



Legislation Text

File #: ID#17-3803, **Version:** 1

SUBJECT/RECOMMENDATION:

Authorize the funding of city medical insurance and a contract between the City and Cigna Healthcare for administrative services under a self-insured funding arrangement for the period January 1, 2018 through December 31, 2018, at a total not-to-exceed \$21.6 million, to be funded by city budgeted funds, payroll deductions of employee and retiree premiums, and Central Insurance Fund reserves; approve the use of not-to-exceed \$660,000 of Central Insurance Fund reserves for fiscal 2018. (consent)

SUMMARY:

Historically, the City's health care costs have escalated due to increased inflation in health care cost (8% to 10% annually) and less than favorable claims experience. The result was increased costs for the City, and the employees and retirees who participate in the City plan.

In calendar year 2016, staff saw this trend change with actual costs being approximately \$1.8 million less than budgeted. For fiscal year 2017, the City budgeted for an increase of \$621,000 (\$285,000 or 1.7% due to claims and \$336,000 or 2.7% due to an increase in employees). As of June 2017, the actual costs for the plan calendar year-to-date are \$1.3 million less than budgeted and projected to be \$2 million less for entire year. This is the second consecutive year the City has seen cost trending downward which can be attributed to savings from the use of the Employee Health Center, the increased emphasis on wellness, and a greater focus on wellness by employees.

As the City is self insured, there is a reserve requirement of two months of claims, estimated at 2.7 million. This recommendation will permit the city to attain that requirement.

For plan year 2018, an actuarially supported renewal based on the City's claims trend projects a 2.09% (\$378,148) increase in funding in order to maintain the current plan design and participation in Cigna's Open Access Plus Network. This renewal will include mental health, substance abuse, and EAP.

When considering the mitigation of costs over the past 2 years, the City Benefits Committee and the City discussed several options that included providing funds to be placed in a health savings account or lowering out of pocket expenses in the health plan design. The Committee and City have agreed that lowering costs was the best option available. This recommendation would result in no additional premium costs for covered members with employee plus one or employee plus family coverage. It will also permit the City to modify the current health plan design by lowering the office visit co-pays, hospital admission fee, and prescription drug co-pays. The recommendation also includes the current funding strategy of paying 100% of employee coverage, 78% of Employee plus one coverage, and 68% of employee plus family coverage.

The budgeted increase would include the renewal of \$378,148 and an additional \$516,262 to account for the plan changes, for a total of \$894, 410 for the calendar year. The increase for the Fiscal Year would be approximately \$660,000. The budget already includes health costs for 39 new FTE's of \$315,900. If the current trend continues, staff anticipates costs to stay within budget estimates.

APPROPRIATION CODE AND AMOUNT:

The City's fiscal 2018 budget includes \$17.3 million across all operations for health plan costs. This proposal, plus estimated health clinic costs, is estimated to cost \$17.9 million, an increase of approximately \$660,000. The total calendar year 2018 cost to the City is estimated at \$18.2 million.

The City's fiscal 2018 budget includes \$17.3 million across all operations for health plan costs. This proposal, plus estimated health clinic costs, is estimated to cost \$17.9 million, an increase of approximately \$660,000. The total calendar year 2018 cost to the City is estimated at \$18.2 million.