

**CITY OF BURIEN
AGENDA BILL**

Agenda Subject: Discussion of Proposed Resolution 324 Regarding Modifications to the Employee Benefit Package		Meeting Date: November 14, 2011
Department: City Manager	Attachments: 1. Resolution No. 324. 2. Memorandum dated October 25, 2011. 3. Detailed information regarding Medical Plan Recommendation.	Fund Source: General/Street/SWM Activity Cost: N/A Amount Budgeted: \$861,103 Unencumbered Budget Authority: N/A
Contact: Angie Chaufy, Human Resources Manager Telephone: (206) 248-5504		
Adopted Initiative: Yes <input checked="" type="checkbox"/> No	Initiative Description: Sustainable Benefits	
<p>PURPOSE/REQUIRED ACTION: The purpose of this agenda item is to discuss proposed Resolution 324 modifying the employee medical benefit package for all City employees, clarifying the employee's share of the medical premium, and establishing a high deductible health plan incentive.</p> <p>BACKGROUND (Include prior Council action & discussion): In August, 2011, an employee Ad Hoc Benefit Advisory Committee was formed for the purpose of recommending employee benefit plan changes that promote financial sustainability, aid recruitment efforts, and encourage employee retention. The Committee and the City Manager recommend the following changes to the employee benefit package, effective January 1, 2012:</p> <p><u>Medical Insurance</u></p> <ul style="list-style-type: none"> • Maintain the current premium split - City pays 100% for employee coverage and 90% for spouse and dependent coverage. The city's share of the premium is pro-rated for eligible regular, part-time employees. • Offer the following medical plan options to employees: <ul style="list-style-type: none"> ➢ Regence Blue Shield HealthFirst 250 instead of HealthFirst ➢ Group Health \$10 instead of Group Health \$5 (Existing plan terminates 12/31/11) ➢ Regence High Deductible Health Plan (New) ➢ Group Health High Deductible Health Plan (New) <p><u>Health Savings Account (HSA) Incentive</u> To encourage enrollment on a High Deductible Health Plan (HDHP) and realize additional savings for the City, provide HDHP enrollees with a \$125 per month (employee only) or \$250 per month (employee plus family) contribution to be invested in a deferred compensation fund or a health savings account. The employee will have discretion to select the investment tool. The HDHP incentive will be pro-rated for eligible part-time employees, based upon the employee's scheduled hours of work.</p> <p><u>Impact</u> Based upon the City's current number of employees, spouses, and dependents enrolled in our existing Regence medical plan, these changes will result in a minimum savings in 2012 of <u>\$69,093</u>, after the 2% WellCity discount is applied. Additional savings may be realized if employees choose to transfer to one of the high deductible health plans or switch to Group Health coverage.</p> <p>Following Council discussion, staff is requesting that the proposed resolution be placed on the consent agenda for November 28, 2011.</p> <p>OPTIONS (Including fiscal impacts):</p> <ol style="list-style-type: none"> 1. Consider approval of Resolution 324 and place on Consent Agenda for adoption on November 28, 2011. Adoption of the proposed resolution would result in a minimum savings of \$69,093 in 2012. 2. Do not place Resolution 324 on the Consent Agenda for November 28, 2011. <p>Administrative Recommendation: Discuss proposed Resolution 324 and schedule for Consent Agenda adoption on November 28, 2011.</p> <p>Committee Recommendation: N/A</p> <p>Advisory Board Recommendation: N/A</p> <p>Suggested Motion: None required.</p> <p>Submitted by: Angie Chaufy, Human Resources Manager</p> <p>Administration _____ City Manager _____</p>		
Today's Date: November 7, 2011	File Code: \\File01\records\CC\Agenda Bill 2011\111411cm-2 Medical Benefits.docx	

CITY OF BURIEN, WASHINGTON

RESOLUTION NO. 324

A RESOLUTION OF THE CITY OF BURIEN, WASHINGTON, ADOPTING A MODIFIED BENEFIT PLAN FOR ALL CITY EMPLOYEES.

WHEREAS, the City of Burien wishes to provide a comprehensive benefit package that promotes financial sustainability, aids recruitment efforts, and encourages employee retention;

WHEREAS, on November 20, 2006, the City of Burien adopted Resolution No. 252 amending Section 1 of Resolution No. 226 which established the current benefit plan for all City employees;

WHEREAS, the City of Burien wishes to make changes to the current benefit plan.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BURIEN, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. Benefit Plan. Effective January 1, 2012, the City's benefit package for employees of the City shall be the Association of Washington Cities Employee Benefit Trust's Regence Blue Shield HealthFirst 250 Plan, Group Health \$10 Copay Plan, Washington Dental Service Plan E, Willamette Dental Plan \$10 Copay Plan, and Vision Service Plan \$10 Deductible Plan with second pair rider.

Section 2. Health Insurance Premium Responsibilities. The City will pay 100% of the dental and vision premium for the enrolled employee, spouse/domestic partner, and qualified dependents. For a regular, full-time employee, the City will pay 100% of the employee's medical premium and 90% of the medical premium for the spouse/domestic partner and qualified dependents. The City's share of the medical premium for an eligible regular, part-time employee and family will be pro-rated, based upon the employee's regular scheduled hours per week. The remainder of the premium shall be paid by the employee through payroll deduction.

Section 3. High Deductible Health Plan Incentive. For employees enrolled in a high deductible health plan, the City will contribute \$125 per month (employee only) or \$250 per month (employee plus family) to be invested in a deferred compensation fund or a health savings account. The employee will have discretion to select the investment tool annually during the open enrollment period. The incentive amount will be pro-rated for eligible regular, part-time employees, based upon the employee's regular scheduled hours per week.

Section 3. Effective Date. This resolution shall take effect immediately upon passage by the Burien City Council.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF BURIEN, WASHINGTON, AT
A REGULAR MEETING THEREOF THIS ____ DAY OF _____, 2011.

CITY OF BURIEN

Joan McGilton, Mayor

ATTEST/AUTHENTICATED:

Monica Lusk, City Clerk

Approved as to form:

Craig Knutson, City Attorney

Filed with the City Clerk:
Passed by the City Council:
Resolution No. 324

MEMORANDUM

DATE: October 25, 2011
TO: Mike Martin, City Manager
FROM: Angie Chaufy, Human Resources Manager
SUBJECT: **Medical Plan and Health Savings Account Incentive Recommendations**

On behalf of the Ad Hoc Benefit Advisory Committee, I would like to present the following recommendations to you. The Committee has proposed an effective date of January 1, 2012 for both benefits.

Medical Insurance

- Maintain the current premium split - City pays 100% for employee coverage and 90% for spouse and dependent coverage.
- Offer the following medical plan options to employees:
 - Regence Blue Shield HealthFirst 250 instead of HealthFirst
 - Group Health \$10 instead of Group Health \$5 (Existing Plan terminates 12/31/11)
 - Regence High Deductible Health Plan (New)
 - Group Health High Deductible Health Plan (New)

Health Savings Account (HSA) Incentive

To encourage enrollment on a High Deductible Health Plan (HDHP) and realize additional savings for the City, provide HDHP enrollees access to an HSA with the following annual contribution coming from the City:

Coverage	City's Annual Contribution to Employee's HSA	Annual Savings to be Realized by City *
EE Only	\$1,500	\$1,240
EE + Sp	\$3,000	\$2,212
EE + Sp + 1	\$3,000	\$3,398
EE + Sp + 2	\$3,000	\$4,393
EE + 1	\$3,000	\$926
EE + 2	\$3,000	\$2,172

* Formula: *City's share of HF 250 Premiums – City's share of HDHP Premiums – City's HSA Contribution*

The appropriate HSA contributions will be paid via monthly installments into participating employees' accounts. The employee can contribute additional money into the HSA, on a pre-tax basis, not to exceed the annual limit determined by the IRS.

Impact

Based upon the City's current number of employees, spouses, and dependents enrolled in our existing Regence medical plan, these changes will result in a minimum annual savings of \$69,093, after the 2% WellCity discount is applied. Additional savings may be realized if employees choose to transfer to one of the high deductible health plans or switch to Group Health coverage.

Detailed Information Regarding Medical Plan Recommendation

Process

The committee:

- Studied public and private sector practices as they relate to medical plan design and employee premium share.
- Reviewed the employee questionnaire responses.
- Met with AWC Employee Benefit Supervisor Beverly Lakey to review the current HealthFirst Plan, the HealthFirst 250 Plan, the HealthFirst 500 Plan, the High Deductible Plan, and the Health Savings Account provisions.

Reasoning

The committee studied six different options and their related financial impacts to the employee and to the City. Below is a summary of each option and their pros and cons. **After eliminating four of them, the committee focused heavily on Option 2 and Option 6. Finally, because of the third “Con” bullet of Option 6, the committee unanimously went with Option 2.** All costs below include the 2% Well City discount received by the City for 2012.

Option 1: Maintain current premium split, change to HealthFirst 500 Plan

Decision: The committee quickly decided the employee’s potential out of pocket costs were too drastic compared to what we are used to. Option was rejected.

Option 2: Maintain current premium split, change to HealthFirst 250.

Pros:

- Consistent with direction of employee survey.
- Same or reduced monthly premium rate for all employees. (“Employee Only”-covered employees remain at \$0 contribution to the medical plan.)
- Same physician network utilized.
- Preventive care is paid at 100%
- Prescriptions paid at same level as current plan.
- No copays required. (Our current plan has a \$10 copay.)
- If the allowed amount of an illness-related doctor visit is \$99 or less, the employee’s share will be less than the current copay amount (\$10).

Cons:

- Potential exposure to \$250 deductible. (Does not apply to preventive care and prescriptions.)
- Potential exposure to higher out of pocket maximum.

Option 3: Maintain current HealthFirst Plan – Employee pays 10% of full medical premium. *(Currently the employee pays 10% of spouse and dependents’ premiums only.)*

Pros:

- Employees experience no change to medical plan.
- Rich benefit plan offered to employees.

Cons:

- Not consistent with staff’s direction provided in the employee survey.

- Increase annual premium rate by \$741.48 per year for all employees. (10% of the employee premium).
- Compared to the HealthFirst 250 Plan, this is a guaranteed increase of \$741.48 versus a potential increase of \$250 (deductible) per person (maximum of \$750.00 per family).
- Since the employee already pays 10% of the premium for family members, the City will only realize the 10% of the employee premium. (\$45,490 in 2012).

Option 4: Maintain HealthFirst Plan – Employee pays 10% of Employee Premium and 20% of Dependent Premium

Pros:

- Employees experience no change to medical plan.
- Rich benefit plan offered to employees.
- Projected annual savings to City: \$85,014.

Cons:

- Not consistent with staff's direction provided in the employee survey.
- Substantial increase in employee's share of the monthly premium.
 - Employee Only coverage – Additional \$741.48/yr.
 - Employee + Spouse coverage: Additional \$2,234.52/year
 - Employee + Spouse + 1 child: Additional \$2,966.04/year
 - Employee + Spouse + 2 children: Additional \$3,571.20/year
 - Employee + 1 child: Additional \$1,473.00/year
 - Employee + 2 children: Additional \$2,078.16/year.
- All employees will pay more regardless of whether they use the plan or not.

Option 5: Maintain Health First Plan – Employee pays 20% of Full Medical Premium

Pros:

- Employees experience no change to medical plan.
- Rich benefit plan offered to employees.
- Projected annual savings to City: \$130,497

Cons:

- Not consistent with staff's direction provided in the employee survey.
- Very substantial increase in employee's share of the monthly premium.
 - Employee Only coverage – Additional \$1,482.84/yr.
 - Employee + Spouse coverage: Additional \$2,975.88/year
 - Employee + Spouse + 1 child: Additional \$3,707.40/year
 - Employee + Spouse + 2 children: Additional \$4,312.68/year
 - Employee + 1 child: Additional \$2,214.36/year
 - Employee + 2 children: Additional \$2,819.52/year.
- All employees will pay more regardless of whether they use the plan or not.

Option 6: Maintain HealthFirst Plan – Employee pays difference from HealthFirst 250 Plan

Pros:

- Employees experience no change to medical plan.
- Rich benefit plan offered to employees.
- Projected annual savings to City: \$69,093

Con:

- Increase for all employees in share of monthly medical premium.
- All employees will pay more regardless of whether they use the plan or not.

- Major Concern: The difference between the cost of HealthFirst and the HealthFirst 250 Plan will compound over time. See chart below:

(KEY: EE = Employee; Sp = Spouse/Domestic Partner; 1 or 2 = number of children covered. Note: Figures in chart reflect 2% WellCity discount. Chart assumes a 10% annual rate increase. Employee would be responsible for the amount identified in the chart + 10% of the premium for any family members.)

Year	EE Only	EE+SP	EE+SP+1	EE+SP+2 (or more)	EE+1	EE+2 (or more)
2012	634.44	1,268.16	1,575.60	1,836.60	941.88	1,202.88
2013	697.88	1,394.98	1,733.16	2,020.26	1,036.07	1,323.17
2014	767.67	1,534.47	1,906.48	2,222.29	1,139.67	1,455.48
2015	844.44	1,687.92	2,097.12	2,444.51	1,253.64	1,601.03
2016	928.88	1,856.71	2,306.84	2,688.97	1,379.01	1,761.14

Group Health Plan Options

With the 1/1/12 elimination of the GH \$5 Plan, the Committee had a choice between selecting a GH \$10 Plan or a GH \$20 Plan. Both plans were similar in design, with 2 exceptions:

- Different copay amounts (\$10 versus \$20)
- Different deductible amounts (GH \$10 - \$0 deductible; GH \$20 - \$200 deductible)

The Committee chose GH \$10 plan as it most closely mirrored our current HealthFirst Plan. It will provide a viable option for employees who were not necessarily emotionally tied to their physicians. Further, the Committee asked Angie to set up a meeting with a Group Health representative to address frequently asked questions regarding Group Health (i.e. – How is my doctor selected? What about the commercials that say that I can keep my current doctor? How are major illnesses treated? Do I need a referral? How quick can I get an appointment? Etc.)

