



# Success Story

How the city of Memphis made retiree health benefits sustainable

## The challenge

**Reduce Memphis' costs and liabilities; provide retirees more affordable health care plan options.**

### *Background*

In 2014, the city of Memphis faced a \$554 million pension deficit and \$716 million in other post-employment benefit (OPEB) liabilities. Its retiree risk pool was getting older and less healthy, and it faced premium increases of more than 30% for its Medicare supplement plans.

In 2015, Memphis eliminated its 70% health insurance premium subsidy to most of its more than 4,000 retirees, which included both Medicare-eligible and Pre-Medicare retirees, with the savings paid into the underfunded pension system. A limited number of retirees could retain a 25% subsidy, but most – including all Pre-Medicare retirees – were left with no subsidy at all.

A consultant hired by the city recommended against reinstating the subsidy, pegging the cost at \$10 million each year. City officials considered reducing the premium subsidy below 70%; however, any commitment to pay a percentage of the premium ensured that the city's costs and liabilities would stay tied to future premium increases.

## The solution

**The city determined transitioning retirees to Via Benefits would offer greater control over costs and liabilities.**

### *Strategy*

The city of Memphis chose to partner with Via Benefits to provide coverage to all of its retirees. Medicare-eligible retirees would have access to a wide range of Medicare Advantage, Medigap and prescription drug plans, while Pre-Medicare retirees would be provided support to find new individual and family plans available on public marketplaces or directly from insurance carriers.

The new strategy faced some initial resistance from employee associations and retirees. But the city, in conjunction with Via Benefits, held retiree information meetings to explain and answer questions about the new health coverage model. "I was impressed with how good the facilitators were at explaining the information and neutralizing, to the extent possible, the negative energy that a handful of people would express," says Josh Didawick, Benefits Manager at the city of Memphis.



“Our benefits were very rich, but unfortunately not sustainable. Via Benefits allowed us to contain costs and still provide a good benefit for the retirees, providing a win-win situation for the city of Memphis and its retirees.”

Shirley Ford  
Chief Financial Officer  
City of Memphis

# The results

## Savings in annual premiums for retirees; a sustainable solution for the city.

City of Memphis retirees awarded the service center an average customer satisfaction score of 4.5 during the first enrollment season, with 1 meaning not satisfied and 5 meaning very satisfied.

“Even though they’re early in their careers,” Didawick says, “we want police officers and firefighters, and all city employees, to see that the city of Memphis is setting the stage in such a way that **these benefits will be there when they retire.**”

Didawick thinks a private individual marketplace is a good option for organizations struggling with health care costs. “If you do it right, it benefits your organization financially over the long term. You’re making sure that you’re still using the benefits as a recruitment and retention tool and you’re providing for your retirees.”

The city is estimated to have saved

 **\$319** million

which represented approximately a 43% reduction of its balance sheet obligation.

The city’s current and future retirees are estimated to save

 **\$573** million.  
(lifetime present value of savings)

To achieve similar financial savings under the city’s previous program design, it would have needed to increase retiree contributions by 26% or increase retiree out-of-pocket costs approximately 158%!

By using Via Benefits, **99%** of Medicare-eligible retirees could save an average of

**\$2,706**

in annual health care costs.





[OptimizeRetireeBenefits.com](https://www.optimizeRetireeBenefits.com)

**About Via Benefits by WTW**

Via Benefits Insurance Services has helped more than two million people evaluate and enroll in individual health insurance. Via Benefits is a resource offering personal service to help retirees understand coverage options through a robust online experience supported by an award-winning customer service team. Founded in 2004, it operates the first and largest Medicare marketplace in the country and, in 2014, expanded to include individual and family plans for Pre-Medicare retirees.

