



STAFF REPORT

DATE: October 15, 2024

CONSENT

TO: Mayor and City Council

FROM: Karissa Goers, Administrative Services Director

AGENDA ITEM: 2025 Medical Insurance Renewals

BACKGROUND: Staff have received the 2025 renewal rates from Minnesota Public Employee Insurance Program (PEIP) - medical insurance, Health Partners – dental, and OCHS, Inc. - life insurance and long-term and short-term disability. We changed benefit brokers this year to DCI -Dattilo Consulting Inc. and met with representatives Grant Dattilo and Michelle Hoen on Wednesday to discuss renewal rates. An open enrollment meeting for employees will be scheduled for October 28th.

ISSUE BEFORE COUNCIL:

Should Council approve the insurance renewals as recommended?

PROPOSAL DETAILS/ANALYSIS:

The 2025 renewal rate for medical insurance coverage from Minnesota Public Employee Program (PEIP) decreased by about 1.5% which was unexpected given recent trends and the information given to us from NFP earlier in the year. PEIP is the health insurance offered to non-represented employees working at least 30 hours per week. Currently, it includes three different plans with two insurance carrier options to allow for maximum flexibility in meeting staff needs. One major change for 2025 is that PEIP is discontinuing the Value plan and will only be offering two plans going forward: the High Option or the HSA Option plan.

Staff have reviewed the total premiums and potential costs to the City in order to recommend the City contribution amounts towards the medical premiums and Health Savings Accounts (HSAs). In previous years the City has paid 100% of the premiums for the Value and HSA single coverage plans and a portion of the premiums for the High single plan and the family plans. Staff feel since the Value plan is being discontinued, that the City can contribute 100% of the premiums for both the single plans and continue to pay a portion of the premiums towards the family plans. These rates can be seen in the “2025 Benefit Rates and Contributions” sheet attached. Staff recommend keeping the monthly City contributions to the Health Savings Account coinciding with the HSA plans at the current rates of \$125 for single and \$250 for family coverage.

The 2025 renewal rate for dental insurance coverage from Health Partners increased 5.5% across all plans. We have not seen an increase in dental rates in three years so this is an expected increase that was budgeted for. Staff recommends the City absorb this increase and keep employer dental rate contributions at the same percentage as previous years.

Life Insurance rates remain the same for 2025.

Long-Term Disability and Short-Term Disability insurance rates have no change for 2025.

Currently our Short-Term Disability insurance waiting period is 21 days, meaning an employee must be out of work for 21 days before the insurance kicks in to cover an eligible event. Staff is proposing to elect a 7-day waiting period so that Short-Term disability is more accessible when needed. This would change the STD rate from .31 to .415 which is increase of \$5060 annually.

FISCAL IMPACT:

The preliminary 2025 budget included an increase for all insurance plans. The 1.5% decrease in medical rates, even with the increase to the dental rates and the increased short term disability rates will result in an adjustment to the proposed budget and an overall cost savings of about \$40,000 for the year.

OPTIONS:

1. Approve Resolution No. 2024-109
2. Amend and approve Resolution No. 2024-109
3. Make no approval.

RECOMMENDATION:

If removed from the consent agenda:

“Move to approve Resolution No. 2024-109

ATTACHMENTS:

1. 2025 PEIP Renewal Letter
2. 2025 Insurance Premium Rates and Contributions
3. Resolution No. 2024-109



September 20, 2024

Kristina Handt
 City Of Lake Elmo
 3800 Laverne Avenue No
 Lake Elmo, MN 55042

RE: January 1, 2025 PEIP Renewal for City Of Lake Elmo - **Year One**

Dear Kristina Handt:

Thank you for your participation in the Public Employees Insurance Program (PEIP). We hope the program continues to fulfill your insurance needs.

2024 vs 2025 MEDICAL RATES

		<i>Current Rates</i>	<i>2025 Renewal Rates</i>	<i>2025 Renewal Rates With Commission</i>	<i>Projected Enrollment</i>
High Option	Single	\$667.04	\$617.22	\$657.22	3
	Family	\$1,738.84	\$1,644.36	\$1,684.36	10
HSA Option	Single	\$471.70	\$425.94	\$465.94	4
	Family	\$1,216.30	\$1,132.78	\$1,172.78	8

In accordance with MN Stat. 471.61, renewal rates for retirees who are under age 65 are blended with the rates for active employees. Eligible retirees currently on continuation are included in the rate structure.

The below information is being provided to you in accordance with the 2024 Transparency Amendment to the HITA legislation.

Summary	
Agent Commissions Paid as Part of the Premium	\$40.00 PCPM / \$16.13 PMPM
Total Premium Dollars in the First 12 Month Period of the Quote, Not Including Commissions	\$348,735.12
Total Premium Dollars Per Member Per Month Not Including Commissions	\$468.73
Number of Expected Members	62
Type of Provider Network	Broad Tiered Network HMO ¹

¹The PEIP network operates as an HMO within each cost level tier.

2025 Actuarial Value Plan % of Total Allowed Costs		2025 Cost Sharing Projection Plan % of Total Allowed Costs	
High	HSA	HIGH	HSA
89.8%	74.0%	91.1%	82.2%

*Please find additional commentary regarding the source of these actuarial values and their applicability on page 4.

The PEIP program continues to do very well, our revised pooling methods have lowered the volatility of renewal increases again. In an ongoing effort to improve the program we have implemented the following changes for 2025.

PLEASE READ CAREFULLY:

1. In 2023 the state hired an outside consulting firm to make recommendations on improving PEIP. One of their recommendations was to realign the benefit offerings to make the program easier to understand. Based on this recommendation, the state decided to discontinue the Value plan for 2025. We continue to see a reduction in enrollment in this plan (down to about 8% of the total enrollment in PEIP). The Value plan included higher out of pocket expenses than the HSA option, so only a very small group of participants were better off on Value.
2. Based on revisions to the PEIP statute 43A.316 and recommendations from the same study, the group enrollment commitment in PEIP will change. Previously enrollment in PEIP was based on a two-year commitment, with an early termination option if a group received a renewal of 50% or more. The study recommended that the enrollment commitment be extended to four years, with an early termination option if you received a renewal of 20% or more. The goal of this change is to bring more stability to the pool. More stability helps to decrease volatility in renewal increases. In the first 10 years of the current pooling methodology, the plan had very high stability which resulted in average increases of approximately 3%. When the pool saw increased movement from our groups, the rate increases became higher. This return to stability will allow the plan to pool claims at a higher level which we anticipate will help keep rate volatility down. **Your group is in year One of your two-year commitment so this renewal complies with the previous statute.**
3. Effective 1/1/2025 the office visit copay in the Advantage High plan will increase \$5.00.
4. The HSA deductible and out of pocket maximums will increase to meet IRS rules.

A reminder of a couple of plan enhancements from last year.

1. Enhanced coverage of infertility for Blue Cross members (similar to HealthPartners coverage)
2. \$0 or reduced office copays for mental health treatment

PEIP continues to offer unique features to our public employer groups.

- An individual choice of two network providers for each employee, along with two plan design options.
- Very low administrative costs by leveraging with the State of Minnesota employees' contracts with each of the two network carriers.

During open enrollment, your insurance eligible employees will have the opportunity to change health plans and carrier networks. (As a reminder, there is no open enrollment for dental coverage). Please have your open enrollment completed by **November 15**. Updated plan summaries and other enrollment information is included in your email. Forms can also be found on PEIP's website at www.innovomn.com.

Individual Medicare Advantage and Cost policies are available for your retirees over age 65. Please call Innovo Benefits Administration at 1-800-829-5601 or visit our website at www.innovomn.com.

Employees and dependents who wish to change health plans or networks must complete an Enrollment Form (or online enrollment) for the change. A primary care clinic number for each member is required. *Participants staying with the same carrier who wish to change their primary care clinic must contact the carrier directly.*

All employees currently enrolled in the Value plan must complete a new enrollment form for 1/1/2025. If these employees do not complete an enrollment form by November 15, they will be auto enrolled into the HSA plan. Please refer to your last premium invoice to determine who is currently on the Value plan.

Primary care clinics can be changed at any time by calling the customer service number on the member's ID card. **The PEIP 2025 clinic directory will be available on the PEIP website approximately October 14.**
IMPORTANT: Please be sure members review their clinics for any cost level changes.

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 15, 2024. Please plan your open enrollment to meet this deadline. No form is required for those employees maintaining current coverage.

As the sponsor of the group insurance, you may change or add additional PEIP product options (e.g. life and dental coverages) and change your eligibility requirements at this time. Eligibility criteria includes the 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.

Please submit all forms via fax, email or mail to:

Innovo Benefits Administration
Attn: PEIP
7805 Telegraph Road, Suite 110
Bloomington, MN 55438
Secure Fax: 952-746-3108
Email: service@innovomn.com

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.

If you have any 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,



Shawn Byrne
Manager

CC: Agent (if applicable)

2025 Actuarial Value ³ Plan % of Total Allowed Costs		2025 Cost Sharing Projection ⁴ Plan % of Total Allowed Costs	
High	HSA	HIGH	HSA
89.8%	74.0%	91.1%	82.2%

³This minimum value calculator was released by the Department of Health and Human Services in conjunction with the final rule for determining minimum value, finalized as 45 CFR 156.145. This tool is being used to calculate actuarial value as required by Minnesota Statute 2023, section 471.6161, subdivision 8 as amended by Chapter 114, Article 1, Section 15.

The HHS minimum value calculator utilizes 2009 data trended to 2014 to determine each plan's actuarial value and relies solely on the Single coverage plan design. No employer premium or HRA/HAS contributions are included in these actuarial value calculations

⁴Using recent, actual claims data, as well as projected benefit changes, this represents PEIP's estimated member cost sharing associated with the HIGH and HSA plans. This estimate is calculated using actual PEIP membership and claim experience for both Single and Family coverages, trended forward to 2025 and using 2025 plan designs. No employer premium or HRA/HSA contributions are included in these actuarial value calculations.

City Of Lake Elmo
1/1/2025 Renewal Rates
Additional Available Coverage Options

2024 VS 2025 DENTAL RATES – PREVENTIVE PLAN (CLOSED TO NEW ENROLLMENT), if applicable

	Current	Renewal
Monthly Rate - Employer Pays 90% or More of Cost	\$12.45	\$12.45
	\$37.71	\$37.71
Monthly Rate - Employer Pays 50-89% Of Cost	\$13.54	\$13.54
	\$41.88	\$41.88

2024 VS 2025 DENTAL RATES – COMPREHENSIVE PLAN, if applicable

	Current	Renewal
Monthly Rate - Employer Pays 90% or More of Cost	\$42.60	\$42.60
	\$101.51	\$101.51
Monthly Rate - Employer Pays 50-89% Of Cost	\$47.14	\$47.14
	\$111.30	\$111.30

2025 LIFE RATES, if applicable

Basic Life/AD&D	\$.18/1,000	
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	

2025 City of Lake Elmo Benefit Rates and Contributions

Medical Plan 1st of the month	Total Monthly Premium	City's Contribution	FTE Employee Monthly Cost	Employee Per Pay Period Cost*	Monthly City HSA Contribution
PEIP - High - Single	\$ 657.22	\$ 657.22	\$ -	\$ -	
PEIP - High - Family	\$ 1,684.36	\$ 1,347.49	\$ 336.87	\$ 168.44	
PEIP - H S A - Single	\$ 465.94	\$ 465.94	\$ -	\$ -	\$ 125.00
PEIP - H S A - Family	\$ 1,172.78	\$ 1,114.14	\$ 58.64	\$ 29.32	\$ 250.00

Health Partners Dental Plan	Monthly Premium	City's Contribution	FTE Employee Monthly Cost
Single	\$ 40.26	100%	\$ -
Single + One	\$ 80.53	100%	\$ -
Family	\$ 120.78	100%	\$ -

BCBS Vision Plan	Monthly Premium	Employee Monthly Cost	Employee Per Pay Period Cost
Single	\$ 6.41	\$ 6.41	\$ 3.21
Family	\$ 15.33	\$ 15.33	\$ 7.67

Health and Dental I.U.O.E Union Coverage 30 days after hire	Monthly Premium	City's Contribution	Employee Monthly Cost	Employee Per Pay Period Cost*
Family	\$ 1,475.00	\$ 1,256.50	\$ 218.50	\$ 109.25

	Monthly Premium	City's Contribution	Employee Monthly Cost
Life Insurance (\$25,000)	\$ 4.75	100%	\$ -
AD&D (\$25,000)	\$ 0.75	100%	\$ -
STD Insurance	.415/\$10	100%	\$ -
LTD Insurance	.17/\$100	100%	\$ -

PERA Public Employee Retirement Association		Employer Contribution	Employee Contribution
Coordinated		7.5%	6.5%
Fire Plan		17.7%	11.8%

*Insurance premiums are only deducted from the first 2 paychecks each month

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

RESOLUTION NO. 2024-109

A RESOLUTION APPROVING HEALTH CARE PLAN AND ESTABLISHING CITY CONTRIBUTION AMOUNTS TO EMPLOYEE HEALTH INSURANCE BENEFITS FOR 2025

WHEREAS, the Lake Elmo City Council has determined that it is in 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 medical insurance plan and contributions to premium costs for the period from 1/1/2025 to 12/31/2025;

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 1/1/25 to 12/31/25; and

FURTHER BE IT RESOLVED, that for calendar year 2025, the City of Lake Elmo's contribution towards the cost of providing health insurance benefits through PEIP shall be as follows:

High Plan:	100% of premium for single coverage and 80% of premium for family coverage.
HSA Plan:	100% of premium for single coverage and \$125/month to HSA; 95% of premium for family coverage and \$250/month to HSA.

This resolution was adopted by the City Council of the City of Lake Elmo on this 15th day of October, 2024.

Charles Cadenhead, Mayor

ATTEST:

Julie Johnson, City Clerk