



# City of Myrtle Beach

## Pre-65 Health Insurance Options

## **City of Myrtle Beach health insurance basics –**

- The City of Myrtle Beach is self-insured; we contract with an insurance provider for specified healthcare options, and the city pays for that coverage/expense.
- The city provides insurance coverage to employees at no cost to the employee.
- Employees may pay monthly premiums for spouse and children at actual rates.
- The city provides a free healthcare clinic as a wellness measure, reducing the overall cost of healthcare.

The city's healthcare insurance coverage is well-received by staff. Employees like having access to the healthcare clinic and most prescriptions at no cost.

## **City of Myrtle Beach health insurance basics –**

- Employees (hired before July 1, 2019) who retire with 20-plus years of service have access to a \$100,000 RHRA; those who retire with 15-plus years of service have access to a \$50,000 RHRA.
- These RHRA (Retirement Health Reimbursement Account) funds may be spent by the retiree on federally-authorized healthcare expenses.
- The RHRA funds granted to qualifying Pre-65 and Post-65 Retirees will not expire and will not be taken away.

Some current Pre-65 Retirees have expressed concern that the \$100,000 or \$50,000 RHRA accounts are in danger of being eliminated. That is not the case.

## **City of Myrtle Beach health insurance basics –**

- The actual cost of continuing to offer the current subsidized monthly health insurance premium to Pre-65 Retirees is \$834,000 this year. This annual cost is subject to change based on the group's healthcare expenses.
- \$834,000 is the annual difference between the \$830 monthly premium paid on behalf of 900-plus active employees and the \$1,492 monthly premium cost for 105 Pre-65 Retirees.

$$\$1,492 - \$830 = \$662$$

$$\$662 \times 105 = \$69,510 \text{ per month} \times 12 = \$834,120 / \text{year}$$

- \$834,000 is equivalent to 2.4 mills of property tax. The city declines to raise property taxes for this purpose or to reduce other services for this purpose.

## **City of Myrtle Beach health insurance basics –**

- It's been suggested that the city continue subsidizing this cost by paying more for the 900-plus active employees, start charging those employees for a portion of the cost, and/or increase the premiums that employees pay on dependents.
- At this time, the city declines to start charging employees for a portion of their insurance coverage or to increase the employee dependent premiums. City-paid insurance coverage is valuable in recruiting and retaining staff.
- Until recently, Pre-65 Retirees paid the same monthly premium that provides employee coverage, but actual costs among the Pre-65 Retirees is greater. The city subsidized a portion of those costs until this year, when city coverage was no longer offered as a savings to both the city and the Pre-65 Retirees.

## **City of Myrtle Beach health insurance basics –**

- Coverages and policy options can and do change. The RHRA accounts were established in 2009 as a better way of funding “other post employment benefits.”
- Employees hired before July 1, 2019, are eligible for \$100,000 in an RHRA account if they retire with 20-plus years of service or \$50,000 in an RHRA account if they retire with 15-plus years of service. (*Note: Retirement under the South Carolina Retirement System is required to access these funds.*)
- The RHRA accounts for eligible employees and retirees remain in force. They are not part of this discussion and are not being affected.

## **City of Myrtle Beach health insurance basics –**

- Post-65 Retirees\* utilize Medicare for their coverage. They do not have the option of continuing on the city's health insurance plan at any cost.
- Post-65 Retirees\* do not have access to the city's healthcare clinic.
- Better, more affordable options exist for Pre-65 Retirees. Consider that:
  - ✓ Not all Pre-65 Retirees are similarly situated.
  - ✓ Some work; some do not. Post-retirement earnings vary considerably.
  - ✓ Individual healthcare needs vary. Coverage and premiums can be adjusted.
  - ✓ The ACA Marketplace offers a variety of coverages and deductibles.

*\* Approximately 14 pre-2009 retirees who were 65-plus at retirement have access to city healthcare coverage. However, they retired before the RHRA accounts.*

## **Cost of the city's healthcare clinic –**

Here are actual annual expenses for the city's healthcare clinic (CareHere, which has just become Premise). These totals include employees, dependents and Pre-65 Retirees. Most Post-65 Retirees are not eligible.

**Fiscal Year 2019-20 = \$1,285,747 for 1,024 people**

- Per person cost = \$1,256 / year or \$104 / month.

**Fiscal Year 2020-21 = \$1,373,024 for 1,024 people**

- Per person cost = \$1,341 / year or \$112 / month.

**Fiscal Year 2021-22 = \$1,377,499 for 1,024 people**

- Per person cost = \$1,345 / year or \$112 / month.



**Option A** – Allow Pre-65 Retirees continued access to the city's health insurance (including the healthcare clinic) at a premium cost of \$1,400 month.

Under Option A, Pre-65 Retirees...

- Continue using the healthcare clinic as their family doctor.
- Receive many prescriptions free from the healthcare clinic.
- Pay monthly health insurance premiums of \$1,400.
- Use their RHRA accounts (\$100,000/20+ years or \$50,000/15+years) for monthly insurance premiums

However...

- The monthly premium cost will change; it could increase annually.
- The city-provided RHRA account will not last long (five or six years?)

**Option B** – Pre-65 Retirees are not eligible for the city's health insurance, but can pay a monthly premium for access to the city's healthcare clinic (including prescription coverage).

Under Option B, Pre-65 Retirees...

- Pay \$112 per month for the city's healthcare clinic and prescription coverage
- Use their RHRA accounts (\$100,000/20+ years or \$50,000/15+years) for this monthly healthcare clinic subscription.
- Continue using the city's healthcare clinic as their family doctor.

However...

- They will seek health insurance from the Affordable Care Act marketplace.
- They tailor that insurance coverage and monthly premium to their needs.
- The month charge for clinic access may change annually.

**Pre-65 Retirees can choose either Option A or Option B, whichever best suits their healthcare and financial needs.**

**Option A** is a continuation of current coverage for Pre-65 Retirees at \$1,400/month.

**Option B** allows access to the healthcare clinic for a \$112 monthly subscription.

Points to consider...

- Not all Pre-65 Retirees are similarly situated.
- Some work; some do not. Post-retirement earnings vary considerably.
- Individual healthcare needs vary. Coverage and premiums can be adjusted.
- Both options allow for continued access to the city's healthcare clinic and its prescription drug coverage.
- Both options allow for continued use of RHRA accounts (\$100,000/20+ years or \$15,000/15+years) for federally-allowed medical expenses.

**Pre-65 Retirees can choose either Option A or Option B, whichever best suits their healthcare and financial needs.**

**Option A** is a continuation of current coverage for Pre-65 Retirees at \$1,400/month.

**Option B** allows access to the healthcare clinic for a \$112 monthly subscription.

Points to consider...

- The ACA offers healthcare premiums based on income, with subsidies available. If they do not qualify for subsidies, Pre-65 Retirees can use RHRA funds to pay the ACA premiums.
- Market coverage through the ACA might include a high-deductible policy. Pre-65 Retirees can use their RHRA funds to pay the deductibles and other allowable medical expenses.

**Pre-65 Retirees can choose either Option A or Option B, whichever best suits their healthcare and financial needs.**

**Option A:** Continue on the city's insurance coverage, including access to the healthcare clinic and prescriptions for a premium of \$1,400 per month. This is a small city subsidy over the \$1,492 actual cost. RHRA funds may be used for this premium.

**Option B:** Find insurance coverage through the Affordable Care Act marketplace and tailor it to your individual needs. Plus, access the city's healthcare clinic for a \$112 monthly subscription, which may be paid from the RHRA funds.

We listened to and heard the different needs of the Pre-65 Retiree group. Rather than providing just one option, these two choices offer greater flexibility for coverage at affordable rates.

