



Legislation Details (With Text)

**File #:** 17-1071      **Version:** 1      **Name:**

**Type:** Motion      **Status:** Passed

**File created:** 9/29/2017      **In control:** City Council

**On agenda:** 10/17/2017      **Final action:**

**Title:** Consideration of 2018 Dental, Health, and Life Benefits Renewal.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 1 - PEIP Group Health, Life, AD&D Renewal Letter, 2. 2 - MetLife Dental Plan Renewal letter, 3. 3 - PEIP Advantage High Option 2017-18, 4. 4 - PEIP Advantage HSA Option 2017-18, 5. 5 - PEIP Advantage Value Option 2017-18

| Date | Ver. | Action By | Action | Result |
|------|------|-----------|--------|--------|
|------|------|-----------|--------|--------|

**City Council Meeting Date:** October 17, 2017

**To:** Mayor and City Council  
Ben Martig, City Administrator

**From:** Michelle Mahowald, Communications & Human Resources Director

Consideration of 2018 Dental, Health, and Life Benefits Renewal.

**Action Requested:**

The Northfield City Council consider adopting a motion approving rates and contribution for 2018 employee benefits coverage.

**Summary Report:**

The City of Northfield has been with the Public Employees Insurance Plan since 1991. The PEIP Advantage Plan is based on the very successful Minnesota Advantage Plan, a cost tiered health benefits plan. The Advantage Plan gives the employees a choice of three plans (Blue Cross Blue Shield (BCBS), HealthPartners (HP), and Preferred One (P1).

The pool has performed very well over the last nine years with an average annual renewal increase of 2.3%. PEIP is able to leverage off the state’s bargaining clout. The pool has grown to over 175 groups, and more than 25,000 members. The plans are tiered based on the member’s choice of a primary care clinic. The City of Northfield has not been legally required to competitively request proposals as the PEIP pool manages the responsibility of competitive bidding. Specifically, the PEIP program bids for the State every four or five years. A true “Pool” like PEIP is an excellent place for a group that would have high claims volatility on its own. The City of Northfield’s renewal is based on the total pool’s (21,000 members) claims experience.

For 2018, there are no significant plan changes except the addition of the no cost voluntary OMADA program which helps members avoid type 2 diabetes.

Renewals:

- 2012 Premium adjustment of minus 2%
- 2013 Premium adjustment plus 2.4%
- 2014 Premium adjustment plus 8.5%
- 2015 Premium adjustment of 3.1%
- 2016 Premium adjustment plus 1.55%
- 2017 Premium adjustment plus 3.5%
- 2018 Premium adjustment plus .8%

Affordable Health Care Act (ACA):

The City will continue to file ACA reports to our employees (deadline January 31, 2018) and to the IRS (March 31, 2018). Hours of work for permanent part-time and seasonal employees will be reviewed with a 12-month stability period to determine eligibility for 2017 coverage.

PEIP is in compliance with the ACA. The City of Northfield is considered a large employer. Currently we offer medical and dental coverage to employees working 32 hours a week or more. PEIP insurance plans pay at least 60% of covered health care expenses for a typical population. The City offers affordable coverage.

**Alternative Options:**

Staff does not recommend looking at alternatives for 2018. If there is interest to explore plan alternatives we would welcome feedback to explore this issue further and would likely need some third party assistance in reviewing such a request which would need to be planned and budgeted in advance.

**Financial Impacts:**

The following Table 1 is a summary of the total monthly cost of group health insurance in comparison to the employee and employer (except as noted related to total annual HSA contribution):

Table 1. Financial Summary of 2018 Plan Costs Contributions Split by Plan.

|                               | Total Cost (\$) | Employee Share (\$) | City Share (\$) |
|-------------------------------|-----------------|---------------------|-----------------|
| <b>Advantage High Option</b>  |                 |                     |                 |
| Single Premium                | \$858.94        | \$154.47            | \$704.47        |
| Family Premium                | \$2,293.58      | \$871.79            | \$1,421.79      |
| <b>Advantage Value Option</b> |                 |                     |                 |
| Single Premium                | \$771.32        | \$110.66            | \$660.66        |
| Family Premium                | \$2,059.70      | \$754.85            | \$1,304.85      |

| Advantage HSA Option |                   |                              |                   |
|----------------------|-------------------|------------------------------|-------------------|
| Single Premium       | \$586.84          | \$18.42                      | \$568.42          |
| HSA (single)         | \$3,450.00 annual | \$1,700 annual optional max  | \$1,750.00 annual |
| Family Premium       | \$1,567.10        | \$508.55                     | \$1,058.55        |
| HSA (family)         | \$6,900.00 annual | 3,400.00 annual optional max | \$3,500.00 annual |

Note: The dollar amount of employer contribution is equivalent to \$550 per month plus one-half of the difference in additional premium.

The following Table 2 is a summary of the total annual cost of group health insurance premium only in comparison to the employee and employer:

Table 2. Financial Summary of Total Annual Employee and Employer Cost Share in dollars (2012-2016).

| Year | Total Premium Cost (\$) | Employee Premium Cost Share (\$) | City Premium Cost Share (\$) |
|------|-------------------------|----------------------------------|------------------------------|
| 2012 | 845,648                 | 190,542                          | 655,106                      |
| 2013 | 855,761                 | 204,068                          | 651,693                      |
| 2014 | 948,094                 | 234,372                          | 713,722                      |
| 2015 | 1,030,270               | 257,855                          | 772,415                      |
| 2016 | 1,044,613               | 261,470                          | 783,143                      |

Table 3. Financial Summary of Total Annual Employee and Employer Cost Share as a percent (2012-2016).

| Year | Total Premium Cost (\$) | Employee Premium Cost Share (%) | City Premium Cost Share (%) |
|------|-------------------------|---------------------------------|-----------------------------|
| 2012 | 845,648                 | 22.5%                           | 77.5%                       |
| 2013 | 855,761                 | 23.8%                           | 76.2%                       |
| 2014 | 948,094                 | 24.7%                           | 75.3%                       |
| 2015 | 1,030,270               | 25.0%                           | 75.0%                       |
| 2016 | 1,044,613               | 25.0%                           | 75.0%                       |

Basic Life/AD&D Insurance

Employee life insurance rates through PEIP will remain the same as 2017. \$50,000 term life insurance is paid entirely by the City for all full-time employees.

Employee can purchase supplemental life/AD&D coverage in \$5,000 increments up to a maximum of \$300,000; subject to evidence of insurability.

Dependent life insurance with \$5,000 spouse coverage and \$2,500 child coverage is also available for employee purchase. Evidence of insurability is required.

|                  |              |              |
|------------------|--------------|--------------|
| Basic Life/AD&D: | \$.19/1,000  | \$.19/1,000  |
| Dependent Life:  | \$1.18/month | \$1.18/month |

|  |            |      |
|--|------------|------|
| Supplemental Life/AD&D<br>(Per Thousand) | <b>Age</b> |      |
|  | <35        | .11  |
|  | 35-39      | .13  |
|  | 40-44      | .17  |
|  | 45-49      | .26  |
|  | 50-54      | .44  |
|  | 55-59      | .71  |
|  | 60-64      | .79  |
|  | 65-69      | 1.49 |

Dental Coverage

MetLife is our current dental carrier. MetLife proposes a 2.6% rate increase effective January 1, 2018.

The City pays 100% of single dental coverage (low plan). \$20.30 is the 2017 single coverage, low plan rate.

|                     | <u>Low Plan</u> | <u>High Plan</u> |
|---------------------|-----------------|------------------|
| Employee only       | \$20.82         | \$42.77          |
| Employee + Spouse   | \$39.80         | \$85.95          |
| Employee + Children | \$57.53         | \$92.37          |
| Family              | \$76.13         | \$144.62         |

**Timelines:**

Open enrollment for employee and retiree benefits will kick off with the annual benefits fair. This is scheduled for Wednesday, November 1, 2017 in the second floor training room, City Hall.