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City Clerk's Office
Hiawatha City Hall
101 Emmons Street
Hiawatha, Iowa 52233

Memo

To: Mayor and City Council

From: Kelly Kornegor, City Clerk

Date: December 6, 2017

Re: Employee Benefits Renewal – Health Insurance, Dental Insurance and Flex Spending

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Health Insurance

During a City Council work session held in August, a couple of the council members and the Mayor directed us to look into options for decreasing the cost of employee benefits with the purpose of reducing general fund expenditures to potentially lower the City's levy rate. As directed, the City Administrator and I asked True North to put together cost saving options available to the City. Once True North compiled the information, the Compensation Committee met to review and come up with a recommendation to City Council for final approval.

Overview of health insurance recommendation:

The current employee health insurance plan under Wellmark Alliance Select came in at a 5.30% increase effective December 1, increasing to 8.7% effective January 1, when additional Affordable Health Care fees kick in. **Annual cost increase to the City is $33,245.04 at renewal and $55,713.25 total increase when the January 1 fees begin.**

An option available to the City, and also the recommendation of the Compensation Committee, is switching the current employee health insurance plan to a Wellmark Blue Advantage plan. If City Council approves this option, there will be some changes to plan offerings, however, the recommendation as proposed will keep employee payroll contributions the same and preserve employee deductibles and out of pocket maximums to the same level as the current plan. Under this option the City will be increasing partial self-funding while achieving a significant annual cost savings of $122,847. The City was able to save $168,158 from January to September of 2017, through partial self funding versus purchasing a fully insured plan with the same deductibles.

Below is a list of the changes the employees will experience under the Blue Advantage plan:

- In network coverage only – out of network will be covered in emergency situations only.
- Dependents who live out of state are required to complete a guest membership form to receive care.
- Plan will switch from 80/20 to 70/30 – employee will pay 30% of co-insurance after deductible is met instead of 20%.
- Emergency room copay increases by $100 (regular office visit copay stays the same).
- More tiers for high cost prescription drugs, Tier 1 generic drugs will stay the same.

Given our health insurance plan renews on December 1, this is a very short window to implement changes, educate employees and submit necessary forms, therefore, part of the Compensation Committee recommendation is for the City to pay the premium to carry the current Alliance Select plan for an additional one (1) month period through December 31, 2017. Employees will move over to the Blue Advantage plan effective January 1, 2018. True North held employee benefit meetings in November and I have been sending correspondence to employees regularly to keep them informed.

Switching to Blue Advantage on a short timeframe would have a lower rate of negative impact on the employees versus requiring them to pay more out of their pockets toward premium. Factor in the significant cost savings of approximately $123,000 to the City General Fund, and I guess some would consider it a win/win.

Also important to note: True North added the City to a fully insured captive program with other public entities but it was not advantageous to go this route at this time as we have not been in the program long enough to see any cost savings. True North will continue monitor this program in future renewal years to see if there are opportunities for cost savings.

Dental Insurance

The employee dental insurance renews January 1, 2018, so along with health insurance, True North researched the market for other options available. The City received a favorable renewal rate to keep the current plan with Delta Dental at a 4% increase, annual dollar increase $1,416.48. Another comparable option is Wellmark Blue Dental but the cost savings is very minimal providing a decrease of $905.04 to the annual premium. With Delta Dental being the most known and widely accepted insurance in Iowa, and the small amount of savings presented by the Blue Dental plan, True North recommended the City maintain the current plan with Delta Dental. The Compensation Committee agreed with this recommendation.

Flex Spending

The employee flex spending plan with Wellmark/WageWorks renews January 1, 2018 and upon City Council approval, the City will continue to offer a flex spending plan with health care plan maximum of $2,650 and dependent care plan maximum of $5,000 for 2018. These levels are set by the IRS.

The flex spending plan is 100% funded by employee payroll contributions. The City is only responsible to pay an annual fee for a 3rd party company to administer the plan and a monthly participant fee. With our renewal we received notice that the $400 annual administration fee will no longer be charged and we will only be paying the monthly participant fee which is $5.45 per participant. This is a great benefit to the employees at a low cost to the City.

Recommendations

1. Enter into a renewal agreement to move over to a Wellmark Blue Advantage employee health insurance plan for the 2018 plan year. The City will maintain the current Alliance Select employee health insurance plan for one additional month through December 31, 2017. New plan will go into effect January 1, 2018.
2. Enter into a renewal agreement to maintain current employee dental insurance plan with Delta Dental effective January 1, 2018.
3. Enter into a renewal agreement to maintain current employee flex spending benefits with Wellmark/WageWorks effective January 1, 2018.

Vision and Life Insurance including Short Term and Long Term Disability are not up for renewal until June 30, 2018.

Thank you for your consideration of this matter. Please let me know if you have any questions.

DRAFT

RESOLUTION NO. 17-
City Council

RESOLUTION APPROVING EMPLOYEE HEALTH INSURANCE, EMPLOYEE DENTAL INSURANCE, AND EMPLOYEE FLEX SPENDING PLAN FOR THE 2018 PLAN YEAR

BE IT RESOLVED BY THE CITY COUNCIL OF HIAWATHA, IOWA, that the City Clerk be authorized to enter into agreements for the renewal of the following employee benefits for the 2018 plan year: Wellmark Blue Cross / Blue Shield Blue Advantage Health Insurance, Delta Dental Insurance, and Flexible Spending Plan with Wellmark Inc. / WageWorks.

AYES:
NAYS:
ABSENT:

PASSED AND APPROVED on this 6th day of December, 2017.

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Bill Bennett, Mayor

ATTEST:

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Kelly Kornegor, City Clerk