Legislation Details (With Text)

File #:	ID#21-9664	**Version:** 1	**Name:**	2022 Medical Insurance Renewal
Type:	Action Item		**Status:**	Consent Agenda
File created:	8/25/2021		**In control:**	Human Resources
On agenda:	9/16/2021		**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, 2022 through December 31, 2022, at a total not-to-exceed $22.5 million, to be funded by city budgeted funds, payroll deductions of employees, retiree premiums, and an estimated $1.7 million of Central Insurance Fund reserves. (consent)			
Sponsors:				
Indexes:				
Code sections:				
Attachments:	1. 082621 - Clearwater Medical Insurance Renewal 2022 Draft			

Date	Ver.	Action By	Action	Result
9/16/2021	1	City Council		

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, 2022 through December 31, 2022, at a total not-to-exceed $22.5 million, to be funded by city budgeted funds, payroll deductions of employees, retiree premiums, and an estimated $1.7 million of Central Insurance Fund reserves. (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 in the 2% to 4% range over the last few plans, 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. Additionally, these cost savings resulted in the accumulation of approximately $2.8 million in Central Insurance reserves as of 9/30/2020, directly attributable to the self-insured medical plan.

Renewal projections for calendar 2022 indicate a 5.3% increase in costs is expected. This cost increase is related to increased costs around diabetes and cancer claims and treatments, as well as expenses that were a result of delayed care in 2020 during the beginning of the Covid-19 pandemic. Due to the accumulated plan savings from prior years, the City's Benefits Committee is recommending the use of reserves to decrease the required employee and employer contributions to a 2.6% increase over calendar 2021. City contributions for dependent coverage remain at 75% of Employee+1 coverage and 68% of Employee+Family coverage.

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The recommended use of reserves is estimated at $1.7 million, which would decrease the 9/30/2020 balance of accumulated plan savings from $2.8 million to $1.1 million.

Included in the premiums for the 2022 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. Also included in the medical plan for 2022 is a diabetes prevention program that is being implemented to prevent individuals from getting to a diabetic state. All incentive costs are included in the medical plan funding. To date 15% of employees have earned some incentive. Total payouts are approximately $29,000.

The City's fiscal 2022 budget for the employer share of health insurance costs is $20,056,136 which includes $18,334,736 across all operations for health plan costs and $1,721,400 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; payroll deductions, retiree premiums, and the use of an estimated $1.7 million in Central Insurance reserves will provide remaining funds necessary to fund this contract.

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