

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 11, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: BUDGET MEMO #25 : COST OF EXTENDING HEALTH INSURANCE TO GROUPS CURRENTLY NOT COVERED BY THE CITY (COUNCILWOMAN PEPPER'S REQUEST)

On March 26, 2003, UNITY, a chapter of the Tenants' and Worker' Support Community organized on behalf of child care workers who provide in-house child care services to City-subsidized clients, presented the Mayor and members of City Council with a revised request for \$150,000 to be included in the FY 2004 budget for hospitalization insurance for its members.

The request followed a \$500,000 request from UNITY in the FY 2003 budget process. On behalf of City Council, Mayor Donley and Councilwoman Woodson asked the Budget and Fiscal Affairs Advisory Committee (BFAAC) to study the request. The March 14, 2003 BFAAC report to City Council has been previously provided to City Council (Budget Memo #5).

One of the issues raised by BFAAC in its report and discussed at the March 26, 2003 budget work session was the precedent that could be set by extending City-funded health insurance coverage to individuals and groups that currently do not receive such coverage. BFAAC cautioned that funding health insurance for the child care providers could result in similar requests from other groups such as part-time City employees, Department of Human Services (DHS) companion aides, Campagna Center employees, and other private non-profit organizations, companies and individuals who provide services under a contract with the City or a grant from the City.

This memorandum is in response to Councilwoman Pepper's request for an estimate of the cost to extend health insurance to other groups currently not covered by the City.

The determining factors in estimating such a cost are the number of benefit recipients and the cost per recipient. Both factors are widely variable.

The number of recipients would depend on which groups would be eligible and how many potential recipients belong to each group. Personnel reports that there are approximately 1,000 part-time and temporary City employees who are currently ineligible for City-funded health

insurance coverage. Based on DHS data, BFAAC estimates that approximately 120 child care providers would be eligible for coverage under the original UNITY proposal. The details of the latest proposal (number of recipients, cost per recipient, eligibility thresholds, etc.) have been requested by staff from UNITY. DHS reports that there are approximately 100 companion aides currently providing services in the community. The number of employees of companies and non-profits contracting with the City and whether or not they have health insurance and what level of insurance is provided is unknown, and would require extensive research to compile.

The cost per recipient would depend on the participant demographics, the types insurance plans offered, and the prices as set by the market. The lowest bid originally received by UNITY in the development of its original request was \$3,024 per participant per year. The basis for the latest proposal is unknown, although City staff has requested this information from UNITY. The Campagna Center offers it employees a cafeteria plan of health insurance options which are funded through deductions from the employees' pay. The costs range from \$552 per year per individual for catastrophic coverage to \$3,960 per year for comprehensive individual coverage. The amount budgeted for individual coverage for full-time City employees in FY 2004 ranges from \$2,933 per year for an individual coverage plan to \$6,924 for a family coverage plan.

Due to these variables, the following matrix has been developed to illustrate a variety of cost estimates based on a possible range of participation levels and costs per participant.

<u>Number of Participants</u>	<u>Annual Cost per Participant</u>				
	<u>\$600</u>	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>	<u>\$4,000</u>
250	\$150,000	\$250,000	\$500,000	\$750,000	\$1,000,000
500	\$300,000	\$500,000	\$1,000,000	\$1,500,000	\$2,000,000
750	\$450,000	\$750,000	\$1,500,000	\$2,250,000	\$3,000,000
1,000	\$600,000	\$1,000,000	\$2,000,000	\$3,000,000	\$4,000,000