



DEPARTMENT OF ADMINISTRATION & FINANCE
FINANCE DIVISION

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May 14, 2015

Common Council
Administration and Finance Committee
West Allis, WI

Dear Council Members:

Attached please find information related to the fiscal outcome of the City's Health Insurance Fund for 2014. For the year, the fund finished with a deficit of revenue over expenditures of -\$682,636.

The fund balance is reduced from \$8,328,884 to \$7,646,248. While I certainly feel that the fund balance remains at a safe level, we certainly don't want to continue operating the fund at a deficit.

Changes to the health plan were made for 2015. It is still too early to measure the impact of those changes, but I plan to update the Common Council and the Finance Committee on a quarterly basis as to the progress of the Health Insurance Fund.

Also attached are two slides discussing the impending "Cadillac Tax" which is a critical component of the Affordable Care Act. Simply put, the Cadillac Tax is a 40% surcharge on the difference between the City's health insurance premiums for single and family coverage and the ACA maximum premiums established by congress.

The critical concern of the computation of the Tax is that the ACA maximum premiums increase annually at the rate of normal inflation (currently around 2%), while the City's premiums increase at the rate of health care inflation (for the CWA that has averaged 6% annually). The difference in these two measurements is what creates the exposure to the tax. As presented graphically, it is very clear that the City could face a substantial surtax by 2022 unless we can reduce this premium gap.

It should be pointed out that these are estimates and could change. I have no deeper insight into the future of the ACA than any of you do, and the plan could be modified and phase in dates and rates could be changed. But I think it's important that you have an idea of the City's exposure so that conversations relative to the City's health plan can be approached in an informed and reasonable manner.

I will be happy to answer any questions or provide further information.

Sincerely,

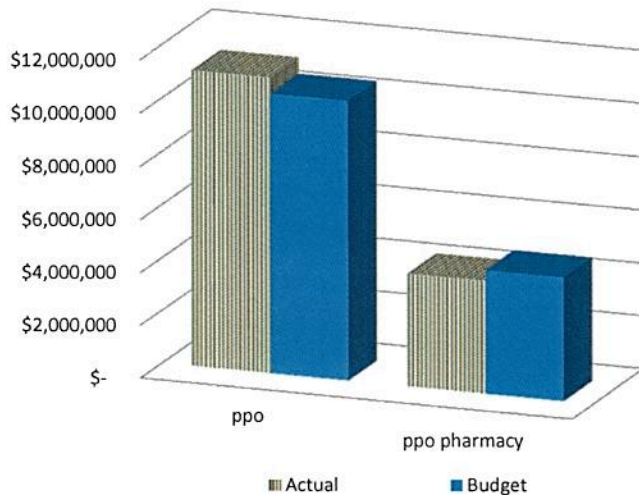

Mark Wyss
Finance Director/Comptroller/City Treasurer

City of West Allis Health Insurance Fund Budget Comparison - December, 2014

Revenues	2014		2014		Projected 12 months	% over budget
	Budget	mths budget	Actual	Budgetary 2014 (Under)/Over		
Property Taxes	\$2,000,000	\$2,000,000	\$ 2,000,000	\$0	\$ 2,000,000	0.00%
General Fund Premiums	\$9,525,000	\$9,525,000	\$ 9,204,948	(\$320,052)	\$9,204,948	-3.36%
Retiree Premiums	\$2,600,000	\$2,600,000	\$ 2,285,342	(\$314,658)	\$2,285,342	-12.10%
Enterprise/Grants	\$180,000	\$180,000	\$ 118,593	(\$61,407)	\$118,593	-34.12%
Employee Premium Share	\$535,000	\$535,000	\$ 516,043	(\$18,957)	\$516,043	-3.54%
Misc Revenue	\$700,000	\$700,000	\$ 514,173	(\$185,827)	\$514,173	-26.55%
General Fund Retiree Contr	\$730,000	\$730,000	\$ 1,362,999	\$632,999	\$1,362,999	86.71%
Stop Loss	\$350,000	\$350,000	\$ 167,662	(\$182,338)	\$ 167,662	-52.10%
	<u>\$16,620,000</u>	<u>\$16,620,000</u>	<u>\$16,169,760</u>	<u>(\$450,240)</u>	<u>\$16,169,760</u>	<u>-2.71%</u>

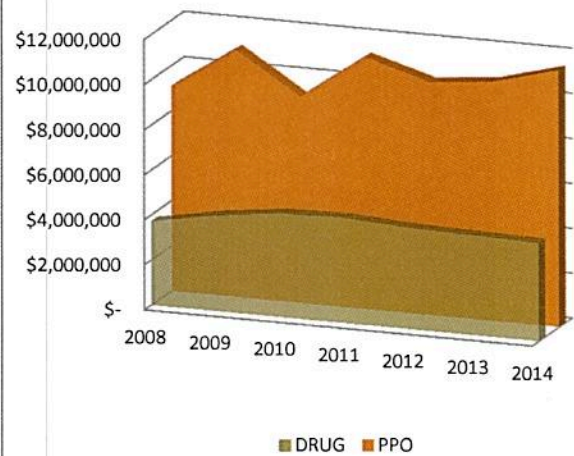
Expenditures	2014		2014		Projected 12 months	% over budget
	Budget	mths budget	Actual	Budgetary 2014 (Under)/Over		
health standard plan		\$0	\$ -	\$0	\$ -	
ppo	\$10,550,000	\$10,550,000	\$ 11,158,425	(\$608,425)	\$11,158,425	5.77%
IBNR		\$0		\$0	\$0	0.00%
ppo pharmacy	\$4,691,020	\$4,691,020	\$ 4,288,473	\$402,547	\$4,288,473	-8.58%
Wellness /ADMIN	\$71,100	\$71,100	\$ 57,349	\$13,751	\$57,349	-19.34%
medical supplies	\$2,000	\$2,000	\$ 4,984	(\$2,984)	\$4,984	149.20%
stop-loss	\$575,000	\$575,000	\$ 589,439	(\$14,439)	\$589,439	2.51%
Outside Consultant	\$268,000	\$268,000	\$ 116,260	\$151,740	\$116,260	-56.62%
ppo admin	\$452,000	\$452,000	\$ 535,025	(\$83,025)	\$535,025	18.37%
other (EAP)	\$2,230	\$2,230	\$ 95,393	(\$93,163)	\$95,393	4177.71%
postage	\$5,150	\$5,150	\$ 4,058	\$1,092	\$4,058	-21.20%
printing (print shop)	\$3,500	\$3,500	\$ 2,990	\$510	\$2,990	-14.57%
	<u>\$16,620,000</u>	<u>\$16,620,000</u>	<u>\$16,852,396</u>	<u>(\$232,396)</u>	<u>\$16,852,396</u>	<u>1.40%</u>
Net Budget				<u>(\$682,636)</u>	<u>(\$682,636)</u>	

2014 Health Insurance PPO



PPO & Drug Expense

2008-2013

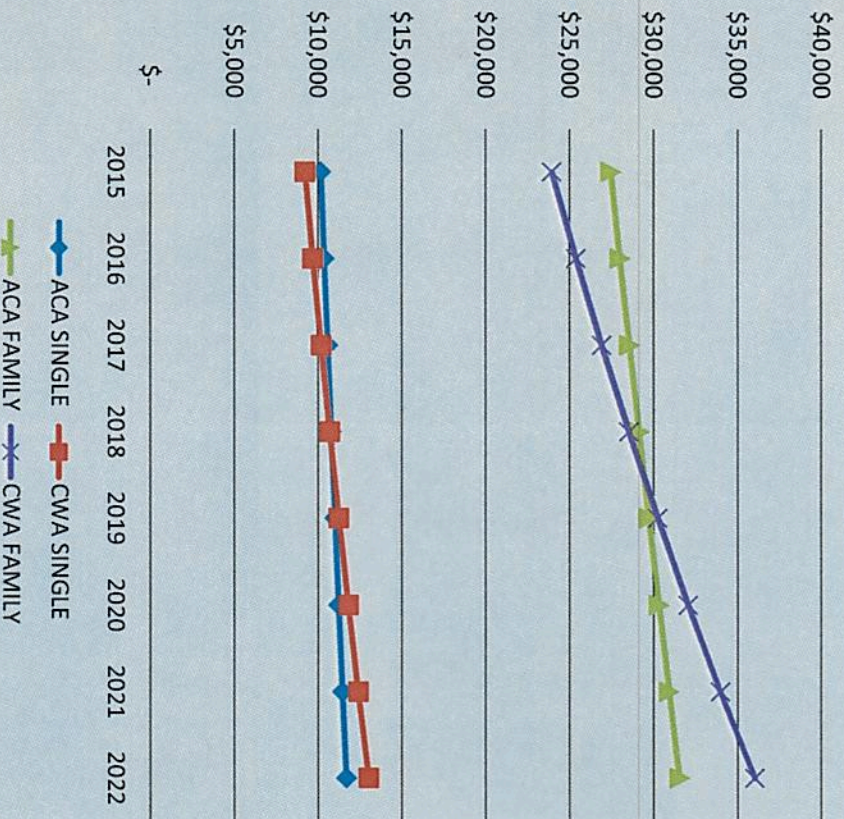


What is the “Cadillac Tax”

(And why should I care?)



ACA GROWTH vs CWA GROWTH



EST CADILLAC TAX EXPOSURE

