

REQUEST FOR COUNCIL ACTION

Date: 10/11/10
Item No.: 12 . b

Department Approval

Acting City Manager Approval

Christopher K. Miller

Item Description:

Consider 2011 City Benefits Insurance Renewals and Cafeteria Contributions

1 **BACKGROUND:**

2 **MEDICAL**

3 Each year the largest human resources expense aside from employee salaries is the cost
4 of benefits, in particular medical insurance. The gap between the two keeps narrowing.
5 City benefits costs were in excess of \$1.3 million in 2010. As this expense continues to
6 grow organizations are making changes to help ease the impact for both employees and
7 employers. Over the last several years Roseville has made changes and additions in the
8 benefits area to minimize increases and to share the burden while making health
9 insurance as affordable and effective as possible. However, the City has come to a
10 point where there are not many plan changes to make.

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

21
22 The City currently offers three medical options and three tiers through one provider,
23 Health Partners. Regular employees are eligible if they work a minimum of 20 hours
24 per week. We currently have 164 total Full-Time Equivalents (FTE's). We also have
25 13 former employees who are on the City's health plan through COBRA.)

26
27 The City of Roseville's contract with Health Partners for employee health insurance
28 will expire on December 31, 2010. Health Partner's initial renewal rate was 6.29% and
29 the final negotiated renewal was 2%. This was substantially better than recent years
30 and better than the national trend of 10.5%. The 2% renewal requires a two year
31 commitment and a cap of 16% for the second year and a 6% penalty if the City did not
32 stay the second year. This seemed unfair in light of very low claims.

33
34 Last year late in the renewal process staff became aware of a public sector pool that
35 was now entering the metro area market place. It was too late to pursue participation in
36 this pool last year, but we kept them in mind for this year. The pool is called National
37 Joint Powers Association (NJPA). NJPA had previously only been associated with
38 outstate Minnesota school districts; however, this has recently changed.

39
40 The unique part of NJPA is that the pool is self-insured but underwritten and
41 administered by Health Partners so it operates like a fully insured plan. NJPA is driven
42 by its 33,000 members. This is of interest to Roseville for a couple of reasons. First,
43 since our claims have been declining over the past three years due to wellness and
44 consumer driven plan initiatives, we have been able to achieve less than trend increases.
45 NJPA would allow Roseville to continue our current consumer-driven plan designs
46 while achieving further savings due to their tax exempt status.

47
48 The City requested a bid from NJPA. The bid came in with an overall slight decrease in
49 premiums for most employees and provides a good incentive to switch providers. NJPA
50 also provided Roseville with a second year rate cap of 15 %. The single plus one group
51 would see a slight increase however due to usage within this group. NJPA The bid for
52 this group was also a little higher since they generally do not offer this tier. Staff felt
53 that a slight increase to this group was better than not offering a single plus one option
54 at all.

55 **DENTAL**

56 Review of the 2010 dental claims compared to premiums paid demonstrates a need for
57 slight increases in all tiers.

58 **LIFE & LONG TERM DISABILITY**

59 The City's current provider, Standard Insurance through the FCI City/County
60 Consortium has one more year in the contract which provides for no increases in rates
61 through 2011.

62 **CITY CONTRIBUTIONS BACKGROUND**

63 Over the years we have maintained a philosophy of paying 100% of the premium for
64 medical and dental insurance for the single plan. This also remains the trend in the
65 Stanton 5 group although the marketplace continues to move away from paying for rich
66 coverage plans as Roseville has already done.

67
68 In 2004 the City Council began moving to a more equal contribution per employee,
69 regardless of the employee's family status and lifestyle choices, as supported by an
70 employee survey done that year. Staff has also made minimal strides toward more
71 equalized contributions, but any strides have been offset by enormous premium
72 increases and plan design changes the City has faced over the past few years.

73
74 In 2010 Council approved a Benefits Contribution Incentive that provides a full
75 cafeteria dollar amount only to those benefit eligible employees who participated in a
76 confidential health risk assessment, and a preventive care physical and blood pressure
77 check. If staff does not participate in these wellness items they received \$10 less per

month in their cafeteria amount.

POLICY OBJECTIVE

To provide staff the best value in benefits with the cafeteria dollars available within the City's budget.

BUDGET IMPLICATIONS

The proposed increase below to the Cafeteria Benefits budget for 2011 commits just under \$30,000 of the \$68,000 currently in the 2011 budget and provides a budget savings of \$38,000.

STAFF RECOMMENDATION:

MEDICAL RENEWAL RECOMMENDATION

The Benefit's Committee was asked to provide feedback on the two bid options from the perspective of their respective groups. The Benefits Committee recommends the move to NJPA during this economically difficult time to provide staff and the City with the most economically efficient options for health insurance.

Staff is showing a change in behaviors, and claims have declined substantially this past year. The City and staff will be financially rewarded in 2011.

Continued education, wellness initiatives, and action will again be the focus for the Benefits and the Wellness Committees in 2011. Open enrollment is scheduled to begin in early November. I have included the final renewal worksheet (Exhibit A) for your review and comparison.

DENTAL RENEWAL RECOMMENDATION

Delta Dental claims professionals recommended about a 6.5% increase to singles and single plus ones, while the families would receive an 11% increase. These increases are based solely on claims vs. premiums from each group. Delta Dental administrative fees are held at no increase through 2011 and there are no changes in coverage for the plan.

LIFE & LONG TERM DISABILITY RECOMMENDATION

The IRS changed the Table I rates which the City must comply with so even though we have one more year on our current contract the voluntary life rates will increase for most age groups.

CITY CAFETERIA CONTRIBUTIONS RECOMMENDATION

For 2011 staff recommends putting the City increase into the Benefits Contribution Incentive program to further incent staff to participate in preventive care and wellness rather than to just pay for premiums.

With the 2011 plan designs remaining constant and keeping the City budget struggles in mind, staff recommends more of a break even and an even split of the increase funds across the board by approving the following 2011 monthly cafeteria contribution levels:

➤ Opt Out: \$450 (a \$15 increase to allow insurance purchased outside the City group insurance).

➤ Those on either of the \$1,000 Deductible Plans would receive:

Single: \$590 (increase of \$15)

Single + 1: \$705 (increase of \$15)

Family: \$915 (increase of \$15)

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

Single: \$700 (increase of \$15)

Single + 1: \$805 (increase of \$15)

Family: \$990 (increase of \$15)

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

\$1,000 Deductible Plan Monthly Deposit:

Single \$83 (same as 2010)

Single + 1 \$90 (same as 2010)

Family \$70 (same as 2010)

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

Single \$200 (same as 2010)

Single + 1 \$170 (same as 2010)

Family \$125 (same as 2010)

REQUESTED COUNCIL ACTION

Motion approving the 2011 insurance programs and fund allocation as described above with the respective contracts (subject to review and approval by the City Attorney).

The joint powers agreements/contracts with NJPA are not prepared to be executed at this time, so the present requested council action is to authorize City staff and City Manager to enter into any necessary contracts/joint powers agreements with NJPA subject to City Attorney approval.

Prepared by: Eldona Bacon, Human Resources Manager
Attachments: A: Final Review Worksheet – Health Insurance

CITY OF ROSEVILLE

2011 MEDICAL RATES

	<u>CURRENT</u>					
Enrollment	OA \$1000-\$45	OA \$2000-100% HRA	OA \$2500-80% HSA			
Employee Only	5	30	24			
Employee + 1	5	14	7			
Family	2	15	23			
	<u>CURRENT</u> HealthPartners			<u>OPTION 1</u> NJPA		
Deductible	\$1,000S/ \$3,000F	\$2,000S/ \$4,000F	\$2,500S/ \$5,000F	\$1,000S/ \$3,000F	\$2,000S/ \$4,000F	\$2,500S/ \$5,000F
Office Visit	\$40 Copay	100% after ded	80% after ded	\$40 Copay	100% after ded	80% after ded
Prescription Drugs	\$12 G/ \$35 BP/ \$50 NP	\$12 G/ \$35 BP/ \$50 NP	80% Preferred only after ded	\$12 G/ \$35 BP/ \$50 NP	\$12 G/ \$35 BP/ \$50 NP	80% Preferred only after ded
Hospitalization (IP/OP)	80% after ded	100% after ded	80% after ded	80% after ded	100% after ded	80% after ded
Out-of-Pocket Maximum	\$3,000S/ \$6,000F	\$2,500S/ \$5,000F	\$5,000S/ \$10,000F	\$3,000S/ \$6,000F	\$2,500S/ \$5,000F	\$5,000S/ \$10,000F
	OA \$1000-\$40	OA HRA \$2000-100%	OA HSA \$2500-80%	OA \$1000-\$40	OA HRA \$2000-100%	OA HSA \$2500-80%
Employee Only	\$520.30	\$478.34	\$375.02	\$514.95 -1.0%	\$482.99 1.0%	\$368.98 -1.6%
Employee + 1	\$980.95	\$901.84	\$707.40	\$1,003.89 2.3%	\$943.54 4.6%	\$728.06 2.9%
Family	\$1,446.96	\$1,330.26	\$1,042.92	\$1,393.95 -3.7%	\$1,305.19 -1.9%	\$988.27 -5.2%
MONTHLY TOTALS						
Employee Only	\$2,601.50	\$14,350.20	\$9,000.48	\$2,574.75	\$14,489.70	\$8,855.52
Employee + 1	\$4,904.75	\$12,625.76	\$4,951.80	\$5,019.45	\$13,209.56	\$5,096.42
<u>Family</u>	<u>\$2,893.92</u>	<u>\$19,953.90</u>	<u>\$23,987.16</u>	<u>\$2,787.90</u>	<u>\$19,577.85</u>	<u>\$22,730.21</u>
Total	\$10,400.17	\$46,929.86	\$37,939.44	\$10,382.10	\$47,277.11	\$36,682.15
Combined Monthly Total	\$95,269.47			\$94,341.36		
Annual Total	\$124,802.04	\$563,158.32	\$455,273.28	\$124,585.20	\$567,325.32	\$440,185.80
Combined Annual Total	\$1,143,233.64			\$1,132,096.32		
Annual Difference	N/A			(\$11,137.32)		
Percent Difference By Plan	N/A	N/A	N/A	-0.17%	0.74%	-3.31%
Percent Difference	N/A			-0.97%		