

The Problem

Increase in Ratio of Retirees to Active Employees

4 active employees for every retiree in 2000.

2.3 active employees for every retiree in 2009.

Retiree Healthcare Plans

The City currently has 34 retiree healthcare plans.

Increase in healthcare claims since 2000

303% increase in retiree claims.

127% increase in overall healthcare claims.

City of Omaha budget shortfall

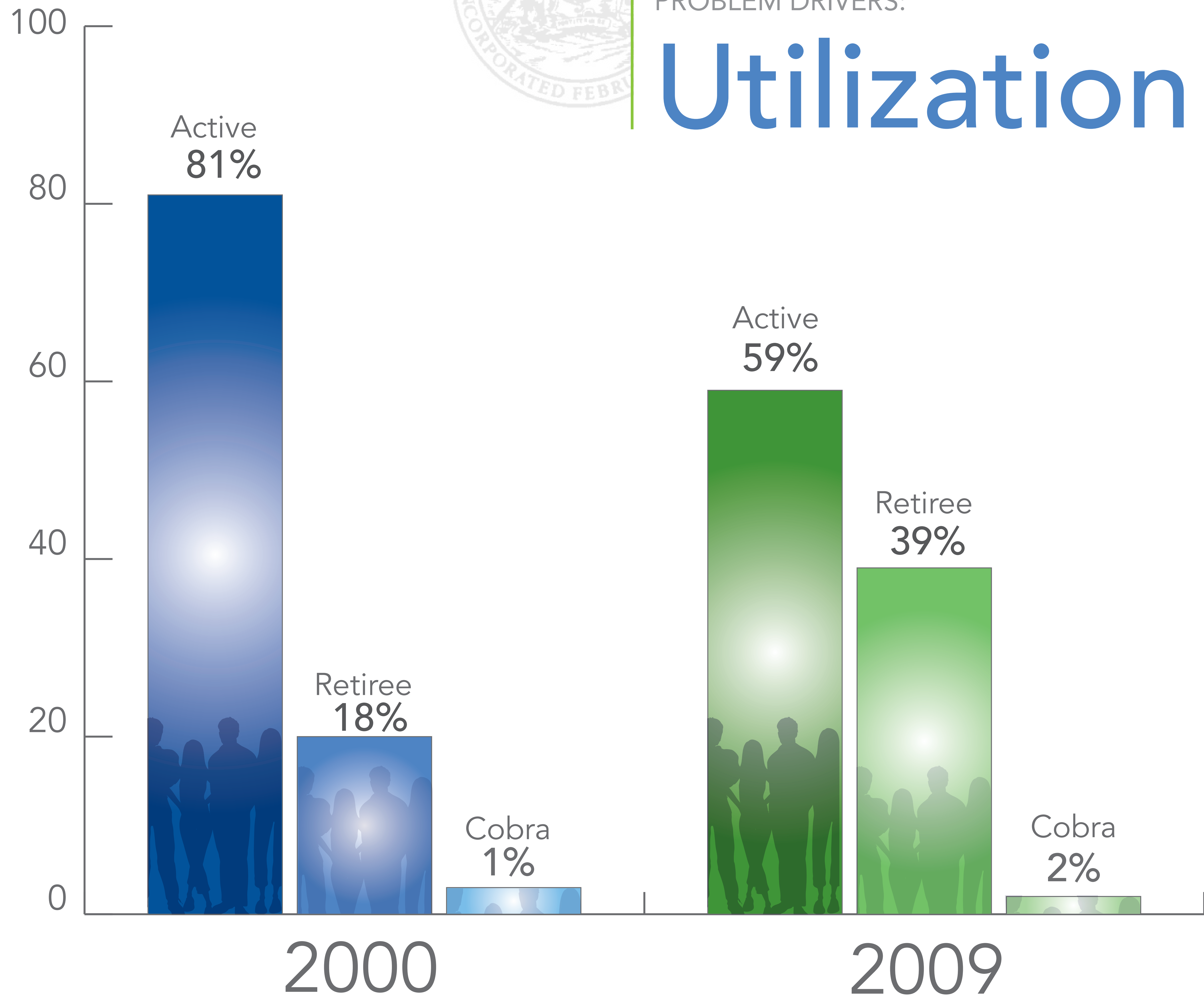
\$12.3 million for 2010

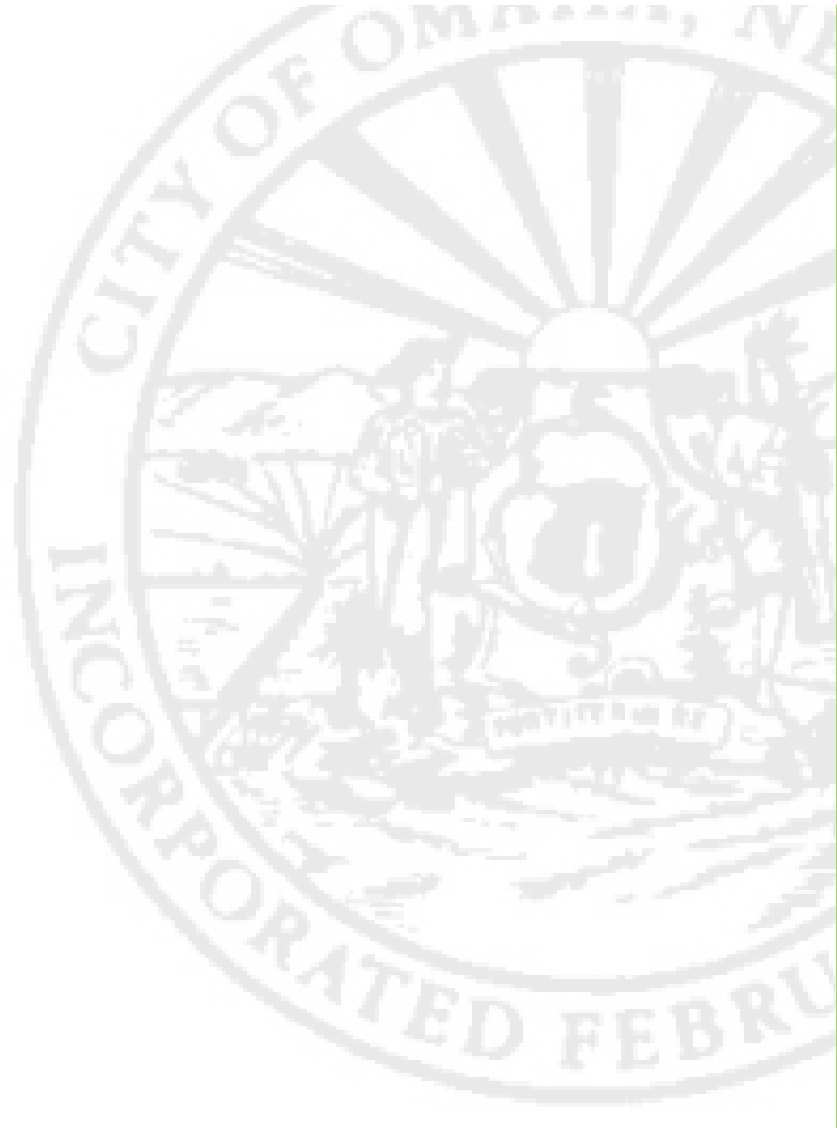
\$21 million for 2011



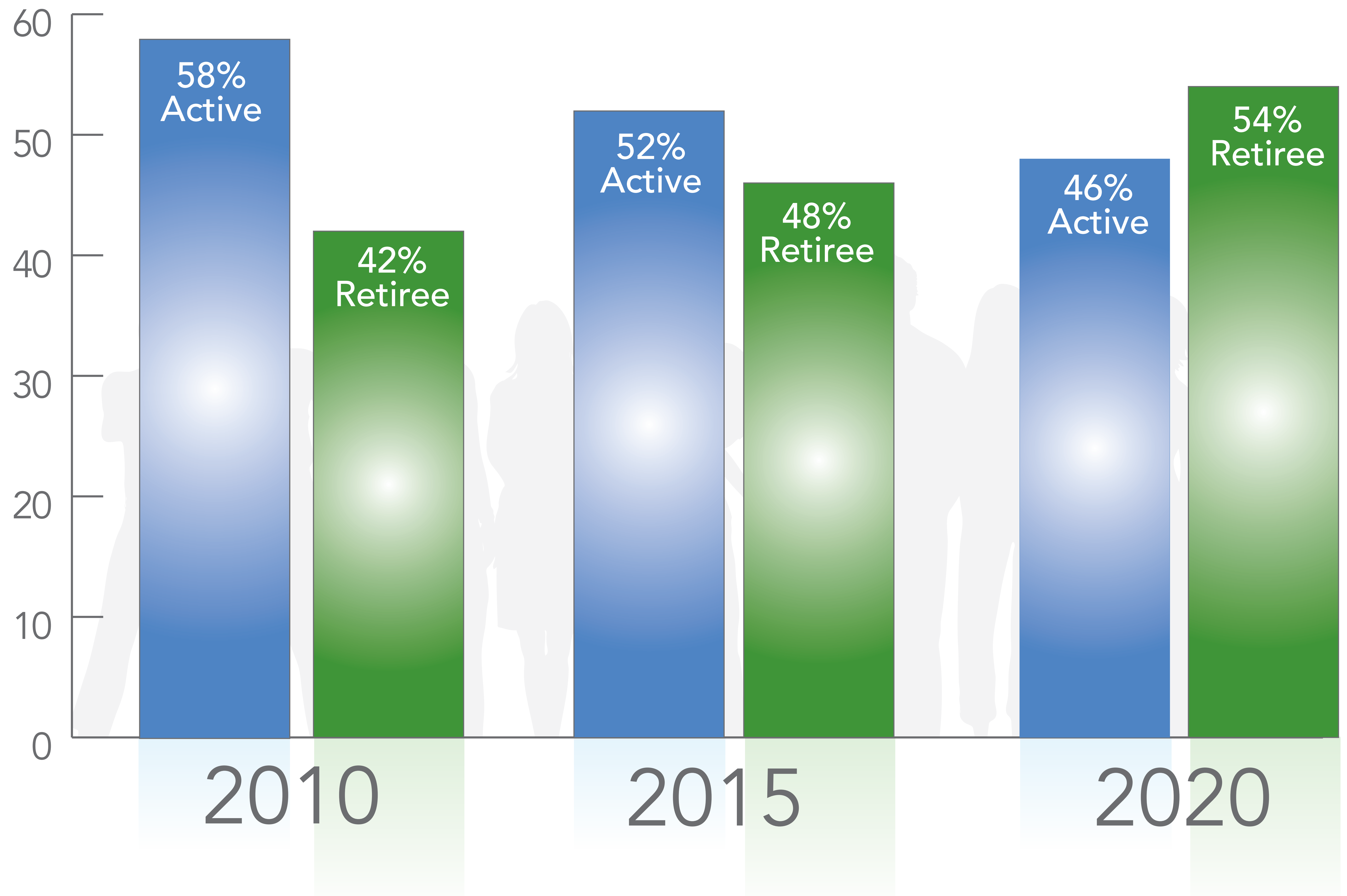
PROBLEM DRIVERS:

Utilization





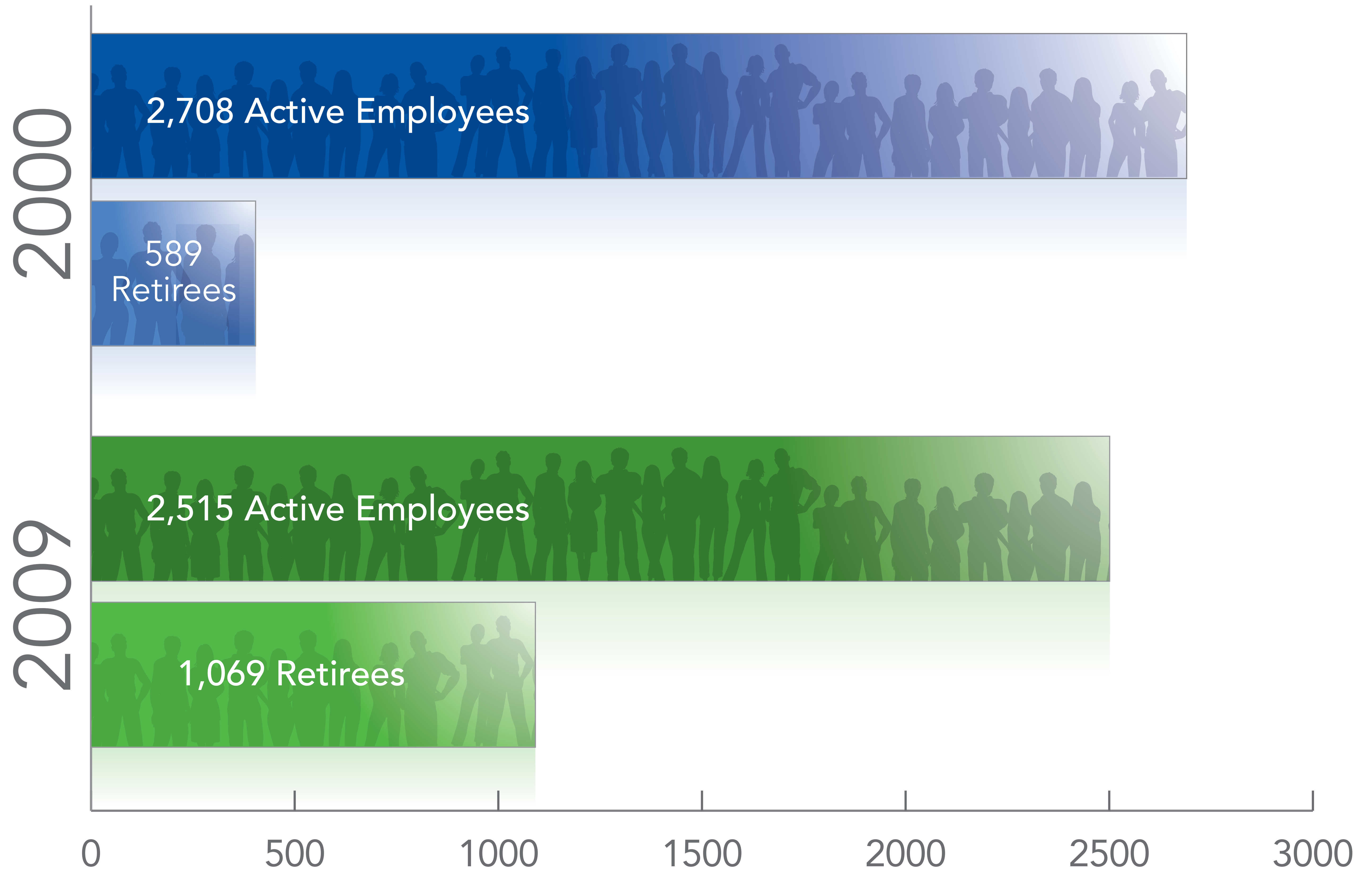
Projected Utilization

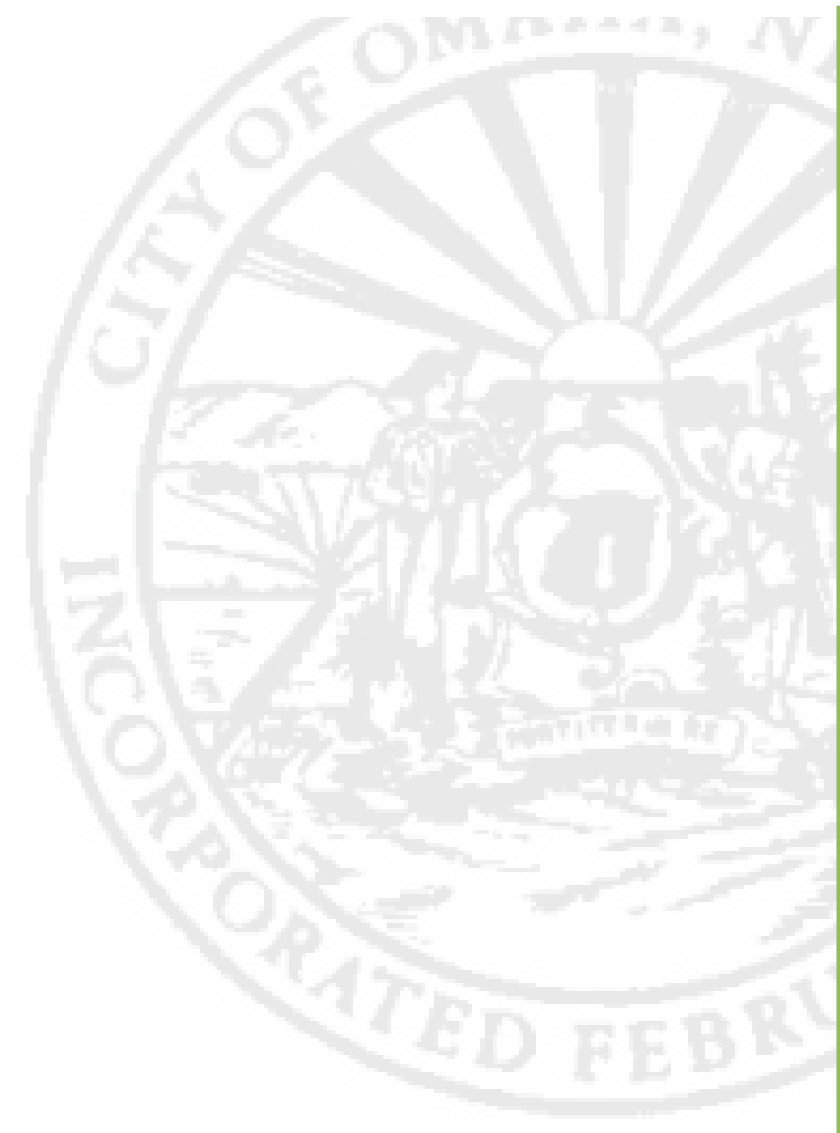




PROBLEM DRIVERS:

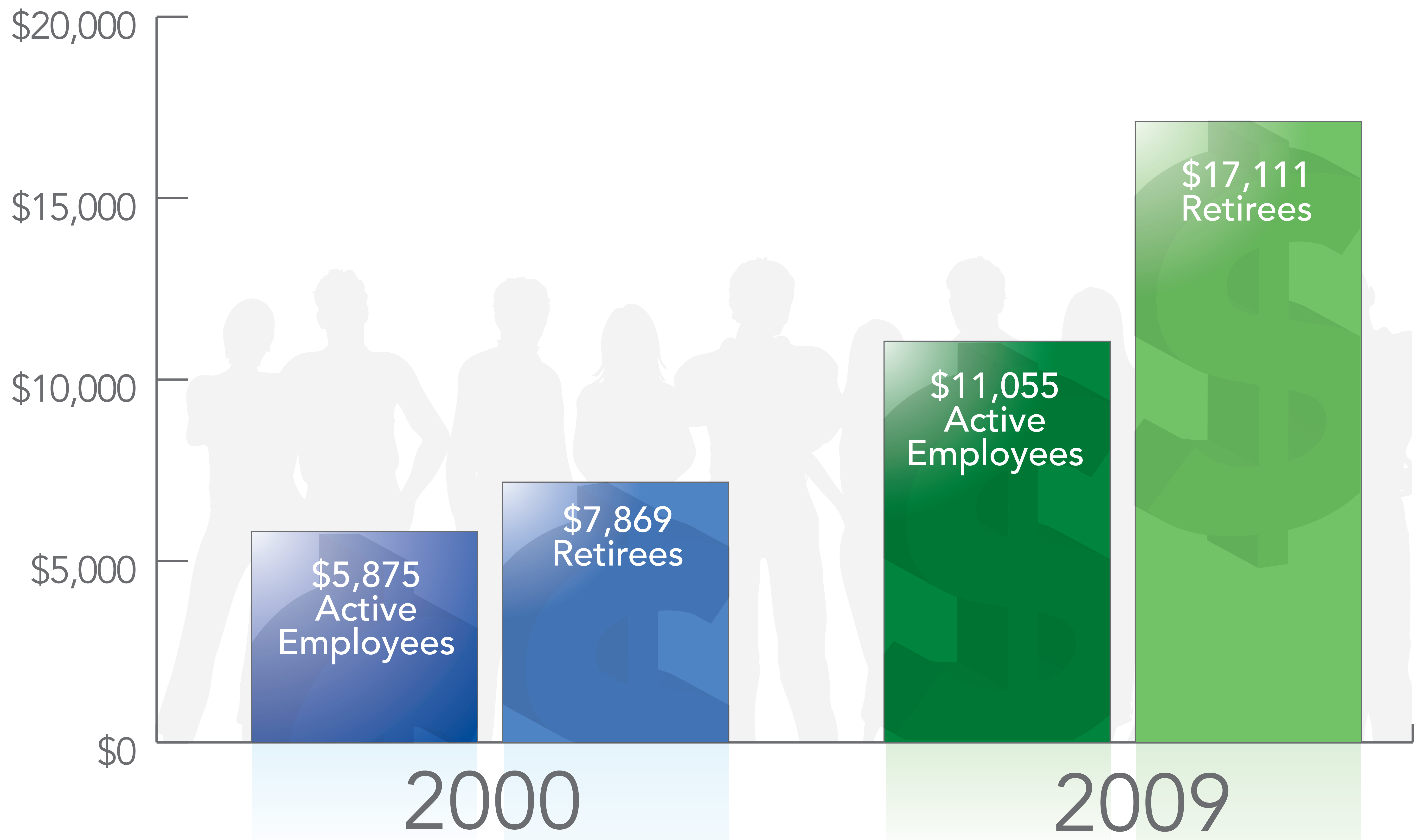
Subscribers





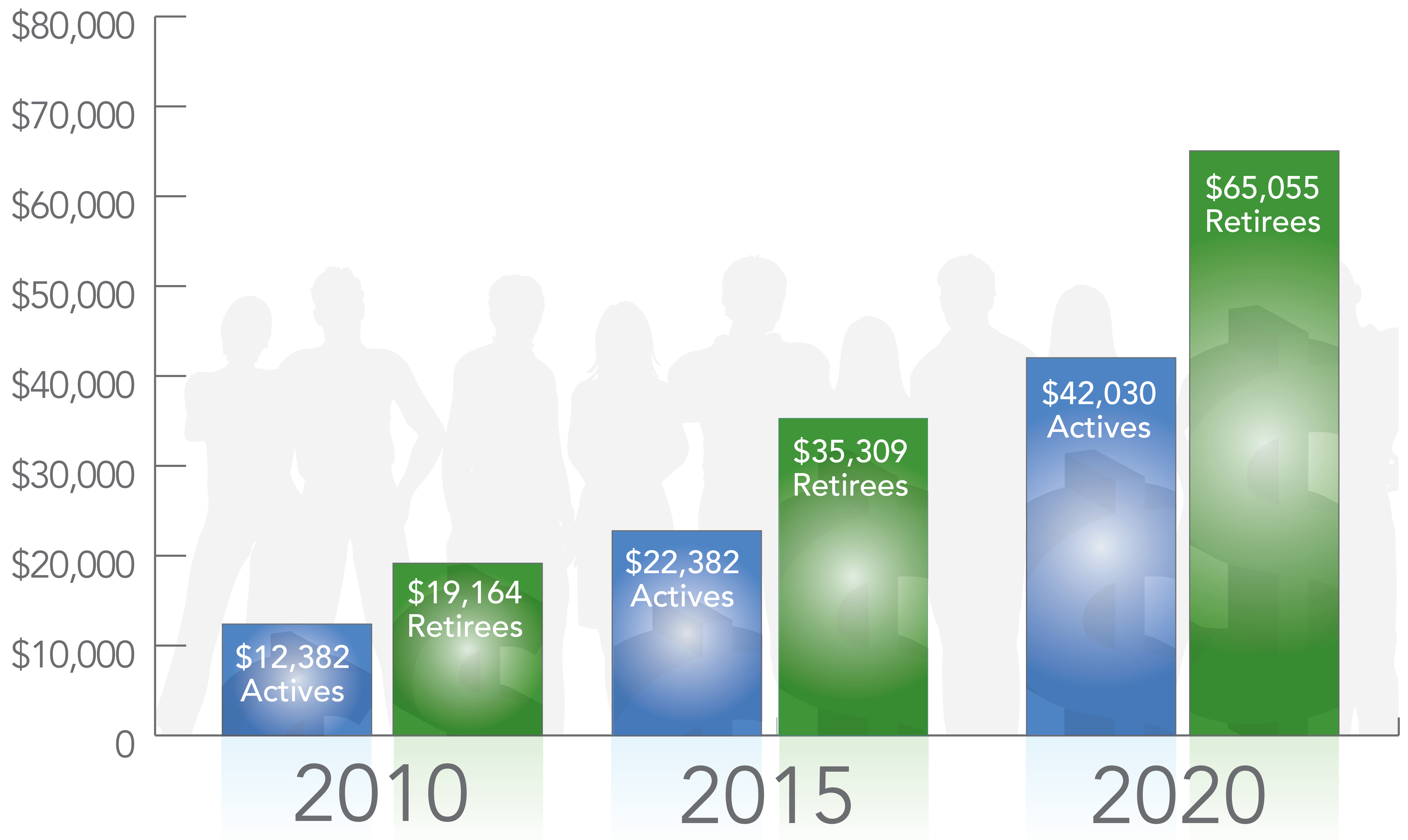
PROBLEM DRIVERS:

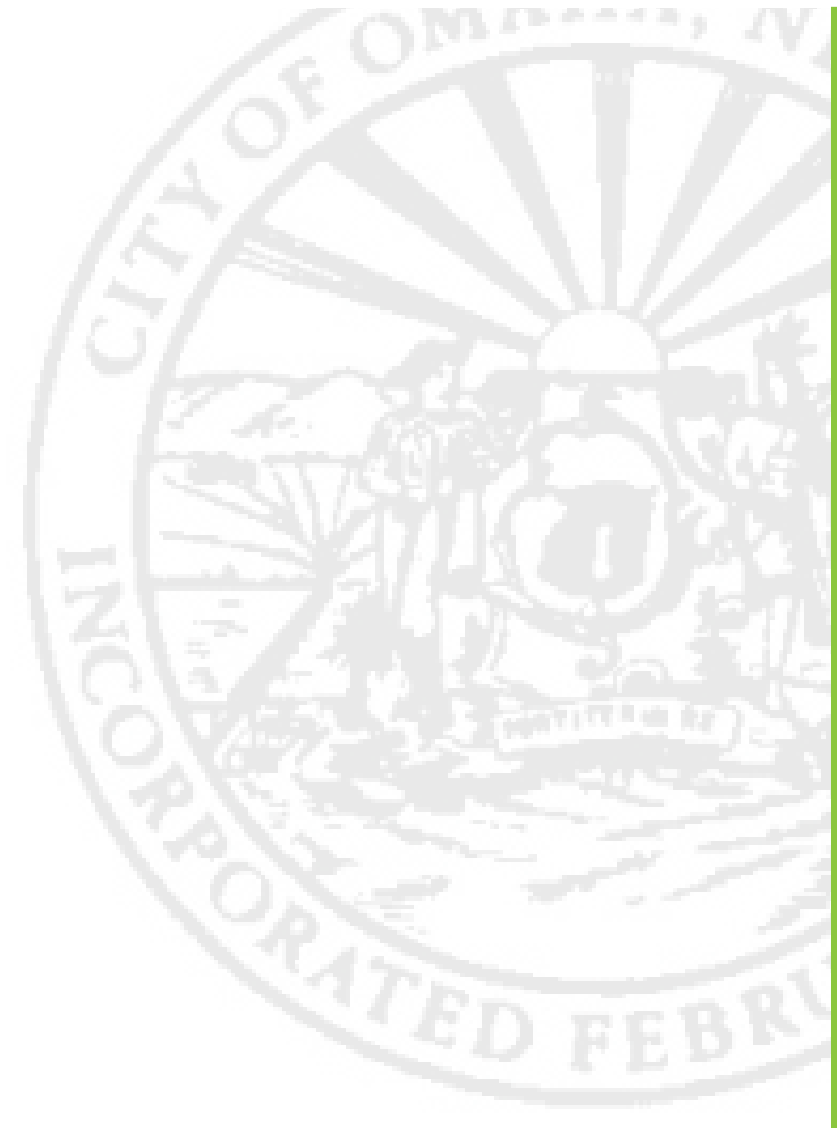
Per Capita Cost





Projected Per Capita Cost

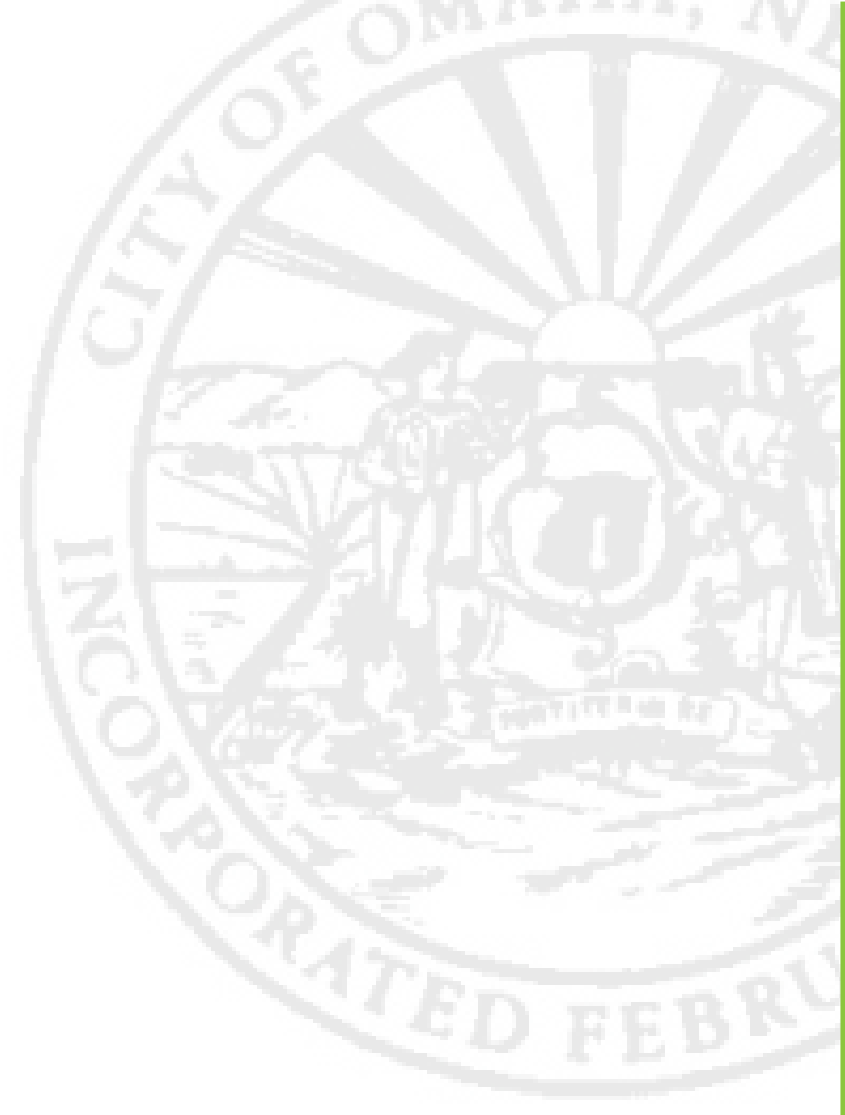




Projected Health Insurance Cost



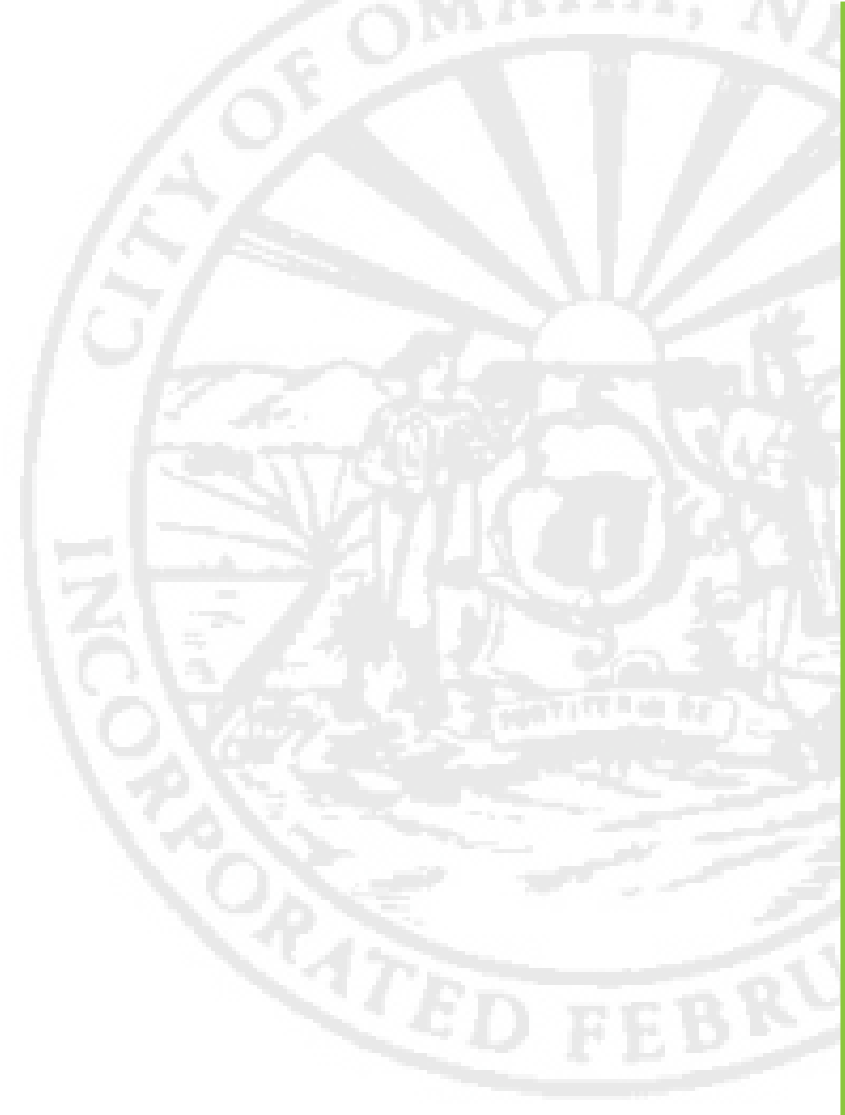
| | 2010 | 2015 | 2020 |
|--------------|---------------------|----------------------|----------------------|
| Actives | \$30,879,710 | \$54,498,574 | \$95,996,221 |
| Retirees | \$21,981,475 | \$50,385,968 | \$111,048,161 |
| Total | \$52,861,186 | \$104,884,542 | \$207,045,082 |



Healthcare Cost as a Percent of the General Fund

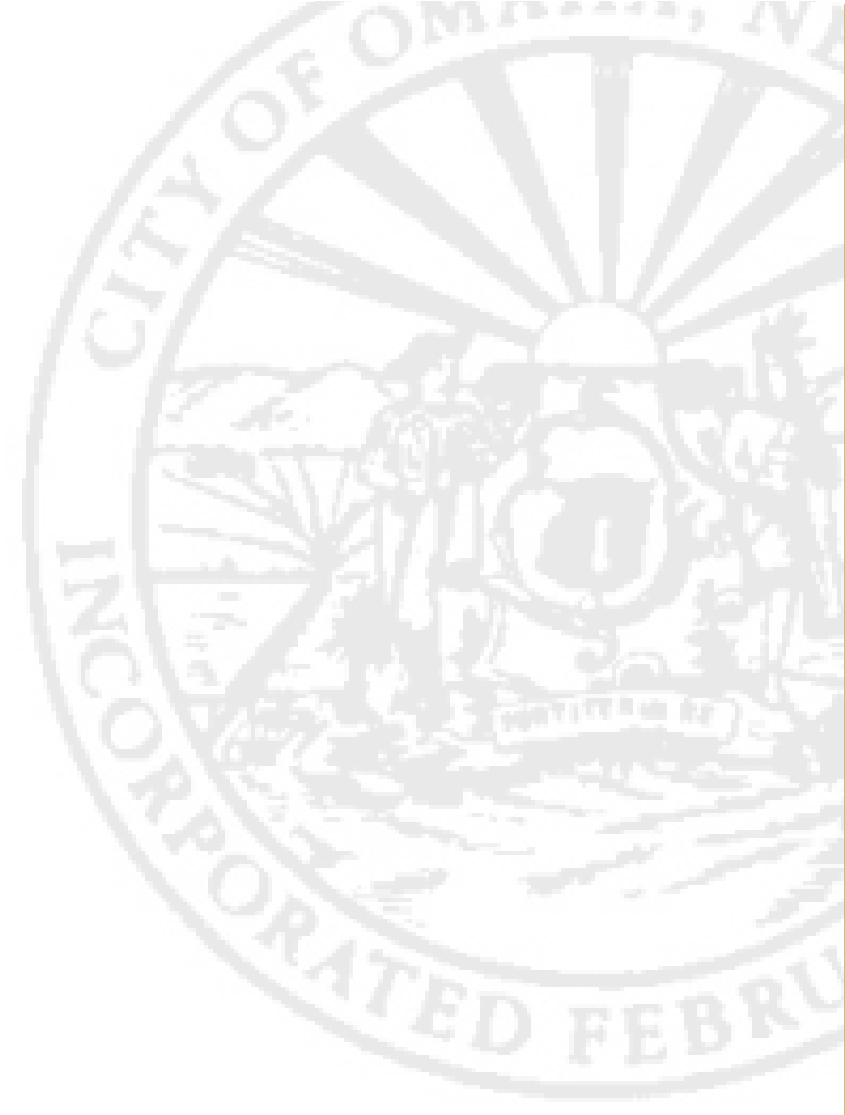
| | 2009 Actual | 2010 Actual/Projected | 2015 Projected | 2020 Projected |
|---------------------------------|---------------|-----------------------|----------------|----------------|
| General Fund | \$271,285,579 | \$280,838,189 | \$312,114,040 | \$352,942,520 |
| Active Employee Healthcare Cost | \$27,799,009 | \$30,879,710 | \$54,498,574 | \$95,996,221 |
| % of General Fund | 10.2% | 11% | 17.5% | 27.2% |
| Retiree Healthcare Cost | \$18,671,068 | \$21,981,475 | \$50,385,968 | \$111,048,161 |
| % of General Fund | 6.9% | 7.8% | 16.1% | 31.5% |
| Total Healthcare | \$46,470,077 | \$52,861,186 | \$104,884,542 | \$207,045,082 |
| % of General Fund | 17.1% | 18.8% | 33.6% | 58.7% |

* Cobra coverage is not shown in numbers above



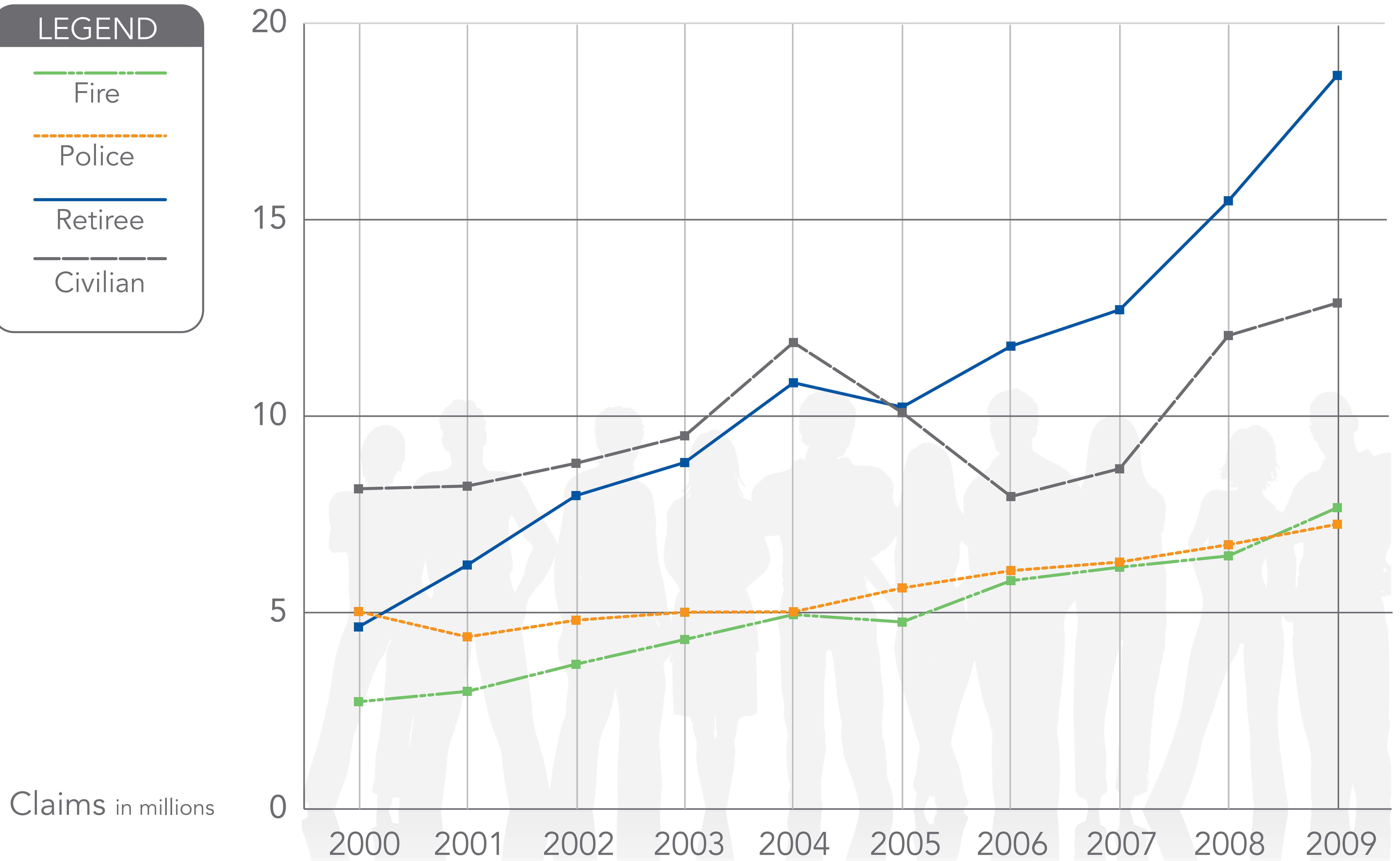
Health Insurance vs. Headcount Comparison

| Employee Group | % Health Ins. Claims Growth/Decrease | Headcount 2000 / 2009 | % Headcount Increase/Decrease |
|---------------------|--------------------------------------|-----------------------|-------------------------------|
| Local 251 | 46% | 836 / 623 | -25% |
| AEC / CMPTEC | 84% | 499 / 422 | -15% |
| Civilian Functional | -9% | 47 / 24 | -49% |
| Police | 44% | 733 / 758 | 3% |
| Fire | 181% | 588 / 674 | 15% |
| Retirees | 303% | 589 / 1,069 | 81% |
| Cobra | 154% | 64 / 45 | -30% |
| Overall | 127% | 3,356/3,615 | 7.7% |



CITY OF OMAHA

Healthcare Claims



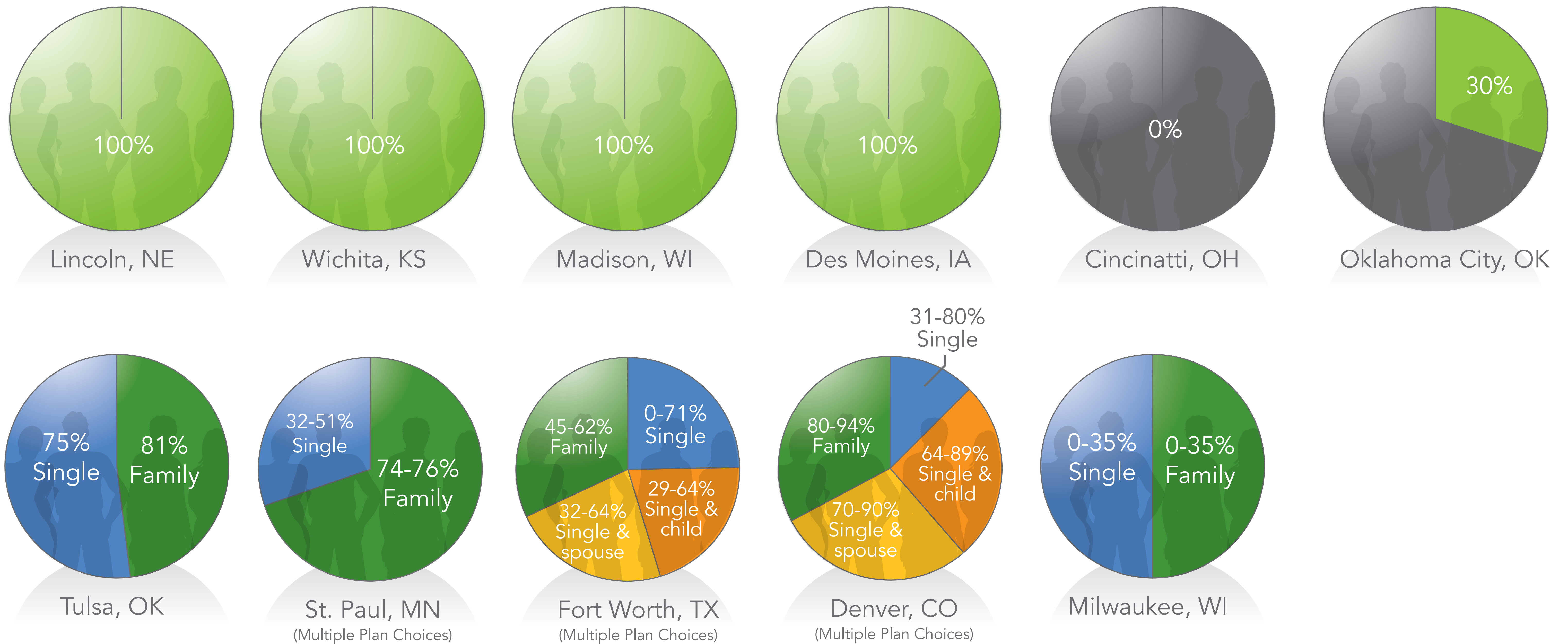
Claims in millions



Health Insurance Data for Comparable Cities

Used for CIR for Police/Fire

Percent of premiums paid by retirees



HRAM 2009 survey of Omaha area companies
62% of companies had higher premium rates for retirees than employees.



Government Entities Retiree Healthcare Plans

State of Nebraska

Allows retirees to continue their existing health care insurance through the State of Nebraska at 100% cost to the retiree plus a 2% Administration fee. This holds true for all State employees including retiring State Patrol officers and Judges.

Metropolitan Utilities District

The District pays 66% of the cost of retiree if they retire after age 59. If they retire prior to 59 the retiree pays the entire cost of the health care plan. No dependants can be on the policy and only spouse at the time of retirement can be covered when an individual retires.

University of Nebraska System

The University of Nebraska provides Blue Cross Blue Shield of Nebraska PPO medical coverage to retirees. Below are the monthly premium rates for Non Medicare retirees.

University of Nebraska Health Insurance Retiree Monthly Premiums 2010

| Coverage | Blue Cross LOW | Blue Cross BASIC | Blue Cross HIGH |
|------------------------------|-------------------|---------------------|--------------------|
| Non-Medicare Retiree Only | \$992 | \$1,168 | \$1,242 |
| Retiree + Spouse | \$2,126 | \$2,504 | \$2,660 |
| Retiree + Children | \$1,650 | \$1,944 | \$2,134 |
| Retiree + Family | \$2,952 | \$3,476 | \$3,816 |

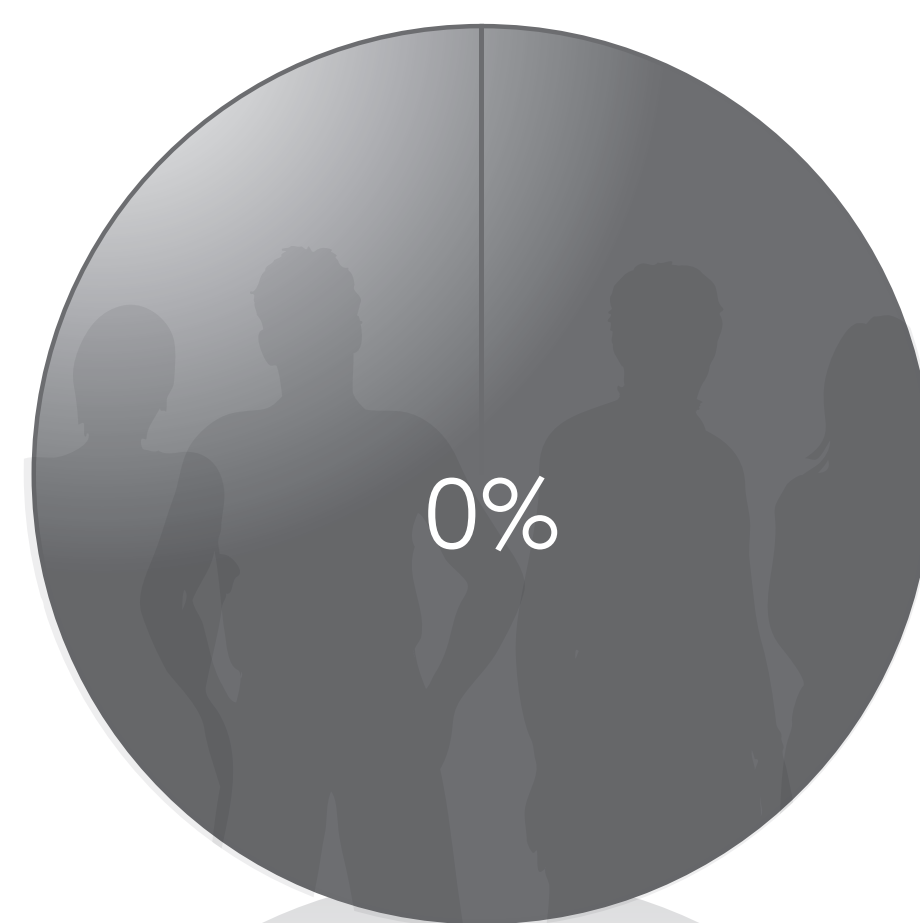


CITY OF OMAHA

Current Retiree Health Insurance Premiums 2010

Civilians
(Average age 58)

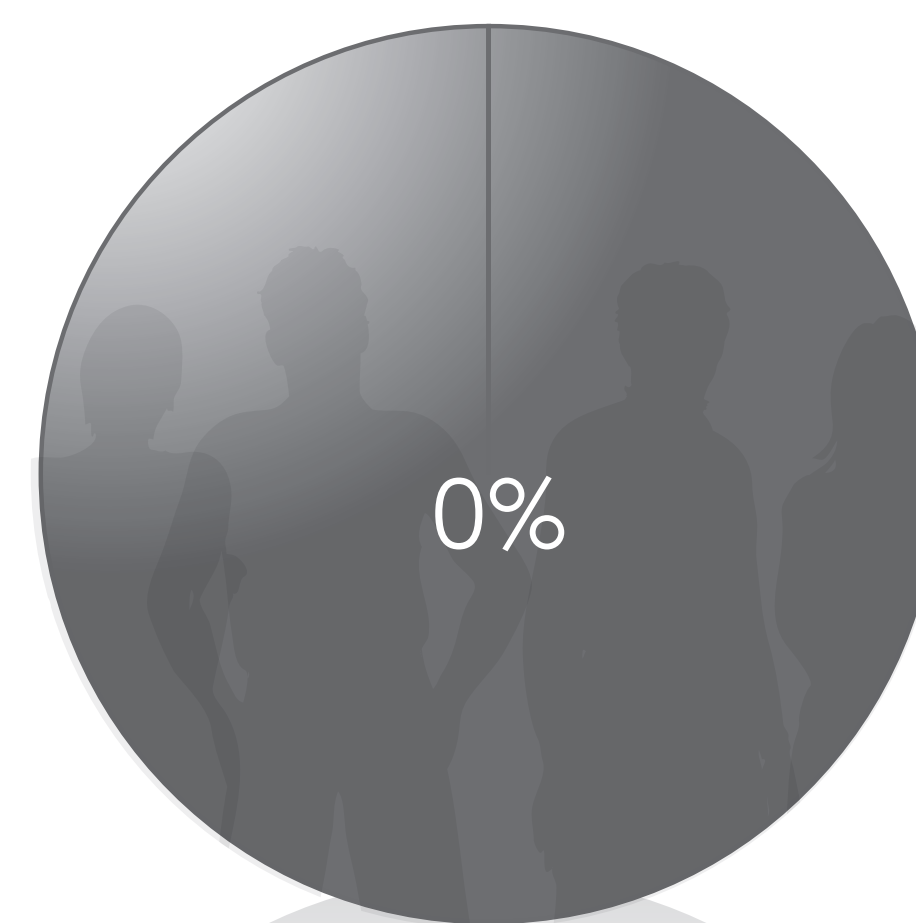
76%



322 Retirees

Fire
(Average age 57)

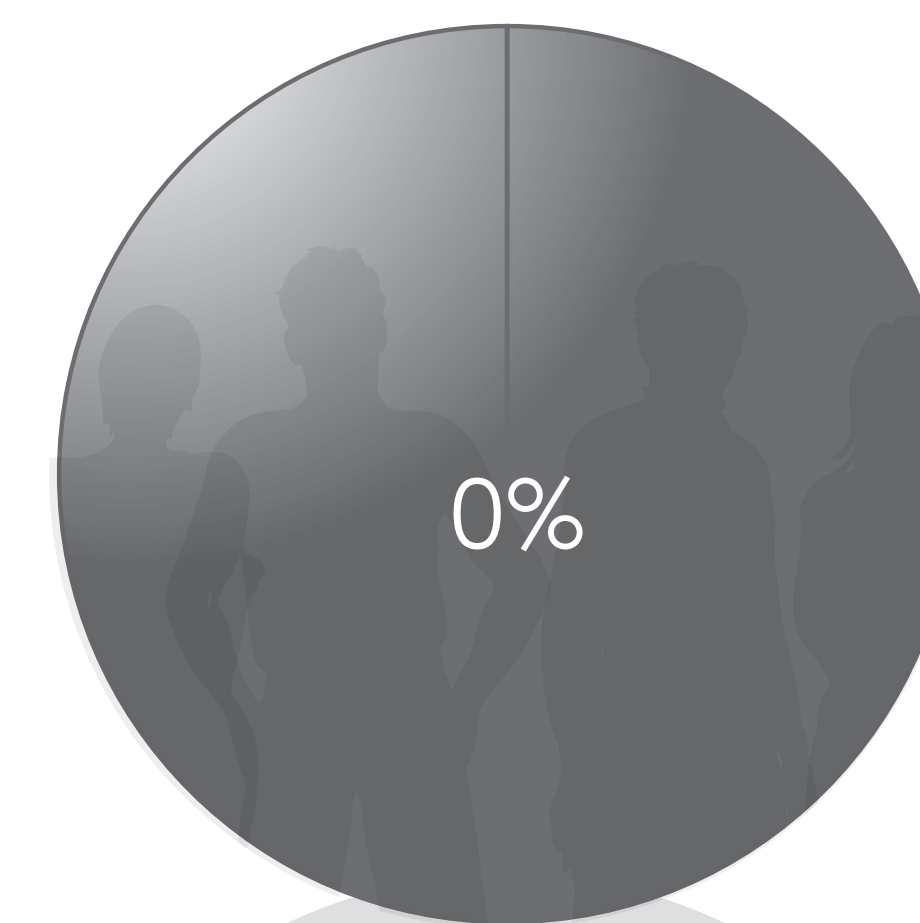
95%



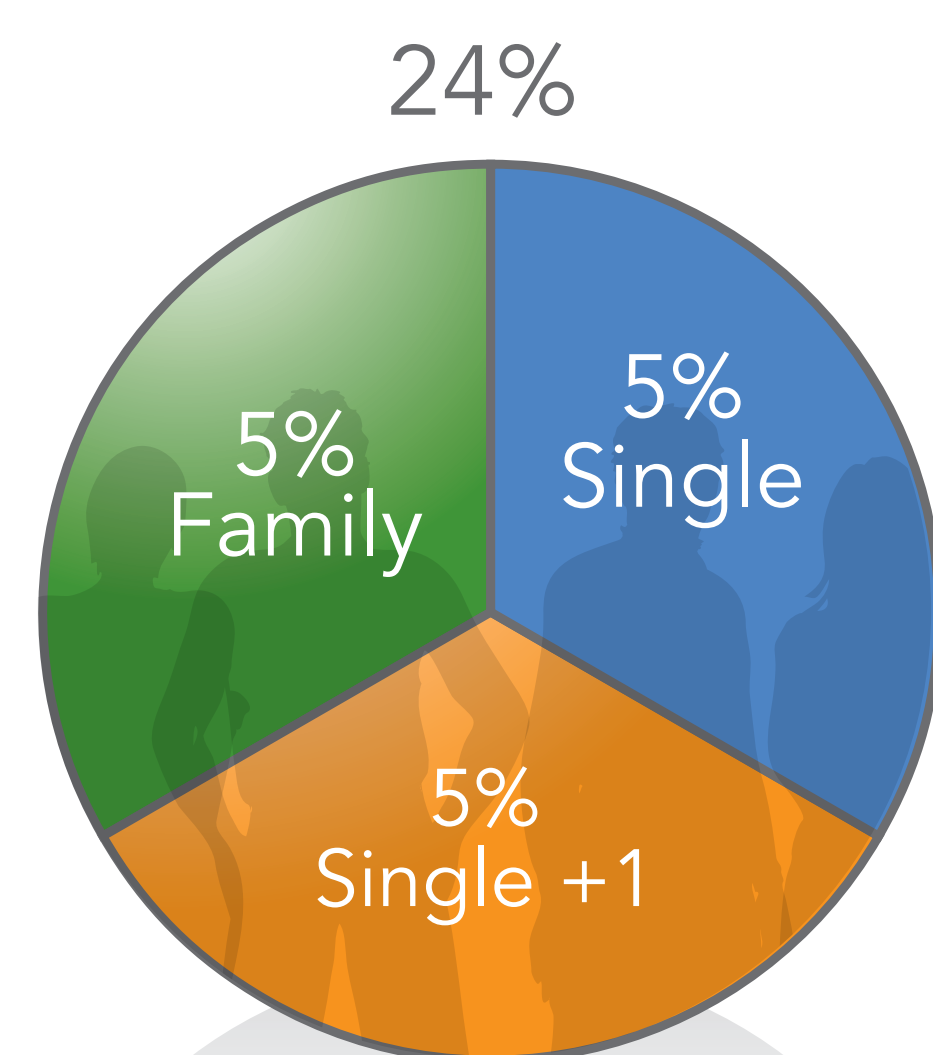
288 Retirees

Police
(Average age 54)

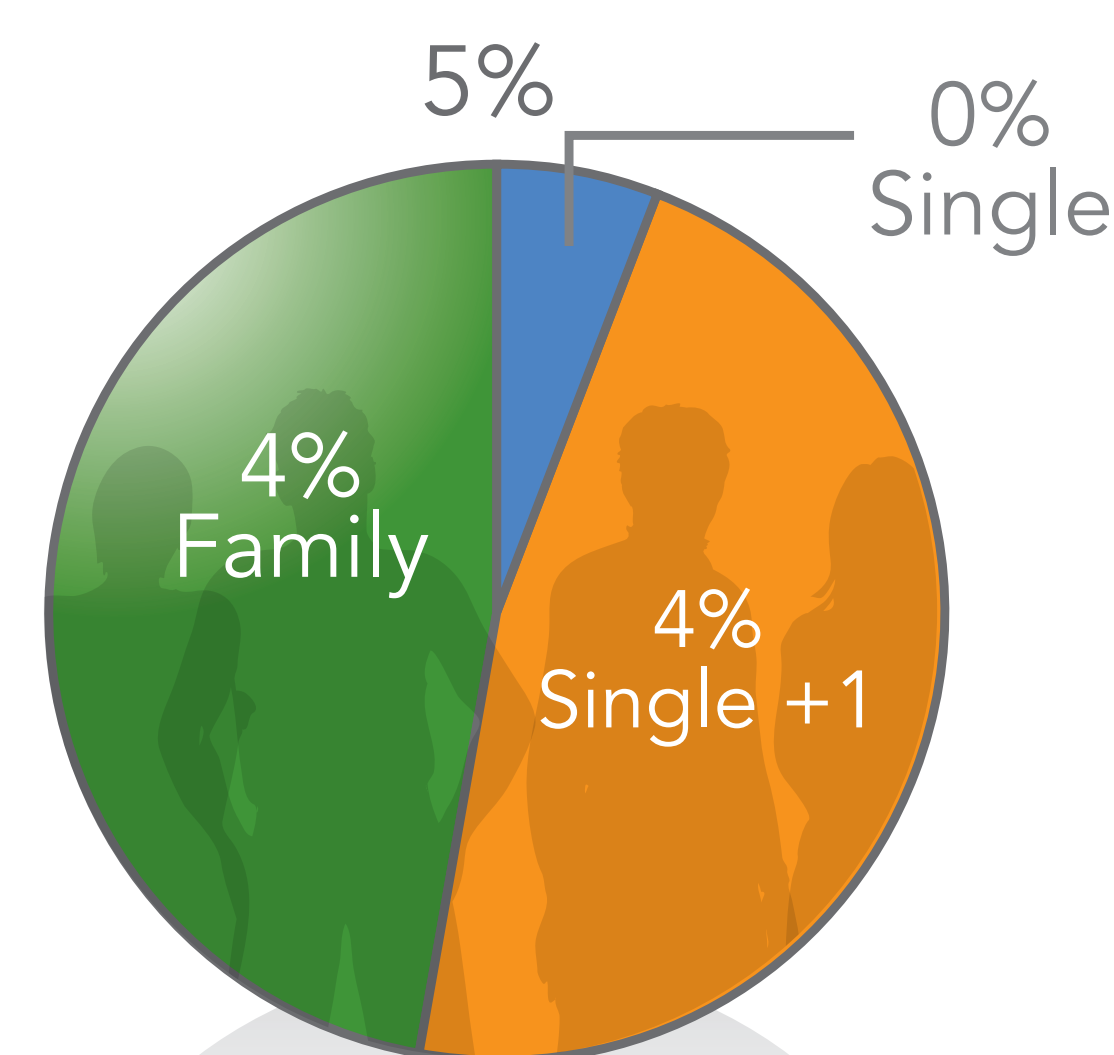
83%



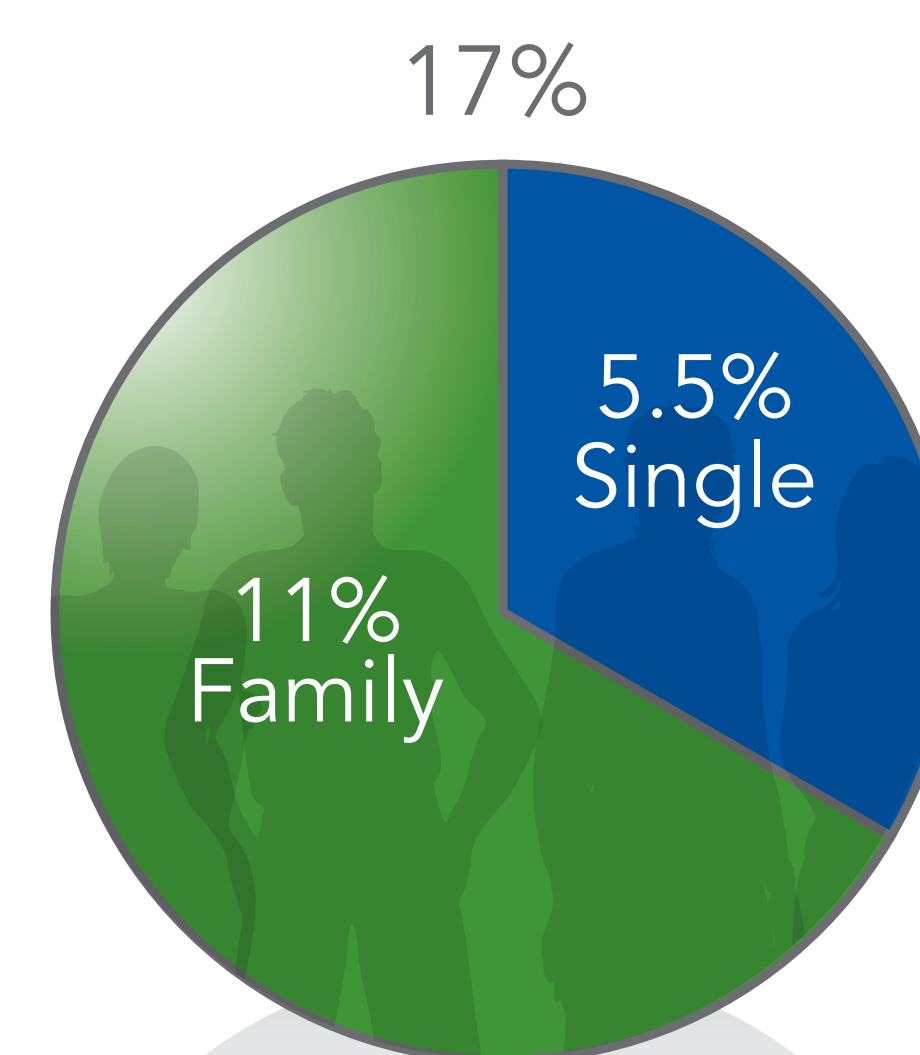
321 Retirees



101 Retirees
(as of 2006)

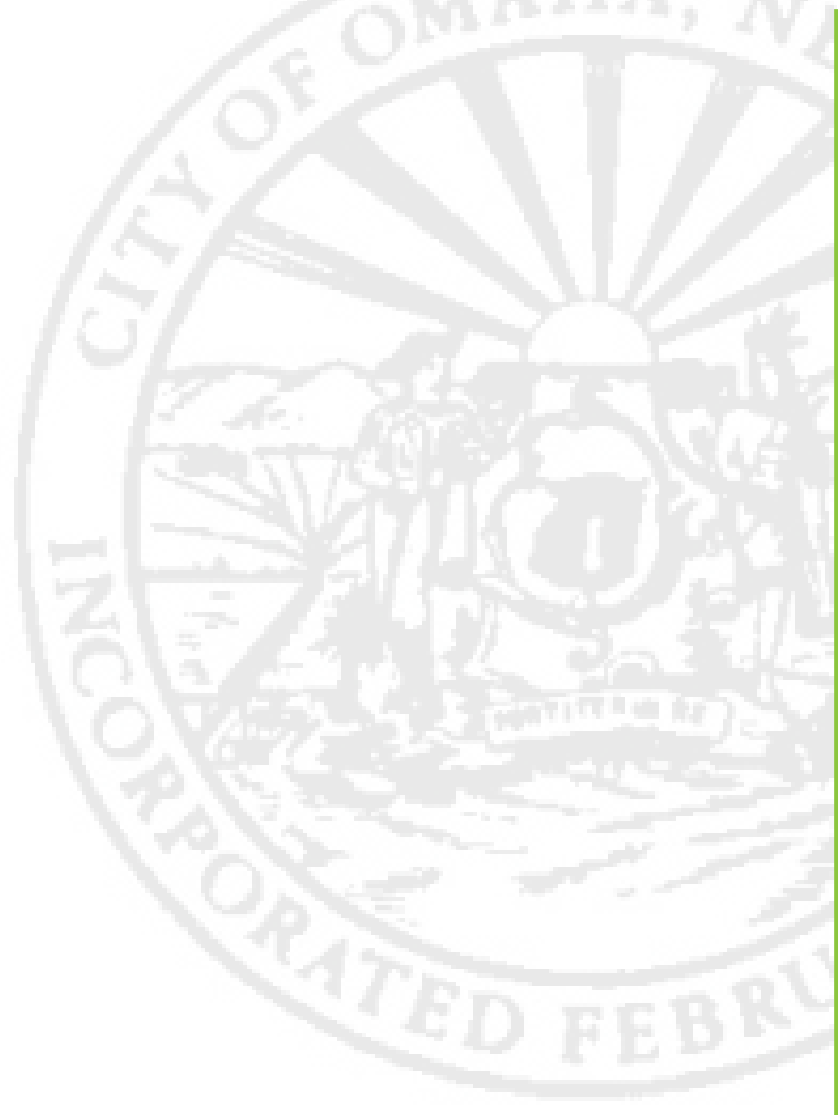


14 Retirees
(as of 2009)



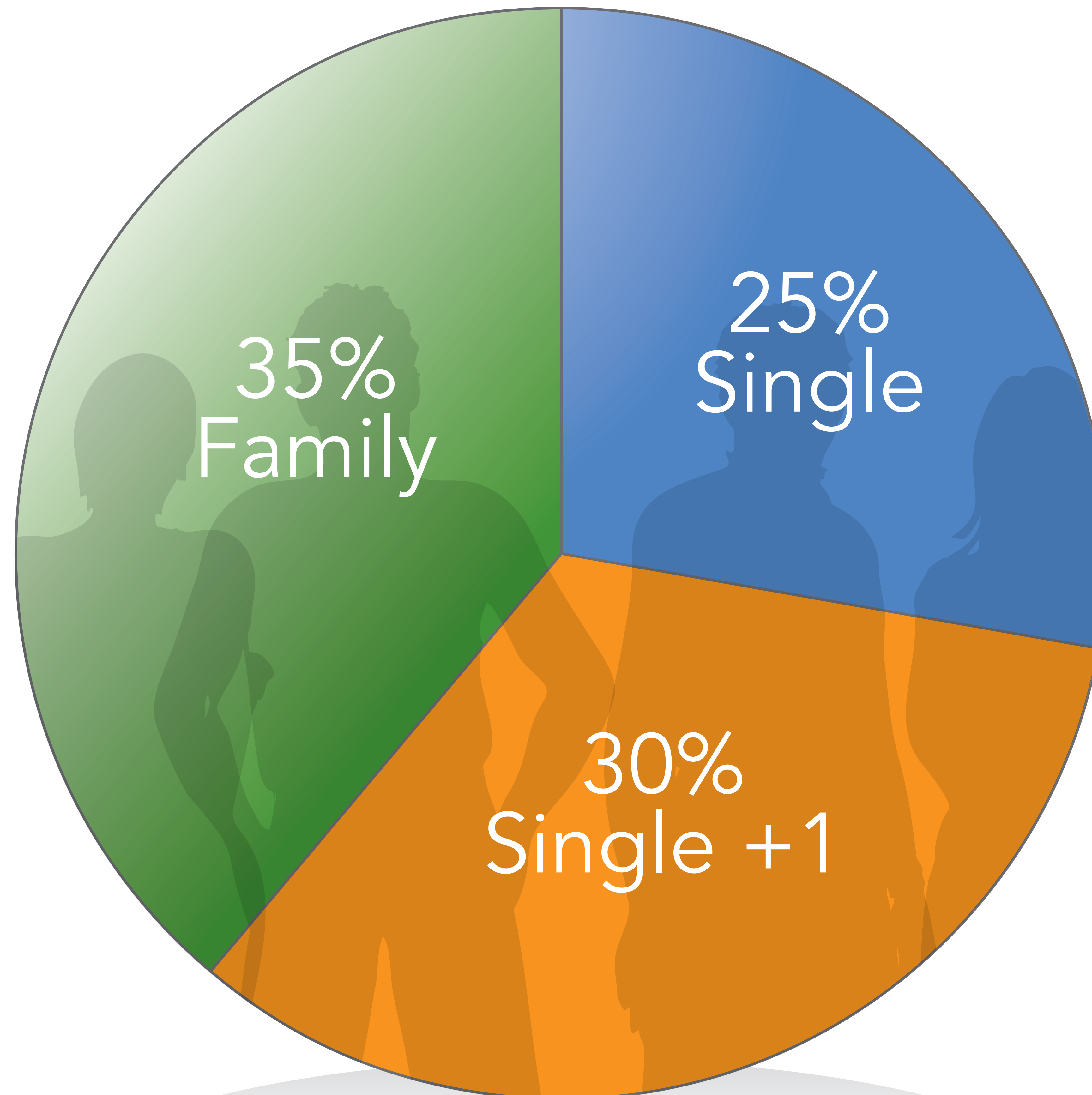
68 Retirees
(as of 2009)

Total Retirees: 84% or 931 pay no health insurance premium
16% or 183 pay a modest health insurance premium



CITY OF OMAHA

Proposed Retiree Health Insurance Premiums





Blue Cross Reduced Fees

Effective July 1, 2010

Reduce 34 retiree healthcare plans to three:

Police
Fire
Civilian

Effective July 1, 2010

Monthly Retiree Health Insurance Rates

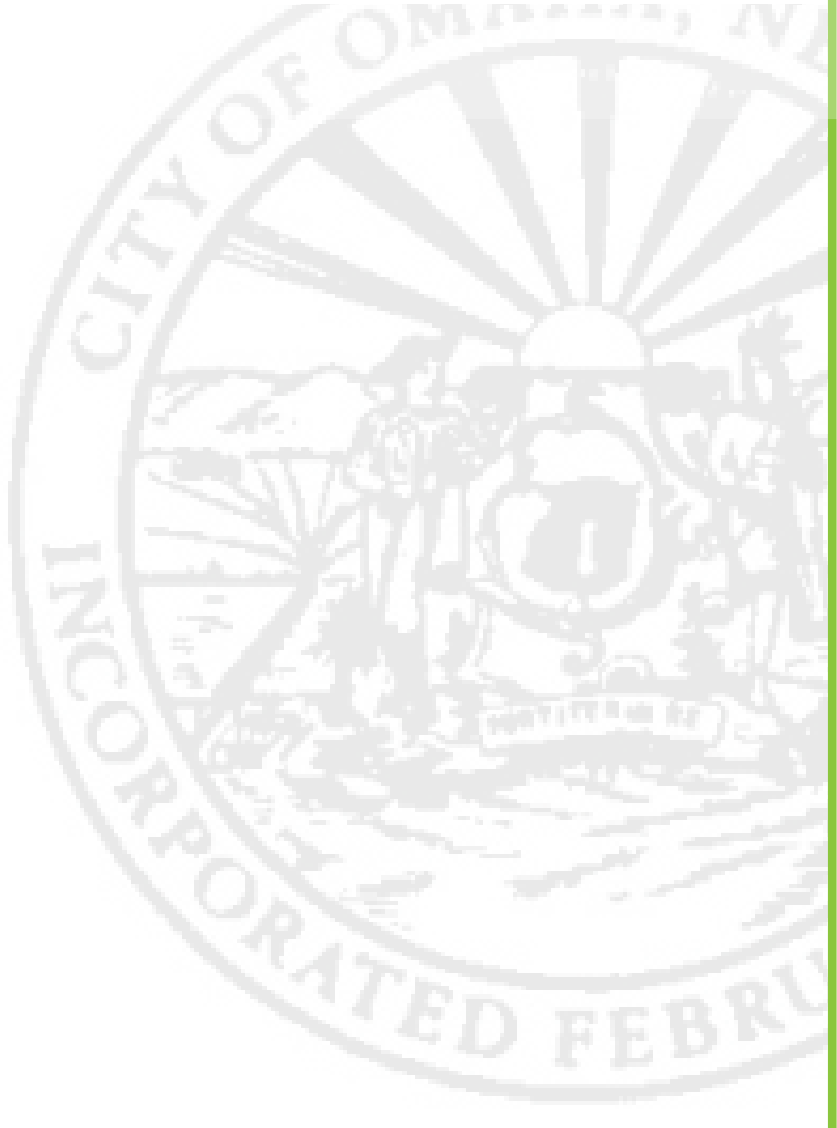
| Pension Amount | Single | Single + 1 | Family |
|-------------------|--------------------------|--------------------------|--------------------------|
| \$60,000-100,000+ | \$124/mo \$1,488 Ann. | \$298/mo \$3,576 Ann. | \$487/mo \$5,844 Ann. |
| \$40,000-59,999 | \$90/mo \$1,080 Ann. | \$215/mo \$2,580 Ann. | \$350/mo \$4,200 Ann. |
| 20,000-39,999 | \$60/mo \$720 Ann. | \$125/mo \$1,500 Ann. | \$165/mo \$1,980 Ann. |
| \$19,999 & Below | \$20/mo \$240 Ann. | \$50/mo \$600 Ann. | \$60/mo \$720 Ann. |

* Rates based upon claim trends for retirees and active employees in respective plans. *Effective July 1, 2010*



Monthly Retiree Health Insurance Rates Facts

- Premiums for the \$60,000-100,000+ grouping are based upon a blended premium rate developed from the utilization of all active and retiree Civilian, Fire and Police individuals currently on the City of Omaha BCBS Health Plans.
- All retiree will be asked to pay the same rate for the respective grouping. There is no differentiation of rates for Civilian, Fire and Police retirees.
- Premium rates in the \$60,000-100,000+ grouping are 25% of the full blended rate for the Single, 30% of the full blended rate for Single +1 and 35% of the full blended rate for the family coverage.
- Retirees may opt out of the healthcare plan for a current employer plan or a spouses's employer plan.
- We are basing our current rates upon the ability of the retiree to pay for the excellent benefits provided. All new retirees after the passage of the Retiree Healthcare Ordinance will be required to pay the full healthcare premium rates as outlined for the \$60,000-100,000+ level.

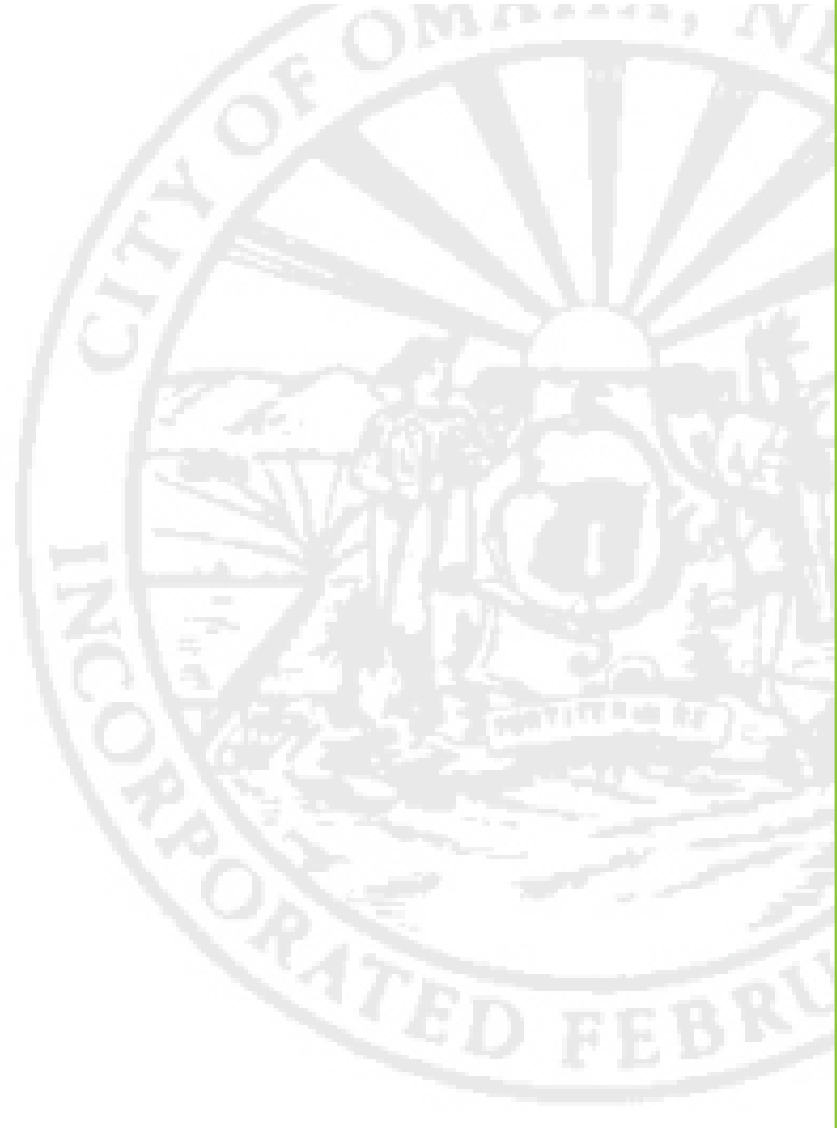


General Fund Total Estimated Savings

Benefit of collapsing 34 retiree healthcare plans into three

- Reduced claims processing
- Standardized benefits
- Fewer errors in transactions
- Better customer service
- Enable movement to automated claims processing





General Fund Total Estimated Savings

- BCBS reduced annual administrative fee
Savings of \$419,400 per year
- Savings from reduction of healthcare plans
Savings of \$473,000 per year
- Increased premiums for retiree healthcare coverage
Savings of \$3,182,700 per year

Total Annualized Savings: \$4,075,100

