



Legislation Details (With Text)

File #: ID#20-8085 **Version:** 1 **Name:** Health Insurance Renewal
Type: Action Item **Status:** Consent Agenda
File created: 7/28/2020 **In control:** Human Resources
On agenda: 9/3/2020 **Final action:**
Title: Authorize the funding of city medical insurance for the Administrative Services Agreement between the City and Cigna Healthcare under a self-insured funding arrangement for the period January 1, 2021 through December 31, 2021, at a total not-to-exceed \$21.5 million, to be funded by city budgeted funds, payroll deductions of employees and retiree premiums. (consent)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Clearwater Medical Insurance Renewal 2021

Date	Ver.	Action By	Action	Result
8/31/2020	1	Council Work Session		

SUBJECT/RECOMMENDATION:

Authorize the funding of city medical insurance for the Administrative Services Agreement between the City and Cigna Healthcare under a self-insured funding arrangement for the period January 1, 2021 through December 31, 2021, at a total not-to-exceed \$21.5 million, to be funded by city budgeted funds, payroll deductions of employees and retiree premiums. (consent)

SUMMARY:

Historically, the City’s health care costs have escalated due to increased inflation in health care costs (8% to 10% annually) which is reflected in the City’s claims experience. This resulted in increased costs annually for the City, the employees, family members, and retirees who participated in the city plan.

The City implemented a multi-faceted effort to control costs which included opening the Employee Health Center and adding enhanced wellness and educational offerings. As a result, the City has seen cost increases trending downward, which can be attributed to savings from the use of the Employee Health Center and the greater focus on wellness by the City and employees. These savings resulted in health plan design changes that lowered the office visit co-pays, hospital admission fee, and prescription drug co-pays in prior years.

As a result of the positive claims experience for 2019 and 2020 plan year, renewal projections indicate no increase is needed for the 2021 plan year. As of June 2020, plan spend is below budgeted expenses by 23%. However, it should be noted that part of this savings is due to reduced care being received due to COVID-19. It is expected that some of these expenses will occur later in the year. The City’s Benefits Committee voted to renew with a 0% increase continuing the negotiated contribution scenarios for dependent coverage, being 75% of Employee +1 coverage and 68% of Employee +Family coverage.

Included in the premiums for the 2021 plan year is the continuation of the Motivate Me incentive through CIGNA. Under this program employees can receive incentives (up to \$200 per year) when participating in various preventative healthcare activities such as general health screenings at the Employee Health Center, and more advanced screenings such as colonoscopies and mammograms, and chronic health condition coaching. These rewards are directly tied to cost drivers on the City’s medical plan and are an essential part of controlling increases over the long term. All incentive costs are included in the medical plan funding. To

date 18% of employees have earned some incentive. Total payouts are approximately \$30,000.

The City's fiscal 2021 budget is \$19,098,250 which includes \$17,398,250 million across all operations for health plan costs and \$1,700,000 budgeted for the Employee Health Center.

APPROPRIATION CODE AND AMOUNT: Funds are available in cost codes 5907590-530300 (contractual services) and 5907590-545602 (major medical claims) to fund the City's portion; and revenues from payroll deductions and retiree premiums will provide remaining funds necessary to fund this contract.