

REQUEST FOR COUNCIL ACTION

Date: September 14, 2015

Item No.: 14.b

Department Approval

City Manager Approval



Item Description: Approve 2016 City Benefits Insurance Renewals & Cafeteria Contributions

Background:

Each year the largest human resources expense aside from employee salaries is the cost of benefits, in particular medical insurance. City health benefit costs were just over \$1.6 million in 2015. For more than ten years Roseville has made many changes in the health insurance area to minimize increases and to share the burden, while making health insurance as affordable, consumer driven, and as effective as possible.

In response to escalating health care costs, the City began offering higher deductible plans coupled with Health Reimbursement Accounts (HRA) & Health Savings Accounts (HSA) and added more tiers of coverage. In 2004 we added a single-plus-one tier option to give employees and retirees the least expensive and most efficient alternatives. In 2005, the City added a High Deductible plan with a Health Reimbursement Account for payment of deductible expenses. In 2006 the City raised deductibles but also increased contributions to the Health Reimbursement Account and added this account to the mid-level plan to help staff control and minimize their risk. In 2008 Roseville dropped the no longer sustainable, rich, 100% coverage plan. Finally, in 2009 the City added a Health Savings Account (HSA) option. In 2015 the City increased the deductible on the High Deductible plan to \$2,600.

The City currently offers three medical options and three tiers through one provider, Health Partners, under the National Joint Powers Alliance (NJPA) consortium. The unique part of NJPA is that the pool is self-insured but underwritten and administered by Health Partners so it operates like a fully insured plan. This is of interest to Roseville for a couple of reasons. First, since our claims have declined and stabilized over the past six years due to wellness and consumer driven plan initiatives, we have seen increases much less than the trend. This saves money for the City and Employee. NJPA also provides a larger pool of buying power, allows Roseville to continue our current consumer-driven plan designs, achieve further savings due to their tax exempt status.

The City of Roseville's contract with NJPA for employee health insurance through Health Partners will renew on January 1, 2016. The initial renewal rate came in at a 9% increase this year which is substantially higher than what we have seen over the last

34 five years due to some unfortunate higher claims. We were able through negotiation to
35 negotiate the increase down to a 7.92% which is still much lower than the NJPA pool
36 average of 14% this year. If this continues next year staff will need to look at potential
37 plan design changes in order to buffer increases.

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39 Staff is diligently working to update documents, load data, and set up formulas and
40 coding so that the HRIS system may be utilized for web-based enrollment at open
41 enrollment. We anticipate open enrollment to begin in early November providing all
42 renewal and contribution information for 2016 is loaded in the next three weeks so that
43 system testing and auditing can be done prior to November first.

44 45 **City Contributions Background and Recommendations:**

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47 Historically, as other municipalities have done, we have paid 100% of the premium for
48 medical and dental insurance for the single plan. ***This does not mean that the single***
49 ***employee has free coverage and employees are still responsible for fulfilling their***
50 ***deducible as well as their out of pocket costs which could amount to as much as***
51 ***\$5,200 for a single and \$10,400 for a family depending on the plan they choose.***

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53 Since 2010 the City has utilized a Benefits Contribution Incentive that has worked very
54 well and provides the full cafeteria dollar amount only to those benefit eligible
55 employees who participate in a confidential health risk assessment, and a preventive
56 care physical with a blood pressure check. If staff does not participate in these wellness
57 items they receive \$40 less per month in their cafeteria amount.

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59 With the 2016 plan designs remaining constant and the premiums increasing by 7.92%
60 across the board, staff recommends the City contribution to 2016 Cafeteria Plan
61 increase as follows:

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63 ➤ **Opt Out:** \$500 (\$10 increase)
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65 ➤ **Those on the \$1,000 Deductible Plans would receive:**
 - 66 ▪ Single: \$685 (increase of \$38)
 - 67 ▪ Single + 1: \$810 (increase of \$43)
 - 68 ▪ Family: \$1,050 (increase of \$67)
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70 ➤ **Those on the \$2,000 or \$2,600 Deductible Plan would receive:**
 - 71 ▪ Single: \$795 (increase of \$38)
 - 72 ▪ Single + 1: \$910 (increase of \$43)
 - 73 ▪ Family: \$1,125 (increase of \$67)
- 74
75 ➤ **Monthly contributions deposited into a Health Reimbursement**
76 **Account or Health Savings Account are as follows:**
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78 ▪ **\$1,000 Deductible Plan Monthly Deposit:**
 - 79 • Single \$83 (same as 2015)
 - 80 • Single + 1 \$90 (same as 2015)
 - 81 • Family \$70 (same as 2015)
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- **\$2,000 or 2,600 Deductible Plan Monthly Deposit:**
- Single \$200 (same as 2015)
- Single + 1 \$170 (same as 2015)
- Family \$125 (same as 2015)

Dental Renewal:

The dental insurance for the City is self-insured. Review of the 2015 dental claims compared to premiums paid resulted in a 3% increase in premiums for 2016 and there are no changes in coverage for the plan.

Life & Long Term Disability:

The City went out to market this year for Life and Long Term Disability insurances due to a renewal from Standard Insurance that came in at a 38% increase. After review of the bids the award for a three year contract through 2018 was given to Cigna which provides for a very minimal plan change and rate reductions for Long Term Disability and Basic Life insurance. Base life will see a 40% decrease in cost and savings of \$7,385 and LTD will see a 23% decrease or \$21,012 in savings. This is a total savings of approximately \$28,400.

Financial Impact:

The proposed Cafeteria Plan budget for 2016 as presented above is a \$53,300 increase over the 2015 budget and has been budgeted for in the 2016 City Manager budget.

Council Action Requested:

Approve 2016 City benefits insurance renewals with the insurance carriers (subject to review and approval by the City Attorney) and the City’s employer cafeteria contributions as described in this report.

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