



STAFF REPORT

DATE: October 16, 2018
ITEM #: 10

TO: Mayor and Council
AGENDA ITEM 2019 Insurance Renewals
SUBMITTED BY: Jake Foster, Assistant City Administrator

BACKGROUND:

At their Oct. 1, 2018 meeting, the Human Resources Committee recommended that Council approve the insurance renewals for 2019, as proposed by staff. Staff met with the City's insurance broker Andy Weitnauer from NFP to discuss these insurance renewals and provide a proposal to the Human Resources Committee. In addition to the health insurance renewal, staff requested quotes for disability and life insurances, as well as dental.

The open enrollment meeting for employees is scheduled for October 23.

ISSUE BEFORE COMMITTEE:

Should Council approve the insurance renewals as recommended by Human Resources Committee?

PROPOSAL:

Human Resources Committee recommended that Council approve PEIP's renewal proposal for health insurance, Delta Dental's renewal proposal for dental insurance, and move the City's disability and life insurance policies to Ochs based on their proposal.

The renewal rates for the 2019 PEIP health plans average to be a 4.01% decrease from 2018 without any policy changes. Clinic levels will be provided before the open enrollment period for employees this fall.

In addition to the renewal proposal received from Delta Dental, staff received an additional proposal from PEIP. Delta Dental's provided a proposal that would keep the premiums and policy the same as 2018. PEIP's proposal provided a slight cost savings on premiums, but also a significant reduction in benefit. Employees' maximum annual benefit would be cut in half from \$2,000 to \$1,000 under PEIP's proposal. The City would only save approximately \$9 each month per employee electing family coverage, and actually pay an additional \$.81 per employee electing single coverage. Additionally, the family +1 benefit tier is lost under the PEIP plan. Due to the reduction in benefit, staff does not believe that the cost savings seen in the dental premiums for employees electing family coverage is significant enough to warrant a change.

In addition to the renewal proposal from Reliance Standard for life and disability insurance coverage, staff received proposals from PEIP for life insurance, and Ochs for life and disability. PEIP's proposal for life insurance and accidental death and dismemberment was approximately 10% lower than Reliance's renewal proposal. PEIP does not offer disability coverage. The proposal for Ochs provided a 45% savings on life insurance premiums and a 35.85% savings on long term disability insurance, but a 12.73% increase on short term disability. Overall, there would still be a cost savings to the City. There are additional benefits that the City would receive by switching to Ochs. The services the City would have access to are additional legal, financial, and grief resources, as well as plan portability if an employee were to leave, but would like to continue coverage. Ochs would also provide the opportunity to consolidate the supplemental life

insurance policy from a carrier that has been problematic in working with. The policy would be comparable in both cost and features. As there is a more significant cost savings with Ochs, additional benefits, and provide the opportunity to consolidate the City's supplemental life insurance policy, staff recommends switch these coverages to Ochs.

The City's insurance broker also reached out to Reliance Standard to see if they are able to match or provide a more competitive proposal to the proposal received from Ochs. Based on recent claims, Reliance Standard refused to adjust their proposal.

FISCAL IMPACT:

The 4.01% average decrease in premiums from PEIP would equate to an approximate annual savings of \$5,400 if employee elections remained constant.

The City will see no cost change in renewing their dental insurance with Delta Dental.

When combining the cost savings for life and long term disability, with the increased premiums for short term disability in the Ochs offering, the City would see an annual cost savings of approximately \$1,700 by switching to Ochs for these policies. The City does not anticipate any changes for employees electing the supplemental life policy.

OPTIONS:

- 1) Approve Resolution No. 2018-117
- 2) Amend and approve Resolution No. 2018-117
- 3) Make no approval.

RECOMMENDATION:

“Move to approve Resolution No. 2018-117”

ATTACHMENTS:

- 1) 2019 renewal comparison documents
- 2) 2019 PEIP renewal letter
- 3) Resolution No. 2018-117

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

RESOLUTION NO. 2018-117

*A RESOLUTION APPROVING THE 2019 BASIC LIFE, ACCIDENTAL DEATH AND
DISMEMBERMENT, DISABILITY, AND SUPPLEMENTAL LIFE INSURANCE PLANS, AND
HEALTH CARE PLAN ESTABLISHING CITY CONTRIBUTION TO EMPLOYEE HEALTH
INSURANCE BENEFITS FOR 2019*

WHEREAS, the Lake Elmo City Council has determined that it is the best interest of the City to approve the proposal from Ochs to administer the City's Basic life, accidental death and dismemberment, disability insurance, and supplemental life insurance plans; and

WHEREAS, the Lake Elmo City Council has determined it is in the best interest of the City to consolidate these plans and lower the cost of premiums; and

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 1/1/2019 to 12/31/2019;

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 2019 basic life, accidental death and dismemberment, disability, and supplemental life insurance policies as proposed by Ochs, and the PEIP Advantage Plan for the period of 1/1/18 to 12/31/18; and

FURTHER BE IT RESOLVED, that for calendar year 2019, the City of Lake Elmo's contribution to the total cost of providing health insurance benefits shall be as follows:

Advantage Plan: 90% of premium for single coverage and 80% of premium for family coverage.

Value Option: 100% of premium for single coverage and 90% of premium for family coverage

HSA Compatible: 100% of premium for single coverage and \$100/month to HSA; 95% of premium for family coverage and \$200/month to HSA.

This resolution was adopted by the City Council of the City of Lake Elmo on this ____ day of _____, 2018.

Mike Pearson, Mayor

ATTEST:

Julie Johnson, City Clerk



September 17, 2018

Mr. Jake Foster
 City of Lake Elmo
 3800 Laverne Ave N
 Lake Elmo, MN 55042

RE: January 2019, Renewal for City of Lake Elmo

Dear Mr. Foster:

Thank you for your participation in the Public Employees Insurance Program (PEIP) Pool. We hope that the program has fulfilled your insurance needs.

We are very pleased to inform you that the pool is continuing to perform very well! For January 1, 2019, the pool renewal will be a combined average increase of 2.5 %, a figure considerably less than the current health care trend. If this is your group’s first renewal, your rates could vary slightly as you are slotted into a tier for the first time. Your renewal rates will vary slightly depending on your premium tier shown on the attached Exhibit B.

Significant growth of the program over the last few years has provided us with the opportunity to develop premiums and renewal rates based on the claims experience of the entire PEIP membership population, allowing all groups to benefit from the success of the program. The pool has grown to over 285 groups, (115 of them schools) and more than 32,000 members with an average annual renewal of 2.5% over the last 10 years, as shown below.

History of PEIP Pool Renewals

July Group Average	January Group Average	<p><i>By combining all PEIP groups into one pool, the risk is spread over a large group of members (32,000) , providing more stability of rates.</i></p>
July, 2010 = +8.0%		
July, 2011 = -6.6%		
July, 2012 = -3.3%	January, 2013 = +5.0%	
July, 2013 = +6.0%	January, 2014 = + .5%	
July, 2014 = +1.9%	January, 2015 = +2.4%	
July, 2015 = +2.0%	January, 2016 = +5.5%	
July, 2016 = +5.9%	January, 2017 = +3.5%	
July, 2017 = +1.3%	January, 2018 = +.2%	
July, 2018 = + .2%	January, 2019 = \$2.5%	
<p>Combined Pool Average = 2.4%</p> <p>*History includes all ACA taxes</p>		

January 1, 2019, Renewal
September 17, 2018
Page 2

For 2019, there are no significant plan changes on any of the three plan options. Please review the attached summary sheets for the updated benefits available in 2019 and distribute to employees as appropriate. Also, the Summaries of Benefits and Coverage (SBC's), as required by the Affordable Care Act, can be accessed online at www.innovomn.com/plan_information.html. The PEIP 2019 clinic directory will also be available on our website as of October 13, 2018. Please make sure members review their clinics for any cost level changes.

During the next six weeks, your insurance eligible employees will have the opportunity to change health plans and carrier networks. Plan designs, clinic listings, and enrollment forms are attached and can also be found on PEIP's website at www.innovomn.com/plan_information.html.

Employees and dependents who wish to change health plans or networks, need to complete an enrollment form for the change, and include the primary care clinic number for each member. Note that BCBS has changed their primary care clinic codes, please begin using new PCC codes immediately. Participants staying with the same carrier and wish to change their primary care clinic must contact the carrier directly to change their primary care clinic. Primary care clinics can be changed at any time by calling the customer service number on their ID card.

All completed enrollment forms and any changes to your group's eligibility requirements must be submitted to Innovo Benefits Administration, PEIP's administrator, by November 16, 2018.

As the sponsor of the group insurance, you may change PEIP product options (e.g. life and dental coverages) and eligibility requirements at this time. Eligibility criteria include number of hours worked per week to be eligible, new employee waiting periods before coverage becomes effective, etc. Any changes made to your current eligibility policy must be made in writing and sent to Innovo.

Forms can be sent via Fax, secure eMail or mailed to Innovo Benefits Administration.

Secure Fax: 952-746-3108

Email: service@innovomn.com

Mail: Innovo Benefits Administration
Attn: PEIP
7805 Telegraph Road, Suite 110
Bloomington, MN 55438

January 1, 2019, Renewal
September 20, 2018
Page 3

Please forward the renewal rate information to your COBRA, Minnesota continuation, disabled, and early retiree participants (if any). If PEIP manages your COBRA, Innovo will send out the information to these participants.

We also have a video available that explains the plan choices and filling out enrollment forms at <https://youtu.be/8fzPUmAaMa4> or if you have questions, please call 952-746-3101 or 1-800-829-5601 or email shawn@innovomn.com. We look forward to another year of serving you.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Byrne". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Shawn Byrne
Manager

CC: MMB
Jim Sarych - NFP

Enc: benefit charts, enrollment forms, renewal rates

EXHIBIT A
Confirmation of PEIP Coverages
City of Lake Elmo

Your group currently has the following benefits

- | | | |
|---|------------------|---------------------------------------|
| o | Medical Coverage | Advantage Plan Options |
| o | Dental Coverage | Not currently participating with PEIP |
| o | Life Coverage | Not currently participating with PEIP |

Retiree rating structure

- o In accordance with Chapter 488, renewal rates for retirees who are under age 65 are blended with the rates for active employees. Eligible retirees currently on COBRA have been included in the retiree rate structure.
- o For retirees over age 65, individual Medicare supplement policies are available. Please call Innovo Benefits Administration at 1-800-829-5601 or contact your plan administrator for more details.

Optional coverages available for next renewal period

- | | |
|-----------------------------------|--|
| Basic Life: | Can be made available to all employees or locked with medical subject to evidence of insurability. |
| Supplemental Life/AD&D: | Individuals in your group can purchase supplemental life/AD&D coverage in \$5,000 increments up to a maximum of \$300,000; subject to evidence of insurability. |
| o Dependent Life: | Dependent life insurance with \$5,000 spouse coverage and \$2,500 child coverage is also available to individuals in your group. Evidence of insurability is required. |
| o Preventive Dental: | Coverage for routine dental exams, teeth cleaning, fluoride treatment and x-rays. |
| o Comprehensive Dental: | Provides coverage for preventive, basic (fillings, extractions) and major (inlays, crowns, bridgework) treatments. |

EXHIBIT B
City of Lake Elmo
1/1/2019 Renewal Rates
Advantage Plans

2018 vs 2019 MEDICAL RATES

		Current Rates	Renewal Rates
Advantage High Option	Single	\$542.98	\$523.00
	Family	\$1,411.46	\$1,355.10
Advantage Value Option	Single	\$489.96	\$471.78
	Family	\$1,269.74	\$1,218.40
Advantage HSA Option	Single	\$378.16	\$364.14
	Family	\$971.26	\$930.32

2019 DENTAL RATES

		Monthly Rate If Employer Pays 90% or More of Cost	Monthly Rate If Employer Pays 90% or More of Cost
Preventive	Single	\$11.30	\$12.29
	Family	\$34.27	\$38.02
Comprehensive	Single	\$38.70	\$42.81
	Family	\$92.24	\$101.15

2019 LIFE RATES

Basic Life/AD&D		n/a
Dependent Life		\$1.18
Supplemental Life (Per Thousand)	<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

CITY OF LAKE ELMO
 JANUARY 1, 2019 PLAN SUMMARY | BASIC LIFE AND AD&D

	PENDING		PENDING	
	Reliance Standard		Alt. 1: Ochs	Alt. 2: PEIP
Class Definition	Life Amount	AD&D Amount	Life / AD&D Amount	Life / AD&D Amount
All full-time employees	\$25,000	\$25,000	\$25,000	\$50,000
Age Reduction				
At Age 65	Benefits reduced to 65%		Benefits reduced to 65%	
At Age 70	Benefits reduced to 40%		Benefits reduced to 40%	
At age 75	Benefits reduced to 20%		Benefits reduced to 20%	
Guarantee Issue Limit	Full benefit		Full benefit	
Accelerated Benefits	Yes		Yes	
Waiver of Premium	Disabled prior to age 60; 6 months of disability waiting period; coverage terminates at SSNRA		Disabled prior to age 60; 6 months of disability waiting period; coverage terminates at SSNRA or age 65.	
Cost Schedule	Current	Renewal	Alt. 1: Ochs	Alt. 2: PEIP
Rate per \$1000	\$0.35	\$0.35	\$0.19	
<u>AD&D Rate per \$1000</u>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.03</u>	
Total	\$0.40	\$0.40	\$0.22	\$0.36
Monthly Premium	\$200.00	\$200.00	\$110.00	\$180.00
Annual Premium	\$2,400.00	\$2,400.00	\$1,320.00	\$2,160.00
Annual Premium difference	N/A	\$0.00	-\$1,080.00	-\$240.00
Percentage difference	N/A	0%	-45%	-10%
Renewal Date	12/31/2018	12/31/2019	12/31/2022	12/31/2019
Volume	\$500,000	\$500,000	\$500,000	\$500,000

This is not meant to be a complete plan description. This is a summary meant only for illustrative purposes and is not a guarantee of current or future benefits. Consult the plan booklet for exact details.

CITY OF LAKE ELMO
 JANUARY 1, 2019 RENEWAL | GROUP DENTAL

Benefit Description	Current Delta Dental			Renewal Delta Dental		
	Plan 1		Plan 2	Plan 1		Plan 2
	PPO	Premier/Out of Network	Premier/Out of Network	PPO	Premier/Out of Network	Premier/Out of Network
Preventive Services	100%	80%	100%	100%	80%	100%
Basic Services	90%	50%	80%	90%	50%	80%
Oral Surgery						
Simple Extractions	100%	50%	80%	100%	50%	80%
Surgical Extractions	80%	80%	80%	80%	80%	80%
Endodontics	80%	50%	50%	80%	50%	50%
Periodontics (Surgical and Non-Surgical)	80%	50%	50%	80%	50%	50%
Major Services	50%	50%	50%	50%	50%	50%
Calendar Year Maximum	\$2,000	\$2,000	\$1,000	\$2,000	\$2,000	\$1,000
Calendar Year Deductible	None	\$25/\$75	\$50/\$150	None	\$25/\$75	\$50/\$150
Waived for Preventive	Yes	Yes	Yes	Yes	Yes	Yes
Orthodontics	N/A	N/A	N/A	N/A	N/A	N/A
COST SCHEDULE						
	CURRENT			RENEWAL		
Single	\$42.00			\$42.00		
Single + 1	\$81.05			\$81.05		
Family	\$110.65			\$110.65		
Percentage Increase	N/A			N/A		
Rate Guarantee Through:	12/31/2018			12/31/2019		

This is not meant to be a complete plan description. This is a summary meant only for illustrative purposes and is not a guarantee of current or future benefits. Consult the plan booklet or vendor proposal for exact details.

CITY OF LAKE ELMO
 JANUARY 1, 2019 PLAN SUMMARY | LONG TERM DISABILITY

			PENDING
	Reliance Standard		Alt. 1 Ochs
Elimination Period	180 days		180 days
Benefit Percentage	60%		60%
Monthly Maximum Benefit	\$9,000		\$9,000
Guarantee Issue Amount	\$9,000		\$9,000
Benefit Duration	Greater of SSNRA and Schedule		Greater of SSNRA and Schedule
Own Occupation Limitation	24 Months		24 Months following end of elimination period
Mental Illness Limitation	24 months		24 months combined with mental illness
Drug/Alcohol Limitation	24 months combined with mental illness		24 months combined with mental illness
Pre-existing Limitation	3/12		3/12
Survivor Benefit	One lump sum equal to three months of survivor benefits will be payable		One lump sum equal to three months of survivor benefits will be payable
Social Security Offset	Full Family		Not specified
Taxable Benefit	Yes		Yes
Cost Schedule	Current	Renewal	Alt. 1 Ochs
Rate per \$100 covered monthly earnings	\$0.265	\$0.265	\$0.170
Monthly Premium	\$306.70	\$306.70	\$196.75
Annual Premium	\$3,680.37	\$3,680.37	\$2,360.99
Annual Premium difference	N/A	\$0.00	-\$1,319.38
Percentage difference	N/A	0.00%	-35.85%
Volume	\$115,735	\$115,735	\$115,735
Renewal Date	12/31/2018	12/31/2019	12/31/2022

This is not meant to be a complete plan description. This is a summary meant only for illustrative purposes and is not a guarantee of current or future benefits. Consult the plan booklet for exact details.

CITY OF LAKE ELMO

JANUARY 1, 2019 MEDICAL RENEWAL RATES

	HIGH	VALUE	HSA			
Single	1	1	1			
Family	5	0	3			
	CURRENT			RENEWAL		
	PEIP ADVANTAGE			PEIP ADVANTAGE		
	HIGH	VALUE	HSA	HIGH	VALUE	HSA
Single	\$542.98	\$489.96	\$378.16	\$523.00	\$471.78	\$364.14
Family	\$1,411.46	\$1,269.74	\$971.26	\$1,355.10	\$1,218.40	\$930.32
MONTHLY TOTAL	\$11,382.18			\$10,925.38		
ANNUAL PREMIUM TOTAL	\$136,586.16			\$131,104.56		
ANNUAL DIFFERENCE	N/A			-\$5,481.60		
PERCENTAGE CHANGE	N/A			-4.01%		

This is not meant to be a complete plan description. This is a summary meant only for illustrative purposes and is not a guarantee of current or future benefits. Consult the plan booklet for exact details.

CITY OF LAKE ELMO

JANUARY 1, 2019 RENEWAL | SHORT TERM DISABILITY

PENDING

Schedule of Benefits	Reliance Standard		Alt. 1 Ochs
Benefits Begin			
For Injury	On the 22nd day		On the 22nd day
For Illness	On the 22nd day		On the 22nd day
Benefit Percentage	60%		60%
Benefit Maximum	\$1,400 per week		\$1,400 per week
Benefit Duration	23 weeks		23 weeks
	Current	Renewal	Alt. 1
Rate per \$10 of weekly benefit	\$0.275	\$0.275	\$0.31
Monthly Premium	\$436.40	\$436.40	491.94
Annual Premium	\$5,236.77	\$5,236.77	5,903.27
Annual Premium difference	N/A	\$0.00	\$666.50
Percentage difference	N/A		12.73%
Volume	15,869	15,869	15,869.00
Renewal Date	12/31/2018	12/31/2019	12/31/2020

This is not meant to be a complete plan description. This is a summary meant only for illustrative purposes and is not a guarantee of current or future benefits. Consult the plan booklet for exact details.