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

Memo

To: City Council

From: City Administrator and City Clerk

Date: October 26, 2016

Re: Employee Health, Dental, and Flex Spending Renewals

We have reached the annual renewal period for our employee health and dental insurances and our employee flex spending plan.

Flex Spending Plan

Our current flexible spending plan with Wellmark / WageWorks will end on December 31, 2016 and our new plan year will begin on January 1, 2017 and run through December 31, 2017.

There are no changes to this plan from previous years. This plan is 100% funded by employee payroll contributions. The only cost to the City is an initial funding amount which was $82 for the 2016 plan year, $400 annual administrative fee, and $130.80 annual claim processing fee.

This has been a good addition to our benefit package and it comes at a minimal cost to the city. We are requesting to renew our current flex spending plan with Wellmark / Wageworks for the January 1, 2016 – December 31, 2016 plan year.

Dental Plan

Our current employee dental plan is through Delta Dental and our renewal rates are shown below:

Plan	Current Premium	Renewal Premium	Increase
Single	$26.00	$28.24	$2.24
Employee/Spouse	$53.04	$57.62	$4.58
Employee/Child	$47.20	$49.44	$2.24
Family	$77.58	$85.02	$7.44

We've had a positive experience with Delta Dental and the renewal rates did not show a significant increase. We are requesting to renew our current employee dental insurance with Delta Dental for the December 1, 2016 – December 31, 2017 plan period. This is a $313.94 plan increase.

Health Insurance Plan

Our current employee health insurance plan is through Wellmark Blue Cross and Blue Shield. As you are well aware the health insurance industry is turned upside down with the Affordable Care Act (ACA). Health insurance costs are skyrocketing and nobody knows from one year to the next what is going to happen with their health insurance plans and premium costs.

The City of Hiawatha has been really fortunate for the last four years since the ACA mandate was enacted; we have been able to keep our premium increases under 10% by continuing to participate in a partial self funding program to keep premium costs down. Each year during renewal time, staff meets with the compensation committee to go over the health insurance renewal and it has been our practice that if we are able to keep the premium increase 10% or under, we have the ability to keep our current plan structure.

For the 2017 plan year, our renewal came in at a 10.75% increase if we kept our current plan exactly as it is today. This would amount to a $63,241.78 total annual increase in premium. As we are looking at the renewal, our broker, True North provides options within the mechanics of our current plan for us to consider. This year they gave us one additional viable option that provided an opportunity to continue to keep our premium costs at a manageable level.

This option (Option 1) has the same plan structure as we have today with one minor change consisting of an increase from $20 to $25 dollars for an office visit; employee deductible and out-of-pocket maximum costs would remain the same with the city partially self funding. By selecting this option, the City would increase the amount of partial self funding from a $2,000/$4,000 (single/family) to $2,500/$5,000 (single/family) deductible and $4,000/$8,000 to $5,000/$10,000 out-of-pocket maximum. Increasing our partial self funding would reduce the renewal down from its current plan to a 2% increase amounting to $11,788.51 total annual increase in premium. This is a significant reduction to our current plan renewal. Our self funding exposure would be a $4,000 addition based on our experience and confirmed by our claims processing company, Kabel during a joint meeting with the finance director. Total

package cost increase including the added partial self-funding is $15,788.51 for the plan year.

Staff presented all of this information to the Compensation Committee including two council members, mayor, finance director, city clerk and city administrator. At this meeting, members of the Compensation Committee requested that we go out for RFP's at the beginning of 2017, in order to obtain additional options in plan cost and broker rates when we are making our renewal decision for 2018.

The City is currently considered a small group employer and therefore, at this time, the broker does not have the ability to set the broker fee. For small employers, the health insurance provider, in our case this is Wellmark, sets the broker fee. The current broker fee is approximately $40 per employee per month. Once the City moves over to a mid-size employer (groups with over 50 employees), the broker can set the fee in a range of $0 to $49 per employee per month. At this time we will have the ability to negotiate the broker fee which is built into our health insurance package. We believe we will qualify as a mid-size group for the 2018 plan renewal.

Kim and I have met with two insurance agencies, Acumen and Auxiant to get some feedback from them. Aaron from Acumen told us that renewal time is not the time to be shopping for brokers and trying to make decisions on whether or not to switch brokers and health insurance plans. This is just too big of a decision to make on a time crunch. Aaron said there is no way that he would be able to prepare information for us and give us adequate time to review it in order to make our renewal deadline of November 14. Aaron also said a 2% increase in health insurance premium was pretty unbeatable especially considering there are many employers out there who are receiving 20% - 30% rate increases.

After speaking to Auxiant, we learned they are an agency that only works with employers who have 100% self-funded plans. This would be another option to look into as we are preparing to out for RFP's.

After verifying the total exposure of the self-funded deductible cost, Option 1 was agreed as the most cost effective option with a total savings of $47,453.27. Both union bargaining groups have been contacted and have agreed to the small plan change of $20 to $25 for an office visit.

At this time, we are requesting to renew our employee health insurance with Wellmark Blue Cross / Blue Shield by selecting Option 1 with a 2%

increase in premium cost for the December 1, 2016 – December 31, 2017 plan period. By taking on the extra self-funding we are able to keep our renewal well under a 10% increase with little exposure and allow for a minimal impact to the budget for employee benefits.

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

DRAFT

RESOLUTION NO. 16-
City Council

RESOLUTION APPROVING RENEWAL OF EMPLOYEE HEALTH AND DENTAL INSURANCES FOR DECEMBER 1, 2016 – DECEMBER 31, 2017 AND EMPLOYEE FLEX SPENDING PLAN FOR JANUARY 1, 2017 – DECEMBER 31, 2017

BE IT RESOLVED BY THE CITY COUNCIL OF HIAWATHA, IOWA, that appropriate City Officials be authorized to enter into agreements with Wellmark Blue Cross Blue Shield for renewal of the employee Alliance Select Health Insurance, and Delta Dental for renewal of employee dental insurance for the plan period of December 1, 2016 – December 31, 2017, and continue to offer employees the ability to participate in a Flexible Spending Plan with Wellmark Inc. / WageWorks for January 1, 2017 – December 31, 2017.

AYES:
NAYS:
ABSENT:

PASSED AND APPROVED on this 2nd day of November, 2016.

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Bill Bennett, Mayor

ATTEST:

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Kelly Kornegor, City Clerk