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ROSEVILLE
Request for Council Action

Date: 10/10/11
Item Number: 12 . a

Department Approval

City Manager Approval



Item Description:

Approve 2012 City Benefits Insurance Renewals & Cafeteria Contributions

Background:

During the September 26th Council discussed the proposed 2012 City benefits and cafeteria contributions package which is included as exhibit A. Also, during this discussion staff was directed to provide comparative data for this meeting which is included as exhibit B.

Exhibit C is a historical summary of Roseville's health insurance renewals and the design changes that have been made. You will notice that the City's contribution increase is not there because there has not been a method that has consistently historically been used such as percentage of premium increase or set dollar increase covered by the City. Therefore there is no way to calculate and lay this out historically because there have been too many variables included.

Recommendations:

In consideration of questions that may come to mind, staff recommends **not** having contribution policy or philosophy changes due to the following:

1. Historically, Roseville and other comparable Cities have paid 100% for single coverage of at least one plan. Roseville pays 100% currently for the two highest deductible plans.
2. Currently the City pays \$450 to fulltime staff that opts out of health insurance coverage and show proof of other coverage. This is employee friendly and also saves the City money. If this were to be eliminated the approximately 50 people that opt out would take the single coverage that is paid 100% by the City, this would cost the City an additional \$150,000 annually.
3. The City is bound by union contracts that have benefits language that has been negotiated over time and are bound by Minnesota Statutes Section 471.6161, Subdivision 5 which provides that "the aggregate value of benefits provided by a group insurance contract for employees covered by a collective agreement shall not be reduced, unless the public employer and exclusive representative of the employees of an appropriate bargaining unit ... agree to a reduction in benefits."

- 1 4. Finally, for the first time in known history the City is seeing premium decreases in all
2 coverage's. Benefits complaints are rare and staff is not turning over. It is working for
3 both the employee and the employer.
4

5 **Financial Impact:**
6

7 The proposed Cafeteria Benefits budget for 2012 reflects no increase over the 2011 budget and
8 actually provides a decrease and a savings of \$4,564 for the City. This is the first time in known
9 history that this has occurred.
10

11 **Council Action Requested:**
12

13 Approve 2012 City benefits insurance renewals and cafeteria contributions as described
14 above with the respective contracts (subject to review and approval by the City Attorney).
15

16 Prepared by: Dona Bacon
17

18 Attachments: A. 9/26/11 RCA
19 B. 2011 Comparable Cities Information
20 C. 2004-2012 Health Insurance Renewals/Design Changes
21

ROSEVILLE
Request for Council Action

Date: 9/26/11
Item Number:

Department Approval

City Manager Approval

Item Description:

Approve 2012 City Benefits Insurance Renewals & Cafeteria Contributions

Medical Background and Renewal Recommendations:

Each year the largest human resources expense aside from employee salaries is the cost of benefits, in particular medical insurance. The gap between the two keeps narrowing nationwide. City benefits costs were in excess of \$1.3 million in 2011. As this expense continues to grow organizations are making changes to help ease the impact for both employees and employers. Over the last several years Roseville has made changes and additions in the benefits area to minimize increases and to share the burden while making health insurance as affordable and effective as possible.

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 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.

Regular employees are eligible on a prorated basis if they work a minimum of 20 hours per week. We currently have 160 total Full-Time Equivalents (FTE's). We also have 13 former employees who are on the City's health plan through COBRA.

The City currently offers three medical options and three tiers through one provider, Health Partners, under the National Joint Powers Alliance consortium. The pool is National Joint Powers Association (NJPA). NJPA had previously only been associated with outstate Minnesota school districts; however, this has recently changed.

The unique part of NJPA is that the pool is self-insured but underwritten and administered by Health Partners so it operates like a fully insured plan. NJPA is driven by its 33,000 members. This is of interest to Roseville for a couple of reasons. First, since our claims have been declining over the past four years due to wellness and consumer driven plan initiatives, we have been able to achieve less than trend increases. NJPA would allow Roseville to

1 continue our current consumer-driven plan designs while achieving further savings due to
2 their tax exempt status.

3
4 Staff is showing a change in behaviors, and claims have declined again this past year for the
5 second year in a row. The City and staff will be financially rewarded in 2012. Continued
6 education, wellness initiatives, and action will again be the focus for the Benefits and the
7 Wellness Committees in 2012. Open enrollment is scheduled to begin in early November.

8
9 The City of Roseville's contract with NJPA for employee health insurance with Health
10 Partners will renew on January 1, 2012. The initial renewal rate was 0% and the final
11 negotiated renewal was a 1.5% decrease or a savings of \$18,200. This was substantially
12 better than in years past and much better than the national trend of approximately 7.5%
13 increase.

14 **City Contributions Background and Recommendations:**

15
16
17 Over the years we have maintained a philosophy of paying 100% of the premium for medical
18 and dental insurance for the single plan. This also remains the trend in the Stanton 5 group
19 although the marketplace continues to move away from paying 100% for rich coverage plans
20 as Roseville has already done.

21
22 In 2004 the City Council began moving to a more equal contribution per employee,
23 regardless of the employee's family status and lifestyle choices, as supported by an employee
24 survey done that year. Strides toward equal contribution halted due to enormous premium
25 increases and plan design changes the City has faced over the past few years.

26
27 In 2010 Council approved implementation of a Benefits Contribution Incentive that provides
28 the full cafeteria dollar amount only to those benefit eligible employees who participated in a
29 confidential health risk assessment, and a preventive care physical with a blood pressure
30 check. If staff does not participate in these wellness items they now receive \$25 less per
31 month in their cafeteria amount.

32
33 The Wellness Committee was asked to provide feedback on the savings that would be
34 achieved in the renewal. The Committee recommends putting the \$18,200 savings back into
35 the wellness program in the way of an increased incentive in the Benefits Contribution
36 Incentive if the employee completes a cholesterol and/or blood glucose check with their
37 annual physical. This way if they do not participate, the savings goes back to the City. In
38 2010, 65% of staff participated and were rewarded for keeping claims down. This would
39 bring the total incentive to \$35 per month for full participation.

40
41 With the 2012 plan designs remaining constant and keeping the premiums constant for staff
42 and City Council rather than providing a slight decrease savings may be used in wellness by
43 approving the following 2012 monthly cafeteria contribution levels:

44
45 ➤ **Opt Out:** \$465 (\$10 increase to Benefits Contribution Incentive)

46
47 ➤ **Those on either of the \$1,000 Deductible Plans would receive:**

- 48 ▪ Single: \$600 (increase of \$10)
- 49 ▪ Single + 1: \$715 (increase of \$10)

- 1 ▪ Family: \$925 (increase of \$10)
- 2
- 3 ➤ **Those on the \$2,000 or \$2,500 Deductible Plan would receive:**
- 4 ▪ Single: \$710 (increase of \$10)
- 5 ▪ Single + 1: \$815 (increase of \$10)
- 6 ▪ Family: \$1,000 (increase of \$10)
- 7
- 8 ➤ **Monthly contributions deposited into a Health Reimbursement Account or Health**
- 9 **Savings Account are as follows:**
- 10
- 11 ▪ **\$1,000 Deductible Plan Monthly Deposit:**
- 12 • Single \$83 (same as 2011)
- 13 • Single + 1 \$90 (same as 2011)
- 14 • Family \$70 (same as 2011)
- 15
- 16 ▪ **\$2,000 or 2,500 Deductible Plan Monthly Deposit:**
- 17 • Single \$200 (same as 2011)
- 18 • Single + 1 \$170 (same as 2011)
- 19 • Family \$125 (same as 2011)
- 20

21 **Dental Renewal:**

22

23 Review of the 2011 dental claims compared to premiums paid resulted in a decrease in

24 premiums for all tiers. Delta Dental recommended about 9% decrease on single coverage, 6%

25 for single-plus-one coverage, while the families would receive an 11.3% decrease. These

26 rates are based solely on claims vs. premiums from each group. Delta Dental administrative

27 fees are held at no increase through 2012 and there are no changes in coverage for the plan.

28

29 **Life & Long Term Disability:**

30

31 The City’s current provider, Standard Insurance through the FCI City/County Consortium,

32 has accepted a negotiated one year contract extension which provides for a 10% decrease in

33 rates for Long Term Disability and an 8.2% decrease in basic life insurance through 2012.

34 The voluntary life rates will remain the same as they were in 2011. This amounts to a savings

35 of approximately \$4,564 for the City.

36

37 **Financial Impact:**

38

39 The above proposed Cafeteria Benefits budget for 2012 reflects no increase over the 2011 budget and

40 actually provides a decrease and a savings of \$4,564 for the City. This is the first time in known

41 history that this has occurred.

42

43 **Council Action Requested:**

44

45 Approve 2012 City benefits insurance renewals and cafeteria contributions as described

46 above with the respective contracts (subject to review and approval by the City Attorney).

Comparable Cities Health Insurance Cafeteria Plans 2011

CITY		Deductible	OOP	Single Premium	EE Cost Monthly	HSA Contribution Annual	Total Company Paid Annually	Family Premium	EE Family Cost Monthly	HSA Contribution Annual	Total Company Paid Annually
A	HSA	1200/2400	2400/4800	\$ 514.10	0	\$ 2,458.80	\$ 8,628.00	\$ 1,367.10	\$ 648.10	0.00	\$ 8,628.00
I	H.S.A.	1500/3000	1500/3000	\$ 408.48	0	\$ 750.00	\$ 5,651.76	\$ 1,302.61	\$ 358.22	\$ 1,500.00	\$ 12,832.68
E	H.S.A.	2400/4800	2400/4800	\$ 380.24	\$ 30.24	\$ 1,326.36	\$ 5,526.36	\$ 1,141.31	\$ 511.93	\$ 1,326.36	\$ 8,878.92
C	HRA	2500/5000	4000/8000	\$ 520.10	0	0.00	\$ 9,600.00	\$ 1,367.10	\$ 567.10	0.00	\$ 9,600.00
C	HSA	2500/5000	2500/5000	\$ 484.10	0	\$ 3,050.00	\$ 9,600.00	\$ 1,274.10	\$ 474.10	0.00	\$ 9,600.00
B	HRA	2500/5000	4000/8000	\$ 520.10	0	\$ 2,210.00	\$ 12,360.00	\$ 1,367.10	\$ 625.44	\$ 3,460.00	\$ 12,360.00
B	HSA	2500/5000	2500/5000	\$ 484.10	0	\$ 2,210.00	\$ 12,360.00	\$ 1,274.10	\$ 532.44	\$ 3,460.00	\$ 12,360.00
F	HRA/VEBA	2500/5000	4000/8000	\$ 420.00	0	\$ 2,500.00	\$ 9,780.00	\$ 1,174.50	\$ 567.84	\$ 2,500.00	\$ 9,780.00
D	HRA	2500/5000	2500/5000	\$ 508.55	0	\$ 1,900.00	\$ 8,002.60	\$ 1,306.44	\$ 324.55	\$ 3,200.00	\$ 14,982.68
A	HSA	2500/5000	2500/5000	\$ 484.10	0	\$ 2,818.80	\$ 8,628.00	\$ 1,352.10	\$ 633.10	0.00	\$ 8,628.00
G	HSA	2500/5000	2500/5000	\$ 484.10	0	\$ 2,210.00	\$ 11,640.00	\$ 1,274.10	\$ 304.10	\$ 3,460.00	\$ 11,640.00
G	HRA	2500/5000	4000/8000	\$ 520.10	0	1250.00	\$ 11,640.00	\$ 1,367.10	\$ 390.00	2500.00	\$ 11,640.00
J	H.S.A.	2500/5000	2500/5000	\$ 484.10	0	\$ 2,500.00	\$ 8,809.20	\$ 1,274.10	\$ 309.10	\$ 3,709.20	\$ 11,580.00
H	H.S.A.	4500/9000	5800/11600	\$ 340.20	0	\$ 3,850.00	\$ 7,932.40	\$ 952.56	\$ 285.77	\$ 7,700.00	\$ 15,701.48
H	H.S.A.	4500/9000	5800/11600	\$ 312.98	0	\$ 3,850.00	\$ 7,605.76	\$ 876.36	\$ 262.91	\$ 7,700.00	\$ 15,061.40
Average:		#DIV/0!	#DIV/0!	\$457.69	\$2.02	\$2,192.26	\$9,184.27	\$1,244.71	\$452.98	\$2,701.04	\$11,551.54

City of Roseville	H.R.A.	2000/4000	2500/5000	\$ 479.42	0	\$ 2,400.00	\$ 8,400.00	\$ 1,301.62	\$ 436.62	\$ 1,500.00	\$ 11,880.00
City of Roseville	H.S.A.	2500/5000	5000/10000	\$ 365.42	0	\$ 2,400.00	\$ 8,400.00	\$ 984.68	\$ 119.98	\$ 1,500.00	\$ 11,880.00

Comparable Cities which have been used for several years now are:

Apple Valley, Brooklyn Center, Cottage Grove, Edina, Inver Grove Heights, Maplewood, Minnetonka, Richfield, Shakopee, & St. Louis Park

Health Ins. Renewals History Design Changes 2004-2012

Medical Premium Analysis Data

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Proposed Renewal	12.00%	25.00%	29.00%	17.40%	42.50%	28.70%	15.00%	6.29%	0.00%
Renewal After Negotiations	6.00%	20.00%	21.00%	15.10%	33.20%	28.70%	8.90%	2.00%	0.00%
Roseville Final Renewal	6.00%	9.60%	3.10%	9.50%	6.80%	18.00%	8.90%	-1.44%	-1.50%
MN Trend	14.00%	11.00%	9.00%	9.00%	14.10%	14.10%	11.40%	8.20%	7.50%
FCI Average Renewal	6.00%	7.80%	6.23%	7.05%	7.00%	8.83%	8.84%	4.70%	NA
Savings from Proposed to Renewal	\$56,000	\$106,892	\$335,214	\$81,369	\$395,789	\$103,195	\$69,092	\$88,629	\$18,000

Plan Changes

***NOTE:** * City covered 100% of richest plans above for singles until 2007 then began paying 100% of the 80% plan

- 1.) **2002** Added the 80% plan option with deductible \$300 to give employees cost alternatives however this addition increased the cost of 100% coverage.
- 2.) **2004** Added the Single + 1 tier option to allow for more plan choice however this addition increased the cost for the family tier.
- 3.) **2005** increased deductible to \$500 + added the High Deductible \$1,000 Plan with the Health Reimbursement Acct. to give employees further cost alternatives however this addition increased the cost of the other 2 plans.
- 4.) **2006** Added a health reimbursement acct. to the 2 deductible plans & increased HD plan to \$1,200 Deductible + add 3 tier RX
- 5.) **2007** Co-pay \$20 to \$30 for co-pay & lower deductible plan from \$500 to \$750 Deductible + increase to all RX of \$5, Doubled OOP max.
- 6.) **2008** Eliminated the 100% co-pay plan increased both deductibles \$750 to \$1,000 and \$1,200 to \$2,500 + Doubled OOP max.
- 7.) **2009** Added a HD Plan with HSA & higher OOP + Added 2 smaller networks (Elect & Essential) to the open access plan for lower cost options
- 8.) **2010** moved to HP for savings and used 3 networks (1,000, 2,000, 2,500 Deductibles) Increased OOP max. on HD Plan
- 9.) **2011** moved to National Joint Powers Agreement (NJPA) self ins. had 1.44% decrease in overall premiums & no plan changes
- 10.) **2012** Renewal provides savings of \$18,000 with no plan or premium changes for staff. Request \$18,000 to be used to pay for blood work incentive