
MEMORANDUM

DATE: August 7, 2019
TO: Mayor and City Council
FROM: Dolph Johnson, Assistant City Manager
RE: Employee Health, Dental and Life Insurance
CC: Ellen Ritchie – Library
Doug Spears - Fire
Rick Trice – Public Works
Lee Howell – Police
Keith Rinehart – Recreation
Janice England – City Hall
Kim Quin – Finance

Our insurance brokers, (OneDigital) Jack Reaves and Brad McEowen, met with the Employee Insurance Committee (copied above) on August 6th to review our insurance plan information. The following is a summary of that meeting and the committee's recommendations.

Our current health insurance provider is United Healthcare. Due to an unusually bad year for claims United Healthcare first offered to renew our current plans with a 29% increase in rates. Our paid claims to premiums ratio was 237% with several large claims (one over \$1,100,000).

The brokers strongly believed, based on conversations with other carriers that our best option for controlling the cost increase was to negotiate with United Healthcare and look at options for adjusting benefits of the plans offered. They were successful in negotiating a 22% increase on the existing plan and recommended benefit changes on the optional plans for cost savings.

We currently offer three plan options. A Health Savings Account (HSA) plan that has a \$3,000 deductible with no co-pays and no out of network benefits, a standard copay plan with a \$2,500 deductible and 100% coverage and no out of network benefits, and a third option with a \$3,000 deductible and pays 80% after that deductible is met with no out of network benefits. There is no additional cost for the City to offer all three plan options.

Recommended changes include increasing the deductible on the HSA and 80% plans from \$3,000 to \$5,000. This would actually lower the rate on the HSA plan by 2.5% from current and the increase on the 80/20 plan would only be 14.9%. This would generally benefit the younger employees with dependent coverage that aren't as likely to have large claims.

The City would continue to provide full coverage for employees and an additional \$365 per month for dependent coverage. The difference in cost between the original co-pay plan and the HSA employee only plan is \$224.13 per month. In order to provide the same amount of benefits for each employee we are recommending the \$224.13 difference continue to be deposited in the HSA account for those employees that choose this plan. The difference in the original co-pay plan and the alternate co-pay plan for employee only is \$179.87. In order to provide the same amount of benefits to an employee who chooses the alternate plan we recommend the \$179.87 difference continue to be applied to the dependent cost.

Under the original copay plan employees would pay \$789.49 per month for spouse only coverage (\$208.17 more than current), \$486.38 per month for coverage of children only (\$153.52 more than current), and \$1,609.52 per month for full family coverage (\$356.04 more than current).

Under the HSA plan employees would pay \$478.47 per month for spouse only coverage (\$21.52 less than current), \$257.01 per month for coverage of children only (\$15.87 less than current), and \$1,077.56 per month for full family coverage (\$36.81 less than current.)

Under the alternate co-pay 80% plan employees would pay \$360.02 per month for spouse only coverage (\$51.83 more than current), \$122.44 per month for coverage of children only (\$21.03 more than current), and \$1,002.73 per month for full family coverage (\$135.14 more than current).

The above numbers are for medical coverage only and do not include dental or the optional vision insurance.

United Healthcare's optional vision plan will continue to be available to employees at the employee's sole cost with no change in the rates.

We are in our second year of our guaranteed rates for dental coverage through United Healthcare. Employees would continue to pay \$53.03 per month for dependent dental coverage.

Standard will renew our life insurance policy with no change in the rates.

After reviewing all of the information, the Employee Insurance Committee recommends remaining with United Healthcare and offering the three plan options (BCZR MOD, AGX8 HSA, and the AX-KY Copay Plan), continuing our dental plan with United Healthcare, continuing our life insurance policy with Standard, and continuing the Flexible Spending Account benefit through Alt-Bentley Yates Benefit Administrators.