

**City of Dearborn
Employee Insurance Fund
Proposed FY2014, 2015 and 2016 Budget**

This fund accounts for active employee life and dental insurance. Life insurance is currently provided by and outside insurance company. Dental insurance is on a self-insured reimbursement basis with Delta Dental.

Beginning in Fiscal 2009, this fund also accounts for active and retiree health care. This includes employee contributions for COBRA, employee-paid premiums for health care and dependent riders, as well as employer contributions for active employees and retirees health premiums.

General Comments

- Contributions for life and dental insurance are budgeted to cover budgeted expenditures and build reserves for 2014, 15 and 16. Illustrative rates appear to be conservative.

Revenue

- Revenue in 2014, 15 and 16 is estimated to increase from the Fiscal 2013 amended budget due to increases for health care costs over the 2013 budget. 2014 costs increases for health care were budgeted at: HAP - 4.4%, Blue Care Network 9.2% and BCBS 1.0%. 8 percent increases were budgeted for Fiscal 2015 and 2016 for BCN and BCBS and 6.0% for HAP. Contributions and reserves are budgeted to be sufficient to cover expenditures and increase fund balance.
- For 2013, health care revenue is projected to decline against the amended budget.

Expenditures

- Increases in health care costs are budgeted for 2014, 15 and 16:
HAP: 2014 - 4.4%; 2015 - 6.0%; 2016 - 6.0%
Blue Care Network: 2014 - 9.2%; 2015 - 8.0%; 2016 - 8.0%
Blue Cross / Blue Shield: 2014 - 1.0%; 2015 - 8.0%; 2016 - 8.0%
- Costs for dental were projected to decrease by 2% in 2014, then increase 3% for 2015 and 2016. Life insurance was budgeted to increase at 2% per year.

Reserves

- Under the current funding assumptions, health care reserves are projected to increase modestly in future years. This is primarily due to the current savings from Blue Cross self insurance. There is a mis-match between the revenue from illustrative provider rates and substantially lower actual expense. Therefore we adjusted down the illustrative rates by 15% resulting in a savings of approximately \$900,000. The 15% reduction results in a more even match between revenues and expenses. Depending on claims, cost could fluctuate significantly in future periods.