



## Legislation Text

**File #: 17-0484, Version: 1**

Consider and take action on a resolution approving the employee insurance benefits program for the period October 1, 2017 to September 30, 2018 and authorizing agreements with 1) Cigna Health and Life Insurance Company for medical plan change options related to employee health insurance, 2) MetLife for employee dental insurance and 3) Colonial Life for voluntary benefits including cancer, accident and critical illness (Director of Human Resources and Civil Service)

This item will approve the employee insurance benefit program for the October 1, 2017 through September 30, 2018 plan year, as presented at the City Council work sessions on July 24, 2017 and August 7, 2017. The current health plan through Cigna includes a rate guarantee through plan year 2017-2018 for administrative services cost. Staff has reviewed the existing insurance program with IPS Advisors (the benefits consultant for the City) which is currently operating at 118% of expected claims; 94 percent of maximum liability. A detailed review was conducted of the existing dual option plan including consideration of introducing a third choice, a Health Savings Account option, as well as proposed recommendations for plan design changes to help reduce the anticipated cost increases. Health insurance costs will increase 12.4 percent under the proposed Cigna plan detailed below. The increase will be shared between the employees and the City.

A Request for Proposal (RFP) for dental insurance and voluntary benefits was requested by IPS Advisors in early June. IPS evaluated responses in mid-July and presented best and final proposals from three carriers for dental benefits at the July 24, 2017 City Council work session. IPS reviewed final proposals from Aetna (the incumbent), United Healthcare and MetLife. All three plans were essentially comparable in design and service. The Aetna (the incumbent) proposal resulted in a premium cost increase over this year of greater than 24 percent, United Healthcare at 13.6 percent, and MetLife at 9.6 percent. Met Life is the recommended dental plan.

For voluntary benefits, IPS reviewed final proposals from Aflac (incumbent), Colonial Life and Cigna. While all three plans were essentially comparable in design, Colonial Life rates were the lowest cost. In addition, Colonial Life offered an opportunity to utilize some of the derived revenue from participation in this benefit to reduce the cost of the Benefit Connector open enrollment system.

### **Plan Design Changes - Health Insurance**

Staff recommends a triple option, partially self-funded, twelve-month program through Cigna. The triple option plan provides employee choice and is estimated to cost \$6,317,367 for the term. This is 12.4 percent more than the current plan cost. Staff recommends renewal with Cigna for the 2017 - 2018 plan year with the following plan design changes:

#### **Medical:**

- ☐ High Tech Imaging Precertification
- ☐ Move from Emergency Room copay of \$150 with plan to pay 100 percent, if admitted; to Emergency Room copay of \$150, with deductible followed by 80 percent plan payment

#### **Pharmacy:**

- ☐ Value Formulary use - This promotes the use of generic medications and removes certain brand-named drugs within therapeutic classes. Much of the plan cost savings comes from excluding key drug classes that can be found over-the-counter in any pharmacy, such as anti-acids and non-sedating allergy antihistamines.
- ☐ Step Therapy (current patients would be grandfathered)
- ☐ Mandatory Generics when available
- ☐ Option to use of Cigna 90 Now pricing (Voluntary)

Projected savings from the above changes is \$166,612, and by reducing overall plan costs, will increase reserves helping

assure the financial stability of the health plan.

In addition to these changes, staff is working with IPS to develop proposals for the use of UTMB at a Tier I benefit level (e.g., reduced co-pay for use, etc.) and a pharmacy option with Public Employees Benefits Alliance. These options could generate additional savings to the plan.

#### **Core Health Savings Account (HSA) Plan**

Staff recommends a Health Savings Account alternative for the 2017 - 2018 plan year. This alternative will combine an IRS-qualified high deductible health plan with an income tax-free Health Savings Account to assist in funding out-of-pocket health care expenses. Both the employer and employee may contribute to this account tax free and funds can be utilized for qualified health / dental / vision expenses tax free. Unused funds may be rolled over tax free at year end. Overall, this plan option is designed to shift greater responsibility to members to become stewards of both the health care dollars (Member and City) and grow their savings account over time in preparation for retirement. Per federal guidelines, participants in the HSA plan will either be prohibited from using the Care Here Clinic, or will be charged a monthly fee for access. These options are still under review.

#### **Proposed Additional Plan - “Core HSA Plan”**

• Deductible (In Network)	\$2,600/\$5,200
• Maximum Out of Pocket (In Network)	\$5,000/\$10,000
• In network cost share	80%/20%
• Out of network cost share	60%/40%
• Pharmacy -Deductible then:	\$10/\$35/\$60/15%
	Mail Order \$20/\$70/\$120

The City will contribute \$870 annually towards participants' Health Savings Account.

#### **Health Insurance Premiums (see attached chart)**

Under the Buy Up Plan, the employee only contribution will result in employee premium cost of \$77.48, an increase of \$17.80, resulting in 29.8 percent increase from last year's rate. Dependent care coverage (+ Spouse, + Child(ren) or + Family) will see an increase ranging from 8.7 to 10.2 percent. Approximately 25 percent of our employees participate in this plan.

Under the Mid Plan, formerly known as the Core Plan, and where currently approximately 75 percent of our population participate, the most notable change is under the Employee Only option. As the former Core Plan, Employee Only was paid by the employer at 100% of cost. Under the triple plan option, Employee Only would pay \$10/month. Any level of dependent care coverage in addition to employee will see an increase in premium ranging from 6.4 (Employee + Family) to 9.7 percent (Employee + Child(ren)).

As the new “Core” plan, the Core Health Savings Account (HSA) Plan's Employee Only option is paid by the City at 100 percent. Additionally, dependent care coverage will see rates as low as \$87.16/month for Employee + Child(ren), \$111.17/month for Employee + Spouse, and \$186.77/month for Employee + Family. These rates allow employees and their families an opportunity for affordable care while also encouraging them to be wise stewards of their health care spending and savings habits.

For 2017-2018, plan deductibles and out of pocket expenses will continue to be calculated via a calendar year as was conducted in previous years. However, effective January 1, 2018, employees who choose the Flexible Spending Account must realize that he/she will have a short plan year through September 30, 2018 which will allow the City to align Flexible Spending Account, deductibles and out of pocket costs with the City's fiscal year, beginning October 2018. For those choosing the HSA Option, he/she cannot participate in an FSA; however, employees can apply the dollars they would have placed in an FSA to his/her HSA. Additionally, those HSA dollars are portable and remain with the employee. HSA dollars do not have time limit with which to use them.

Rates reflect discounts for non-nicotine use (\$25) and HRA compliance (\$50).

**Dental Plan**

Staff recommendation is to move from Aetna to MetLife. The renewal represents a 10% increase to current premium costs and plan designs / network substantially match the current Aetna network. Additionally, there is a rate cap increase of 7% for year 2 with MetLife.

**Voluntary Benefits**

Staff recommendation is to move from Aflac to Colonial Life. The program would include Voluntary Accident, Cancer and Critical Illness insurance for employees' consideration. Current Aflac voluntary benefit participants may continue to have a payroll deduction via the City.

**Other coverages**

Vision coverage will continue to be covered under Davis Vision with FY 2018 being the third year of a four-year rate guarantee. Life and Long Term Disability insurances are provided by Mutual of Omaha through FY 2019.

**Budgetary Impact**

The FY 2017-2018 proposed budget, as presented to City Council on July 24, 2017 included health insurance costs based upon an increase of approximately 12.4 percent. Renewal includes no increase to Cigna administration fees, an 18.7 percent increase in fixed stop loss premiums and 21.7 percent increase in aggregate liability. Additionally, one \$300,000 laser deductible on a large claimant has been issued and this additional liability has been included in the renewal cost

As for Expected Annual funding, the renegotiated renewal increase of 12.4 percent falls in line with the City's proposed 2017 - 2018 budget.

**Attachments:**

1. Data Sheet
2. Proposed Resolution
3. Contribution Levels
4. HSA Plan Proposal

**FUNDING**

{ } NOT APPLICABLE

{ X } Funds are available from Account # Health insurance - 40301650-54650, Dental insurance - 40301650-54651, Vision insurance 40301650-54652, Life insurance - 40301650-54653, Long Term disability insurance 40301650-54648