



City of Grand Island

Tuesday, August 13, 2013

Study Session

Item -1

Health & Dental Benefits, Insurance Reserve Fund

Staff Contact: Brenda Sutherland and Jaye Monter

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director
Jaye Monter, Finance Director

Meeting: August 13, 2013

Subject: Health and Dental Benefits

Item #'s: 1

Presenter(s): Brenda Sutherland, Human Resources Director
Jaye Monter, Finance Director

Background

The City of Grand Island provides health and dental benefits to its employees. The City has a partially self-funded plan, meaning that claims are actually paid for by the premium dollars generated through the plan to a specified limit. The City has paid a third party, in this case Blue Cross Blue Shield of Nebraska, to administer, pay claims and provide stop loss coverage.

The City's current "specific deductible" or stop loss is \$150,000 per participant. This means that the first \$150,000 of claims for a plan participant is paid for by the premium dollars generated and then the reinsurance carrier picks up the claims that go over that amount. The City's dental plan is self-funded and the principal is the same as for health insurance in that the premiums generated pay the claims incurred.

Discussion

The City shopped its health insurance benefit in 2012 and moved to Blue Cross Blue Shield last October. The discussion before Council tonight is the annual renewal and proposed plan changes for the 2013-2014 budget year. The dental plan was shopped this summer and approval to move forward with a new three year agreement is planned for Council approval before fiscal year end.

The City's health plan experienced a heavier than usual claims year in 2012-2013, with claims coming in slightly over projections. If the last two months of the year come in as currently trending, the City will experience over 6.5 million in medical and dental claims. Influencing the costs for the City's health plan for 2013-2014 are the current year's higher claims and the impact of the implementation associated with Affordable Care Act.

In an effort to slow down the rising health care costs and still offer employees a quality health care plan, the following changes are being proposed. The first change will be to separate the dental plan from the health insurance plan. Currently, medical and dental fall under the same premium and employees pay 16% of the premium and the City pays 84%. A 16% contribution by employees is in line with comparability in the array for health insurance. Dental coverage will now be a voluntary benefit and the proposed percentage paid by the employee will be 30%.

The next proposed change will come through by offering an alternative plan to our employees in the form of a Qualified High Deductible Plan. This plan will result in higher deductibles with first dollar benefits paid by the employee. As an incentive for employees to consider this plan, no premium increases are proposed. In fact a slight decrease in premiums will be proposed. In addition, an initial deposit of “seed money” into an HSA for the employee to partially offset the employee’s liability (higher deductible) is also proposed.

The last consideration proposed for Council, would be to make this the only option for newly hired employees who are eligible for coverage starting January 1, 2014.

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.



It is the intent of City Administration to bring this issue to a future council meeting for Council approval.

2013-2014
Budget Foundation
City of Grand Island




HEALTH & DENTAL BENEFITS

Health and Dental Benefits

Health Insurance Renewal

-  Plan Changes/Options
-  Funding

Dental

-  RFP
-  3 Year Contract
-  Independent of the Health Plan

Health Insurance

🌐 Influences on the City Health Plan

- 🌐 High claims year

- 🌐 Current year expenses are expected to come in at around 6.5 million.





🌐 Affordable Care Act

- 🌐 According to Blue Cross Blue Shield of Nebraska changes related to the Affordable Healthcare Act are impacting their book of business on average between 5% and 8%.

Health Insurance

Affordable Care Act

Administrative Requirements

-  Annual fees paid based on the number of plan participants
-  Transitional Reinsurance fee – exchange
-  Required notifications
-  Look back periods to determine qualification for coverage

Health Insurance

- The City's plan is a partially "self insured" plan
 - The premium dollars we generate pays the first \$150k of claims on participants.
 - Reinsurance is purchased to cover claims that go above \$150k
 - Blue Cross Blue Shield of Nebraska is the plan administrator
 - The City pays BCBS to administer the plan (pay claims) and for reinsurance.

Health Insurance

- Proposed changes for plan year 2013-2014
 - Move the dental insurance to become a stand alone voluntary benefit. Employees who elect this benefit will pay 30% of the premium cost.
 - Increase the cost of the traditional health plan benefit by 13.5% (\$11.66/single/month).
 - Increase will be closer to 24% (\$20.34/single/month) if the same level of dental is chosen.
 - Add a more competitively priced Qualified High Deductible Health Plan with an HSA option.

Health Insurance

Traditional Plan:

- Deductible: \$500/\$1000
- Dr. Office Copay: \$35 - \$50 Specialist
- Drug Copays: \$10/\$25/\$40/\$50 + 20% (\$100 max.)
- Maximum out of pocket (In Network) \$1800/\$3600

Qualified High Deductible Health Plan

- Deductible: \$3000/\$5500
- Maximum out of pocket (In Network) \$3000/\$5500
- Initial seed money into HSA - \$1000 single \$2000 family
- No increase over current premium.

Dental Benefit

- RFP in June 2013
- Health Insurance Committee voted to continue with Delta Dental.
 - Administrative fees have been reduced per participating employee
 - 3 year guarantee on fees
 - Moving the dental plan away from the health plan to better meet the “affordable” test (9.5% of income).

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INSURANCE RESERVE FUND

Insurance Reserve Fund Cash Balance History

	Worker's Compensation	General Insurance	Health Insurance	Total
2001	335,688	757,756	1,164,712	2,258,156
2002	1,084,996	2,106,413	1,743,767	4,935,176
2003	775,768	1,611,089	2,205,974	4,592,831
2004	457,017	1,154,362	2,114,029	3,725,408
2005	303,789	868,178	1,937,635	3,109,602
2006	298,980	835,780	2,035,400	3,170,160
2007	446,768	974,238	2,182,393	3,603,399
2008	152,804	1,155,950	3,325,548	4,634,302
2009	643,051	1,064,170	4,458,069	6,165,290
2010	641,851	1,054,640	3,709,934	5,406,425
2011	640,166	994,731	3,471,262	5,106,159
2012	546,282	931,889	2,653,830	4,132,001
Forecast 2013	174,348	869,239	2,246,676	3,290,263

Insurance Reserve Fund Claims/Fees History

	Worker's Compensation	General Insurance	Health Insurance	Total
2001	383,739	237,766	3,245,260	3,866,765
2002	556,676	217,768	3,532,464	4,306,908
2003	805,300	498,120	4,013,770	5,317,190
2004	866,608	487,151	4,563,349	5,917,108
2005	788,088	844,431	5,128,730	6,761,249
2006	932,689	747,770	5,293,054	6,973,513
2007	830,862	720,426	5,253,165	6,804,453
2008	1,288,451	639,343	4,971,926	6,899,720
2009	706,971	537,705	4,936,346	6,181,022
2010	808,667	428,948	5,725,043	6,962,658
2011	801,442	475,717	5,685,588	6,962,747
2012	904,654	486,638	6,222,776	7,614,068
Forecast 2013	1,215,410	479,098	6,547,213	8,241,721

Health Insurance Cash Reserve

	Forecast	Budget
	9/30/2013	9/30/2014
Beginning Cash		
Balance 9/30/12	2,653,830	2,246,676
Premiums Collected	6,140,059	7,115,708
Payroll Budget		
Claims & Fees	(6,547,213)	(7,011,476)
HSA Seed*		(206,750)
Ending Cash Balance	2,246,676	2,144,158

*Based on 25% plan participation

Work Comp Insurance Cash Reserve

	Forecast	Budget
	9/30/2013	9/30/2014
Beginning Cash		
Balance 9/30/12	546,282	174,348
Premiums Collected	843,476	1,300,000
Payroll Budget		
Claims & Fees	(1,215,410)	(1,000,000)
Ending Cash Balance	174,348	474,348

General Insurance Cash Reserve

	Forecast	Budget
	9/30/2013	9/30/2014
Beginning Cash		
Balance 9/30/12	931,889	869,239
Premiums Collected	416,447	459,900
Dept OM Budget		
Claims & Fees	(479,098)	(500,000)
Ending Cash Balance	869,239	829,139