



STAFF REPORT

DATE: November 7, 2017
REGULAR
ITEM #: 18

TO: Mayor and City Council
FROM: Jake Foster, Assistant City Administrator
AGENDA ITEM: 2018 Health Insurance Plan and Rates

BACKGROUND:

Staff was presented with a renewal rate from the Southwest West Central Service Cooperative corresponding with a 20.9% increase in health insurance premiums. This increase prompted staff to have the City's insurance broker (NFP) gather quotes for 2018 employer/employee health insurance coverage from outside cooperatives, directly from providers, and through other benefits administration organizations.

The quote for the Advantage Plan from Minnesota Public Employees Insurance Program (PEIP)/Innovo Benefits Administration presented the greatest cost reduction to the City as well as staff.

ISSUE FOR DISCUSSION:

Should the City switch to Minnesota Public Employees Insurance Program's (PEIP) Advantage Plan with percentage of the health insurance premium should be covered by the employer in 2017?

PROPOSAL DETAILS/ANALYSIS:

The PEIP Advantage Plan bases their coverage on four tiers or cost levels. Employees must select an insurance provider, and their primary care clinic. The cost level is then determined based on the provider and primary care clinics they select. Most clinics fall into the cost level two category, and analysis was done based on that assumption.

A cost level two clinic in the PEIP Advantage Plan has a \$250 deductible for single coverage, and a \$500 deductible for family coverage, compared to the \$0 deductible with the City's current plan. The copay at the cost level two clinic in the PEIP Advantage Plan is \$30 compared to the \$25 copay. The out-of-pocket maxes for medical the PEIP Advantage Plan is \$1,200 for single and \$2,400 at a level two clinic, and \$800/\$1,600 for prescriptions respectively. The out-of-pocket medical maxes for the City's current plan, and proposed renewal, are \$1,500 per person, \$750 for single prescription and \$1,500 for family.

Last year, the HR Committee recommended that the City cover 90% of the premium for single coverage and 80% for family coverage. Staff recommends that Council adopt Resolution 2017-122 approving the PEIP Advantage Plan, and a 90% City premium contribution for single/employee coverage and an 80% City premium contribution for family coverage.

Employees will also see annual savings of approximately \$190 for single coverage, and \$300 for family coverage.

FISCAL IMPACT:

The City will save approximately \$33,000 by opting to approve the PEIP Advantage Plan in place of the SWCSC renewal, and chooses to adopt the 90% City contribution for employee coverage, and 80% City

contribution for employee family coverage policy as proposed by the HR Committee. Of this amount about \$30,000 will be reduced in the general fund budget and the remainder from the utility funds in 2018. If approved, staff will update the 2018 budget documents before final adoption. This would result in the proposed tax levy increase declining from 22.911% to 21.870% and the tax rate declining from 22.602% to 22.411%. This change saves the median value home roughly \$7.00.

OPTIONS:

- 1) Adopt Resolution 2017-122 to approve the PEIP Advantage Plan and the HR Committee's recommendation for City
- 2) Amend and then Adopt Resolution 2016-108

RECOMMENDATION:

“Motion to adopt Resolution 2017-122

**CITY OF LAKE ELMO
WASHINGTON COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 2017-122

*A RESOLUTION APPROVING HEALTH CARE PLAN AND ESTABLISHING CITY
CONTRIBUTION TO EMPLOYEE HEALTH INSURANCE BENEFITS FOR 2017*

WHEREAS, the Lake Elmo City Council has determined that it is the best interest of the City to provide a health insurance plan to help maintain the health of its current employees and to enable the city to attract and retain a quality workforce; and

WHEREAS, it is now necessary to determine the insurance plan and contributions to premium costs for the period from 1/1/2018 to 12/31/2018;

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELMO, WASHINGTON COUNTY, MINNESOTA, that it should and hereby does approve the PEIP Advantage Plan for the period of 1/1/18 to 12/31/18; and

FURTHER BE IT RESOLVED, that for calendar year 2018, the City of Lake Elmo's contribution to the total cost of providing health insurance benefits shall be as follows: 90% of premium for single coverage and 80% of premium for family coverage.

This resolution was adopted by the City Council of the City of Lake Elmo on this ____ day of _____, 2017.

Mike Pearson, Mayor

ATTEST:

Julie Johnson, City Clerk