a 90 day supply of their medications for only two copays saving the member one third of their retail cost. (Current retiree drug coverage does not have an incentive for mail-order prescriptions.)

#### **3. Will I have to change physicians?**

The new plan has a network of preferred physicians and hospitals, however the plan does allow benefits for out-of-network providers. In order to minimize out-of-pocket costs it is best to receive services from network providers. Based upon recent data approximately 85% of the physicians currently treating city retirees are recognized as network providers under the new plan. In the event that a member is currently in a course of treatment with a non-network provider, the plan has provisions for "Continuity of Care" wherein the remainder of the course of treatment would be paid as in-network. In some cases members may have to select a new physician to minimize their out-of-pocket costs.

#### **4. What if I live outside the tri-state service area?**

The Anthem Modified PPO Plan has a national network of providers. Therefore, retirees living in or near an urban area within the U.S. will be able to find a network provider. If a retiree lives outside the tri-state service area and cannot find a network provider they will have to pay higher out-of-pocket costs for non-network services.

**5. Will retirees have to pay monthly premiums for the new plan?**

No. There is no monthly premium charge to retirees for the new PPO Plan.

**6. Does the deductible and coinsurance apply to preventive health services?**

No. Preventive health services are covered at 100%.

**7. Will the new plan affect my Medicare coverage?**

Yes. The new plan will change the current method of coordinating benefits when Medicare is the primary payor. This will result in retirees over age 65 having to pay a portion of the bill that is currently being covered at 100%. Under most circumstances the out-of-pocket expense incurred by the over 65 member will be less than what they would have paid if there was no Medicare coverage.

**EXAMPLES OF MEDICAL EXPENSES - RETIREMENT HEALTH PLAN OPTIONS - MODIFIED PPO PLAN**

**( \$100 DEDUCTIBLE THEN 20% COINSURANCE UNTIL \$900 - TOTAL OUT-OF-POCKET FOR MEDICAL = \$1,000)**

**( PRESCRIPTION DRUG COPAYS = \$5 GENERIC / \$15 BRAND / \$30 NON-FORMULARY WITH A MAXIMUM OUT-OF-POCKET OF \$1,000)**

**EXAMPLE # 1**

Individual with the following medical expenses for the year:

5 office visits @ \$70.00  
 1 urgent care visit @ \$125  
 3 generic prescriptions @ \$30 each  
 3 brand prescriptions @ \$80 each

	Traditional	HMO	PPO		80/20 PPO		Modified PPO	
			in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE	\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE								
5 office visits	\$ 110.00	\$ -	\$ 50.00	\$ 175.00	\$ 310.00	\$ 350.00	\$ 150.00	\$ 275.00
1 urgent care	\$ 25.00	\$ -	\$ 35.00	\$ 37.50	\$ 25.00	\$ 125.00	\$ 25.00	\$ 62.50
3 generic rx's	\$ 180.00	\$ 108.00	\$ 180.00	\$ 180.00	\$ 360.00	\$ 360.00	\$ 180.00	\$ 180.00
3 brand rx's	\$ 180.00	\$ 108.00	\$ 432.00	\$ 432.00	\$ 415.00	\$ 415.00	\$ 540.00	\$ 540.00
	\$ 495.00	\$ 278.40	\$ 697.00	\$ 824.50	\$ 1,276.08	\$ 1,416.08	\$ 895.00	\$ 1,057.50

**EXAMPLE # 2**

Individual with the following medical expenses for the year:

12 office visits @ \$70  
 15 physical therapy visits @ \$100  
 5 laboratory tests @ \$50  
 5 generic rx's @ \$30  
 5 brand rx's @ \$80

	Traditional	HMO	PPO		80/20 PPO		Modified PPO	
			in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE	\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE								
12 office visits	\$ 208.00	\$ -	\$ 120.00	\$ 322.00	\$ 408.00	\$ 692.00	\$ 248.00	\$ 360.00
15 physical therapy	\$ 242.00	\$ -	\$ 150.00	\$ 378.00	\$ 300.00	\$ 750.00	\$ 300.00	\$ 750.00
5 lab tests	\$ -	\$ -	\$ -	\$ -	\$ 50.00	\$ 125.00	\$ 50.00	\$ 125.00
5 generic rx's	\$ 300.00	\$ 180.00	\$ 300.00	\$ 300.00	\$ 600.00	\$ 600.00	\$ 300.00	\$ 300.00
5 brand rx's	\$ 300.00	\$ 180.00	\$ 720.00	\$ 720.00	\$ 1,200.00	\$ 1,200.00	\$ 700.00	\$ 700.00
	\$ 1,050.00	\$ 422.40	\$ 1,290.00	\$ 1,720.00	\$ 2,724.08	\$ 3,533.08	\$ 1,598.00	\$ 2,235.00

**EXAMPLES OF MEDICAL EXPENSES - RETIREMENT HEALTH PLAN OPTIONS - MODIFIED PPO PLAN**

(\$100 DEDUCTIBLE THEN 20% COINSURANCE UNTIL \$900 - TOTAL OUT-OF-POCKET FOR MEDICAL = \$1,000)

( PRESCRIPTION DRUG COPAYS = \$5 GENERIC / \$15 BRAND / \$30 NON-FORMULARY WITH A MAXIMUM OUT-OF-POCKET OF \$1,000)

**EXAMPLE # 3**

Individual with the following medical expenses for the year:

12 office visits @ \$70  
 15 physical therapy visits @ \$100  
 1 outpatient surgery @ \$15,000  
 5 generic rx's @ \$30  
 5 brand rx's @ \$80

		Traditional	HMO	PPO		80/20 PPO		Modified PPO	
				in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE		\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE	12 office visits	\$ 208.00	\$ -	\$ 120.00	\$ 322.00	\$ 408.00	\$ 692.00	\$ 248.00	\$ 540.00
	15 physical therapy	\$ 242.00	\$ -	\$ 150.00	\$ 278.00	\$ 300.00	\$ 750.00	\$ 300.00	\$ 750.00
	1 outpatient surgery	\$ -	\$ -	\$ 30.00	\$ -	\$ 792.00	\$ 1,558.00	\$ 452.00	\$ 710.00
	5 generic rx's	\$ 300.00	\$ 180.00	\$ 300.00	\$ 300.00	\$ 600.00	\$ 600.00	\$ 300.00	\$ 300.00
	5 brand rx's	\$ 300.00	\$ 180.00	\$ 720.00	\$ 720.00	\$ 1,200.00	\$ 1,200.00	\$ 700.00	\$ 700.00
		\$ 1,050.00	\$ 422.40	\$ 1,320.00	\$ 1,620.00	\$ 3,466.08	\$ 4,966.08	\$ 2,000.00	\$ 3,000.00

**EXAMPLE # 4**

Individual with the following medical expenses for the year:

12 office visits @ \$70  
 15 physical therapy visits @ \$100  
 1 inpatient surgery @ \$45,000  
 10 generic rx's @ \$30  
 10 brand rx's @ \$80

		Traditional	HMO	PPO		80/20 PPO		Modified PPO	
				in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE		\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE	12 office visits	\$ 208.00	\$ -	\$ 120.00	\$ 322.00	\$ 408.00	\$ 692.00	\$ 248.00	\$ 540.00
	15 physical therapy	\$ 242.00	\$ -	\$ 150.00	\$ 278.00	\$ 300.00	\$ 750.00	\$ 300.00	\$ 750.00
	1 inpatient surgery	\$ -	\$ -	\$ 30.00	\$ -	\$ 792.00	\$ 1,558.00	\$ 452.00	\$ 710.00
	10 generic rx's	\$ 600.00	\$ 360.00	\$ 600.00	\$ 600.00	\$ 1,200.00	\$ 1,200.00	\$ 600.00	\$ 600.00
	10 brand rx's	\$ 600.00	\$ 360.00	\$ 1,440.00	\$ 1,440.00	\$ 2,400.00	\$ 2,400.00	\$ 400.00	\$ 400.00
		\$ 1,650.00	\$ 782.40	\$ 2,340.00	\$ 2,640.00	\$ 5,266.08	\$ 6,766.08	\$ 2,000.00	\$ 3,000.00

		Traditional	HMO	PPO		80/20 PPO		Modified PPO	
				in-network	out-network	in-network	out-network	in-network	out-network
NOTES:	MAX OUT-OF-POCKET MEDICAL	\$ 450.00	NONE	\$ 300.00	\$ 600.00	\$ 1,500.00	\$ 3,000.00	\$ 1,000.00	\$ 2,000.00
	DRUG	NONE	NONE	NONE	NONE	NONE	NONE	\$ 1,000.00	\$ 1,000.00

**EXAMPLES OF MEDICAL EXPENSES - RETIREMENT HEALTH PLAN OPTIONS - MODIFIED PPO PLAN - CARVEOUT**  
**( THE CARVEOUT GROUP INCLUDES RETIREES AGE 70 AND UP WITH 30 + YEARS OF SERVICE WITH A PENSION OF \$20,000 OR LESS)**

**( \$0 DEDUCTIBLE THEN 20% COINSURANCE UNTIL \$500 - TOTAL OUT-OF-POCKET FOR MEDICAL = \$500)**  
**( PRESCRIPTION DRUG COPAYS = \$5 GENERIC / \$15 BRAND / \$30 NON-FORMULARY WITH A MAXIMUM OUT-OF-POCKET OF \$500)**

**EXAMPLE # 1**

Individual with the following medical expenses for the year:

5 office visits @ \$70.00  
 1 urgent care visit @ \$125  
 3 generic prescriptions @ \$30 each  
 3 brand prescriptions @ \$80 each

	Traditional	HMO	PPO		80/20 PPO		Modified PPO	
			in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE	\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE								
5 office visits	\$ 110.00	\$ -	\$ 50.00	\$ 175.00	\$ 310.00	\$ 350.00	\$ 70.00	\$ 175.00
1 urgent care	\$ 25.00	\$ -	\$ 35.00	\$ 37.50	\$ 25.00	\$ 125.00	\$ 25.00	\$ 62.50
3 generic rx's	\$ 180.00	\$ 108.00	\$ 180.00	\$ 180.00	\$ 360.00	\$ 360.00	\$ 180.00	\$ 180.00
3 brand rx's	\$ 180.00	\$ 108.00	\$ 432.00	\$ 432.00	\$ 415.00	\$ 415.00	\$ 320.00	\$ 320.00
	\$ 495.00	\$ 278.40	\$ 697.00	\$ 824.50	\$ 1,276.08	\$ 1,416.08	\$ 595.00	\$ 737.50

**EXAMPLE # 2**

Individual with the following medical expenses for the year:

12 office visits @ \$70  
 15 physical therapy visits @ \$100  
 5 laboratory tests @ \$50  
 5 generic rx's @ \$30  
 5 brand rx's @ \$80

	Traditional	HMO	PPO		80/20 PPO		Modified PPO	
			in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE	\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE								
12 office visits	\$ 208.00	\$ -	\$ 120.00	\$ 322.00	\$ 408.00	\$ 692.00	\$ 168.00	\$ 420.00
15 physical therapy	\$ 242.00	\$ -	\$ 150.00	\$ 378.00	\$ 300.00	\$ 750.00	\$ 300.00	\$ 580.00
5 lab tests	\$ -	\$ -	\$ -	\$ -	\$ 50.00	\$ 125.00	\$ 32.00	\$ -
5 generic rx's	\$ 300.00	\$ 180.00	\$ 300.00	\$ 300.00	\$ 600.00	\$ 600.00	\$ 300.00	\$ 300.00
5 brand rx's	\$ 300.00	\$ 180.00	\$ 720.00	\$ 720.00	\$ 1,200.00	\$ 1,200.00	\$ 200.00	\$ 700.00
	\$ 1,050.00	\$ 422.40	\$ 1,290.00	\$ 1,720.00	\$ 2,724.08	\$ 3,533.08	\$ 1,000.00	\$ 2,000.00

**EXAMPLES OF MEDICAL EXPENSES - RETIREMENT HEALTH PLAN OPTIONS - MODIFIED PPO PLAN - CARVEOUT  
( THE CARVEOUT GROUP INCLUDES RETIREES AGE 70 AND UP WITH 30 + YEARS OF SERVICE WITH A PENSION OF \$20,000 OR LESS)**

**( \$0 DEDUCTIBLE THEN 20% COINSURANCE UNTIL \$500 - TOTAL OUT-OF-POCKET FOR MEDICAL = \$500)  
( PRESCRIPTION DRUG COPAYS = \$5 GENERIC / \$15 BRAND / \$30 NON-FORMULARY WITH A MAXIMUM OUT-OF-POCKET OF \$500)**

**EXAMPLE # 3**

Individual with the following medical expenses for the year:

12 office visits @ \$70  
15 physical therapy visits @ \$100  
1 outpatient surgery @ \$15,000  
5 generic rx's @ \$30  
5 brand rx's @ \$80

		Traditional	HMO	PPO		80/20 PPO		Modified PPO	
				in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE		\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE	12 office visits	\$ 208.00	\$ -	\$ 120.00	\$ 322.00	\$ 408.00	\$ 692.00	\$ 168.00	\$ 420.00
	15 physical therapy	\$ 242.00	\$ -	\$ 150.00	\$ 278.00	\$ 300.00	\$ 750.00	\$ 300.00	\$ 580.00
	1 outpatient surgery	\$ -	\$ -	\$ 30.00	\$ -	\$ 792.00	\$ 1,558.00	\$ 32.00	\$ -
	5 generic rx's	\$ 300.00	\$ 180.00	\$ 300.00	\$ 300.00	\$ 600.00	\$ 600.00	\$ 300.00	\$ 300.00
	5 brand rx's	\$ 300.00	\$ 180.00	\$ 720.00	\$ 720.00	\$ 1,200.00	\$ 1,200.00	\$ 200.00	\$ 700.00
		\$ 1,050.00	\$ 422.40	\$ 1,320.00	\$ 1,620.00	\$ 3,466.08	\$ 4,966.08	\$ 1,000.00	\$ 2,000.00

**EXAMPLE # 4**

Individual with the following medical expenses for the year:

12 office visits @ \$70  
15 physical therapy visits @ \$100  
1 inpatient surgery @ \$45,000  
10 generic rx's @ \$30  
10 brand rx's @ \$80

		Traditional	HMO	PPO		80/20 PPO		Modified PPO	
				in-network	out-network	in-network	out-network	in-network	out-network
PREMIUM SHARE		\$ -	\$ 62.40	\$ -	\$ -	\$ 166.08	\$ 166.08	\$ -	\$ -
MEDICAL EXPENSE	12 office visits	\$ 208.00	\$ -	\$ 120.00	\$ 322.00	\$ 408.00	\$ 692.00	\$ 168.00	\$ 420.00
	15 physical therapy	\$ 242.00	\$ -	\$ 150.00	\$ 278.00	\$ 300.00	\$ 750.00	\$ 300.00	\$ 580.00
	1 inpatient surgery	\$ -	\$ -	\$ 30.00	\$ -	\$ 792.00	\$ 1,558.00	\$ 32.00	\$ -
	10 generic rx's	\$ 600.00	\$ 360.00	\$ 600.00	\$ 600.00	\$ 1,200.00	\$ 1,200.00	\$ 300.00	\$ 300.00
	10 brand rx's	\$ 600.00	\$ 360.00	\$ 1,440.00	\$ 1,440.00	\$ 2,400.00	\$ 2,400.00	\$ 200.00	\$ 700.00
		\$ 1,650.00	\$ 782.40	\$ 2,340.00	\$ 2,640.00	\$ 5,266.08	\$ 6,766.08	\$ 1,000.00	\$ 2,000.00

		Traditional	HMO	PPO		80/20 PPO		Modified PPO	
				in-network	out-network	in-network	out-network	in-network	out-network
NOTES:	MAX OUT-OF-POCKET MEDICAL	\$ 450.00	NONE	\$ 300.00	\$ 600.00	\$ 1,500.00	\$ 3,000.00	\$ 500.00	\$ 1,000.00
	DRUG	NONE	NONE	NONE	NONE	NONE	NONE	\$ 500.00	\$ 1,000.00

The Modified PPO proposed for current retirees is a better plan than those available in other public plans throughout the state and it far surpasses most private sector plans. Although current retirees will have to pay more, most will not have to pay the full out-of-pocket maximum, especially if they use in-network providers (available throughout the United States) and use generic drugs, which have the same co-pay as the present plan. They still will not have to pay a premium share. The new plan also recognizes retirees who worked for the City for the full 30 year term, are over 70 years of age, and receive an annual pension of \$20,000 or less by reducing their deductibles and out of pocket maximums.

The recommendations by the Retirement Task Force allow the City to pay down the unfunded liability of the pension fund, guaranteeing its strength long into the future, which benefits past, current and future employees. It also reduces the City required contribution to a manageable, stable level that the City can afford to pay without reducing services to citizens.



