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ROSEVILLE
Request for Council Action

Date: 10/19/09
Item Number: 12.b

Department Approval

Manager Approval

W. J. Mahinen

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Item Description:

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Consider 2010 City Benefits Insurance Renewals & Cafeteria Plan Contributions

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Medical Background and Renewal Recommendations:

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Each year the largest human resources expense aside from employee salaries is the cost of medical insurance and the gap keeps narrowing. This amounted to roughly \$1.1 million in 2009. As this expense continues to rise with no end in sight all organizations are making changes to help ease the impact for both employees and the business. Over the last several years Roseville has made changes and additions in this area to minimize the increases and to share the burden while making this insurance as effective as possible. However, the City has come to a point where there are not many plan changes left available to make.

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In response to escalating health care costs, the City began offering higher deductible plans with additional 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 even 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.

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The City currently offers three medical options and three tiers through one provider, Medica. (Regular employees are eligible if they work a minimum of 20 hours per week and there are 164 total Full-time equivalents (FTE's). We also currently have 28 that are on the City's health plan due to COBRA events such as retirement.)

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The City of Roseville's contract with Medica for employee health insurance will expire on December 31, 2009. Staff issued an RFP for 2010 Health Insurance in August and received a bid decline letters from Preferred One, and no response from LOGIS (the City consortium) due to the anticipated risk of our group. Medica's initial renewal rate was 15% which was substantially better than recent years although did not seem to be fair in light of declining

1 claims in 2009 by the City. PEIP (the State Plan), and Blue Cross bid, but their rate increases
2 were even more than Medica, hence providing no real benefit. The City did receive a bid
3 from Health Partners which does provide a reason to switching providers.
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5 Following the receipt of the renewal proposal from Medica and other vendor's staff shared
6 cost and coverage information with City staff through email, the intranet, and the Benefit's
7 Committee (a representative committee of city employees). The Benefit's Committee was
8 asked to provide feedback on the various bid options from the prospective of their respective
9 groups. Staff also worked with Medica and Blue Cross through Financial Concepts (our
10 benefit's broker) to find ways to ease the increase. Medica in the end was only able to offer a
11 13% increase with no rate cap in a second year. Blue Cross how ever was able to offer an
12 8.9% increase which impacts only one plan options and actually yields a very small decrease
13 in premium costs of the other two plans. However, the decrease in one plan is offset by an
14 industry mandated change which increases the out of pocket maximum substantially.
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16 The Benefits Committee recommends the move to Health Partners during this economically
17 difficult time to provide staff with the most economically efficient options for health
18 insurance. Staff is showing signs a change in behaviors and claims have declined which
19 rewards staff and the City by a less than trend renewal for 2010. Continued education,
20 wellness, and action will again be the focus for the Benefits and the Wellness Committees in
21 2010. Open enrollment is scheduled to begin in early November. I have included the final
22 renewal worksheet (Exhibit A) for your review and comparison.
23

24 **City Contributions Background and Recommendations:**

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26 We have consistently over the years maintained a philosophy of paying 100% of the
27 premium for medical and dental insurance for the single plan. This also remains the trend in
28 the Stanton 5 group although the marketplace continues to move away from paying for rich
29 coverage plans as Roseville has already done.
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31 In 2004 Council began moving to a more equal contribution per employee, regardless of the
32 employee's family status and lifestyle choices, as supported by an employee survey done that
33 year. Staff has also made minimal strides toward more equalized contributions, but any
34 strides have has been off set by enormous premium increases and plan design changes the
35 City has faced over the past few years.
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37 With the 2010 plan designs and City budget struggles in mind staff recommends an even and
38 fair split of the increase funds across the board approving the following 2010 monthly
39 cafeteria contribution levels:
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- 41 ➤ **Opt Out:** \$435 (a \$25 increase to allow insurance purchased outside the
42 City group insurance).
- 43
- 44 ➤ **Those on either of the \$1,000 Deductible Plans would receive:**
 - 45 ▪ Single: \$575 (increase of \$25)
 - 46 ▪ Single + 1: \$690 (increase of \$25)
 - 47 ▪ Family: \$900 (increase of \$75)
- 48
- 49 ➤ **Those on the \$2,500 Deductible Plan would receive:**

- 1 ▪ Single: \$685 (increase of \$25)
- 2 ▪ Single + 1: \$790 (increase of \$25)
- 3 ▪ Family: \$975 (increase of \$25)
- 4

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

- 7
- 8 ▪ **\$1,000 Deductible Plan Monthly Deposit:**
 - 9 • Single \$83 (same as 2009)
 - 10 • Single + 1 \$90 (same as 2009)
 - 11 • Family \$70 (same as 2009)
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- 13 ▪ **\$2,500 Deductible Plan Monthly Deposit:**
 - 14 • Single \$200 (same as 2009)
 - 15 • Single + 1 \$170 (same as 2009)
 - 16 • Family \$125 (same as 2009)
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19 **Dental Renewal:**

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21 After review of the 2009 claims in comparison with premiums brought in and the
22 marketplace, the Benefit's Committee and the Delta dental claims professionals recommend
23 staying self insured with Delta dental again in 2009 with no change in premiums or coverage
24 for the plan.
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26 **Life & Long Term Disability:**

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28 The City's current provider Standard Insurance through the FCI City/County Consortium has
29 two more years in the contract which provides for no increases in rates through 2011.
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31 **Financial Impact:**

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33 The above proposed Cafeteria Benefits budget for 2010 which would cover half of the premium
34 increases amounts to approximately \$50,000 over the 2009 budget.
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36 **Council Action Requested:**

37 Staff seeks a Council Motion approving the 2010 insurance programs and fund allocation as
38 described above with the respective contracts (subject to review and approval by the City
39 Attorney).
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CITY OF ROSEVILLE

2010 MEDICAL RENEWAL RATES

Enrollment	MIC 1000-45	MIC 2500-100%	MIC 2500-80%
Employee Only	10	33	20
Employee + 1	5	14	7
Family	5	23	13

Deductible	Current			Negotiated Renewal			Option 2 HealthPartners		
	\$1,000 S/ \$2,000 F	\$2,500 S/ \$5,000 F	\$2,500 S/ \$5,000 F	\$1,000 S/ \$2,000 F	\$2,500 S/ \$5,000 F	\$2,500 S/ \$5,000 F	\$1,000 S/ \$3,000 F	\$2,000 S/ \$4,000 F	\$2,500 S/ \$5,000 F
Office Visit Co-pay	\$45.00	100% cov. after ded	80% cov. after ded	\$45.00	100% cov. after ded	80% cov. after ded	\$40.00	100% cov. after ded	80% cov. after ded
Prescription Drugs	\$15 G/\$45 F/ \$70 NF	\$15 G/\$45 F/ \$70 NF	80% form cov. only after ded	\$15 G/\$45 F/ \$70 NF	\$15 G/\$45 F/ \$70 NF	80% form cov. only after ded	\$12 G/\$35 BP/ \$50 NP	\$12 G/\$35 BP/ \$50 NP	80% form. only cov. after ded
Hospitalization (IP/OP)	80% cov. after ded	100% cov. after ded	80% cov. after ded	80% cov. after ded	100% cov. after ded	80% cov. after ded	80% cov. after ded	100% cov. after ded	80% cov. after ded
Out-of-Pocket Maximum	\$4,000 S/ \$8,000 F	\$3,000 S/ \$6,000 F	\$4,000 S/ \$8,000 F	\$4,250 S/ \$8,500 F	\$3,000 S/ \$6,000 F	\$5,250 S/ \$10,500 F	\$3,000 S/ \$6,000 F	\$2,500 S/ \$5,000 F	\$5,000 S/ \$10,000 F
	MIC Choice 1000 45	MIC ME/MES 2500-100%	MIC Choice 2500 80%	MIC Choice 1000 45	MIC ME/MES 2500-100% HRA	MIC Choice 2500 80% HSA	OA 1000-40	OA 2000-100% HRA	OA 2500-80% HSA
Employee Only	\$547.32	\$398.33	\$384.33	\$593.15	\$452.36	\$442.43	\$520.30	\$478.34	\$375.02
Employee + 1	\$1,031.89	\$750.99	\$724.59	\$1,118.30	\$852.86	\$834.13	\$980.95	\$901.84	\$707.40
Family	\$1,522.11	\$1,107.75	\$1,068.81	\$1,649.57	\$1,258.01	\$1,230.39	\$1,446.96	\$1,330.26	\$1,042.92
MONTHLY TOTALS									
Employee Only	\$5,473.20	\$13,144.89	\$7,686.60	\$5,931.50	\$14,927.88	\$8,848.60	\$5,203.00	\$15,785.22	\$7,500.40
Employee + 1	\$5,159.45	\$10,513.86	\$5,072.13	\$5,591.50	\$11,940.04	\$5,838.91	\$4,904.75	\$12,625.76	\$4,951.80
Family	\$7,610.55	\$25,478.25	\$13,894.53	\$8,247.85	\$28,934.23	\$15,995.07	\$7,234.80	\$30,595.98	\$13,557.96
Total	\$18,243.20	\$49,137.00	\$26,653.26	\$19,770.85	\$55,802.15	\$30,682.58	\$17,342.55	\$59,006.96	\$26,010.16
ANNUAL TOTAL	\$218,918.40	\$589,644.00	\$319,839.12	\$237,250.20	\$669,625.80	\$368,190.96	\$208,110.60	\$708,083.52	\$312,121.92
COMBINED ANNUAL TOTAL	\$1,128,401.52			\$1,275,066.96			\$1,228,316.04		
ANNUAL INCREASE	N/A			\$146,665.44			\$99,914.52		
PERCENTAGE INCREASE	N/A			13.0%			8.9%		

This is not meant to be a complete plan description. This is a summary meant only for illustrative purposes and is not a guarantee of current or future benefits. Consult the plan booklet for exact details.