



Legislation Details (With Text)

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**File created:** 9/23/2016      **In control:** City Council

**On agenda:** 10/4/2016      **Final action:**

**Title:** Consideration of 2017 Health, Life, and LTD Benefits Renewal.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 1 - Northfield renewal, 2. 2 - PEIP Advantage High Option 2017-18, 3. 3 - PEIP Advantage HSA Option 2017-18, 4. 4 - PEIP Advantage Value Option 2017-18, 5. 5 - 2017 Rates - 550 Cap - THIS YR\_LAST YEAR

Date	Ver.	Action By	Action	Result
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**City Council Meeting Date:** October 4, 2016

**To:** Mayor and City Council  
City Administrator

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

Consideration of 2017 Health, Life, and LTD Benefits Renewal.

**Action Requested:**

The Northfield City Council consider approval of rates and contributions for 2017 employee 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 of just under 3%. PEIP is able to leverage off the state’s bargaining clout. The pool has grown to over 125 groups, and more than 21,000 members. The plans are tiered based on the member’s choice of a primary care clinic. The City of Northfield has not had to go out for proposals each year because PEIP is exempt from bid laws. The PEIP program bids for the State every four or five years depending on what the State has going on. 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 2017, the Advantage High and Value plan designs are unchanged. The HSA plan design has been enhanced with lower out of pocket maximums for Cost Levels 1, 2, and 3.

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%

Affordable Health Care Act (ACA):

The City will continue to file ACA reports to our employees (deadline January 31, 2017) and to the IRS (March 31, 2017). 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 30 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.

The table below shows the amount of premium the City paid during the timeframe listed. Carrier charges show the total claims paid to the insurance carriers. With regard to loss ratio, the rule of thumb is to fall within 80-85% of premium paid. The City of Northfield has experienced higher loss ratios. Finally, pooled claims are handled separately if an individual claim exceeds \$100,000. During this timeframe, 2013-14 had large claims beyond \$100,000. \$218,775 was pooled separately when calculating the renewal for 2015.

<u>Recent Experience:</u>	Premium	Carrier Charges (P1, HP, BC)	Loss Ratio	Pooled Claims (>\$100K)
2012 (12 months)	\$842,892	\$875,344	(104%)	\$0
2013-2014 (18 months)	\$1,347,817	\$1,162,827	(86%)	\$218,775
2015	\$1,019,452	\$976,775	(96%)	\$0
2016 (6 months)	\$617,841	\$409,187	(66%)	\$0

<u>Membership:</u>	BCBS Sing./Fam.	HP Sing./Fam.	P1 Sing./Fam.	Total Sing./Fam.
High	4/1	3/3	7/3	14/7
Value	2/0	0/2	1/1	3/3
HSA Compatible	13/8	8/4	14/9	35/21

**Alternative Options:**

- a. Request proposals from other health insurance carrier in the future or go to the open market.

**Financial Impacts:**

<u>Total cost of health insurance:</u>	<u>Employee's Share of the Cost</u>	<u>City Share of the Cost</u>
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	\$772,416

The dollar amount of employer contribution is equivalent to one-half of the premium increase.

Basic Life/AD&D Insurance

Employee life insurance rates through PEIP will remain the same as 2016. \$50,000 term life insurance is paid for by the City for all full-time employees.

Basic Life/AD&D:                   \$.19/\$1,000

Dependent Life:\$1.18/month covers \$5,000 term for spouse or domestic partner and \$2,500 for each child.

Dependent Life:

Supplemental Life/AD&D:	<u>Age</u>	
	<35	\$.11
	35-39	\$.13
	40-44	\$.17
	45-49	\$.26
	50-54	\$.44
	55-59	\$.71
	60-64	\$.79
	65-69	\$1.49

Long Term Disability Insurance

Employee Long Term Disability Insurance rates through Madison National Life will continue at our current LTD rate of .17% as part of our second year rate guarantee.

**Timelines:**

Open enrollment for employee and retiree benefits will kick off with the annual benefits fair. This is scheduled for Tuesday, November 1, 2016 in the second floor training room, City Hall.