

  
**REQUEST FOR COUNCIL ACTION**

Date: September 16, 2013

Item No.: 13.a

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Department Approval

City Manager Approval



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Item Description:     **Approve 2014 City Benefits Insurance Renewals & Cafeteria Contributions**

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**Background:**

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2 Each year the largest human resources expense aside from employee salaries is the cost  
3 of benefits, in particular medical insurance. The gap between the two keeps narrowing  
4 nationwide. City health benefit costs were nearly \$1.4 million in 2013. Over the past  
5 ten years Roseville has made changes and additions in the benefits area to minimize  
6 increases and to share the burden, while making health insurance as affordable,  
7 consumer driven, and as effective as possible.

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9 In response to escalating health care costs, the City began offering higher deductible  
10 plans coupled with Health Reimbursement Accounts (HRA) & Health Savings  
11 Accounts (HSA) and added more tiers of coverage. In 2004 we added a single-plus-one  
12 tier option to give employees and retirees the least expensive and most efficient  
13 alternatives. In 2005, the City added a High Deductible plan with a Health  
14 Reimbursement Account for payment of deductible expenses. In 2006 the City raised  
15 deductibles but also increased contributions to the Health Reimbursement Account and  
16 added this account to the mid-level plan to help staff control and minimize their risk. In  
17 2008 Roseville dropped the no longer sustainable, rich, 100% coverage plan. Finally, in  
18 2009 the City added a Health Savings Account (HSA) option.

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20 The City currently offers three medical options and three tiers through one provider,  
21 Health Partners, under the National Joint Powers Alliance (NJPA) consortium. The  
22 unique part of NJPA is that the pool is self-insured but underwritten and administered  
23 by Health Partners so it operates like a fully insured plan. This is of interest to Roseville  
24 for a couple of reasons. First, since our claims have been declined and stabilized over  
25 the past five years due to wellness and consumer driven plan initiatives and options, we  
26 have been able to achieve less than trend increases. NJPA allows Roseville to continue  
27 our current consumer-driven plan designs while achieving further savings due to their  
28 tax exempt status.

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30 Regular employees are eligible for certain benefits on a prorated basis if they work a  
31 minimum of 20 hours per week. We currently have 167.75 total Full-Time Equivalents  
32 (FTE's). We also have 23 former employees who are on the City's health plan through

33 COBRA.

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35 The City of Roseville's contract with NJPA for employee health insurance through  
36 Health Partners will renew on January 1, 2014. The initial renewal rate came in with  
37 no increase, other than the federally mandated Affordable Care Act transitional re-  
38 insurance fees, which amount to an overall increase of 1.33%.

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40 In 2012 the City conducted a comparison study and found that comparable cities with  
41 high deductible plans actually had a bit lower out of pocket maximums than Roseville  
42 but also had higher premiums and City contributions costs. Thus, the costs by the City  
43 and the employee were similar to the average because comparable cities were paying up  
44 front and the employee at Roseville was taking on more out of pocket risk in the case of  
45 an event.

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47 Staff is diligently working to load data and set up formulas and coding so that the new  
48 HRIS system may be utilized for web-based enrollment at this year's open enrollment.  
49 We anticipate open enrollment to begin in early November providing all renewal and  
50 contribution information for 2014 is loaded in the next week so that system testing and  
51 auditing can begin.

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#### 53 **City Contributions Background and Recommendations:**

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55 Historically we have maintained a philosophy of paying 100% of the premium for  
56 medical and dental insurance for the single plan. This also remains the trend in the  
57 marketplace, although the market continues to move away from paying 100% for rich  
58 coverage plans (as Roseville has already done).

59

60 In 2010 Council approved implementation of a Benefits Contribution Incentive that  
61 provides the full cafeteria dollar amount only to those benefit eligible employees who  
62 participated in a confidential health risk assessment, and a preventive care physical with  
63 a blood pressure check. If staff does not participate in these wellness items they receive  
64 \$25 less per month in their cafeteria amount.

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66 With the 2014 plan designs remaining constant but the premiums increasing by 1.33%  
67 overall, due to the Affordable Care Act fees, the Benefits Committee recommends  
68 payment of the fees to keep the employee whole. Staff also recommends an increase  
69 to the benefits wellness incentive of \$15 per month to reward the staff who are  
70 participating and the driving force for keeping claims and thus renewal costs at bay for  
71 the last several years. The increases to the 2014 Cafeteria Contribution levels with  
72 these recommendations would be as follows:

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74 ➤ **Opt Out:** \$490 (\$15 increase to Benefits Contribution Incentive)

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76 ➤ **Those on the \$1,000 Deductible Plans would receive:**

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▪ Single: \$636 (increase of \$6 ACA fee + \$15 Benefits Incentive)

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▪ Single + 1: \$756 (increase of \$11 ACA fee + \$15 Benefits Incentive)

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▪ Family: \$972 (increase of \$17 ACA fee + \$15 Benefits Incentive)

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81 ➤ **Those on the \$2,000 or \$2,500 Deductible Plan would receive:**

- 82                   ▪ Single:           \$746 (increase of \$6 ACA fee + \$15 Benefits Incentive)
- 83                   ▪ Single + 1:     \$856 (increase of \$11 ACA fee + \$15 Benefits Incentive)
- 84                   ▪ Family:         1,047 (increase of \$17 ACA fee + \$15 Benefits Incentive)

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86           ➤ **Monthly contributions deposited into a Health Reimbursement**  
 87 **Account or Health Savings Account are as follows:**

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89                   ▪ **\$1,000 Deductible Plan Monthly Deposit:**

- 90                   • Single                 \$83 (same as 2013)
- 91                   • Single + 1            \$90 (same as 2013)
- 92                   • Family                \$70 (same as 2013)

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94                   ▪ **\$2,000 or 2,500 Deductible Plan Monthly Deposit:**

- 95                   • Single                 \$200 (same as 2013)
- 96                   • Single + 1            \$170 (same as 2013)
- 97                   • Family                \$125 (same as 2013)

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99 **Dental Renewal:**

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101 The dental insurance for the City is self-insured. Review of the 2013 dental claims  
 102 compared to premiums paid resulted in no increase in premiums for 2014 and there are  
 103 no changes in coverage for the plan.

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105 **Life & Long Term Disability:**

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107 The City went to market this year and Standard Insurance through the FCI City/County  
 108 Consortium has been awarded a two year contract through 2015 which provides for no  
 109 plan changes or rate changes for Long Term Disability or Basic and Voluntary Life  
 110 insurance.

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112 **Financial Impact:**

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114 The proposed Cafeteria Benefits budget for 2014 as presented above is a \$50,000 increase over  
 115 the 2013 budget. This amount is what is in the preliminary budget for benefits.

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117 **Council Action Requested:**

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119 Approve 2014 City benefits insurance renewals and cafeteria contributions as described  
 120 above with the respective contracts (subject to review and approval by the City  
 121 Attorney).

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