



DATE: October 19, 2015

TO: Mayor, City Council, City Manager

FROM: *Mari Kittridge*
Mari Kittridge, Acting Director of Human Resources

RE: 2016 Health Insurance Contribution

The City Council is requested to set the employer maximum contribution for 2016 Health Insurance for the unrepresented employees. The recommendation is to increase the maximum monthly contribution by \$65.00 from the 2015 amount of \$1,300.00 to \$1,365.00 effective January 1, 2016. Employees selecting a health insurance option that exceeds the maximum are required to pay the balance through payroll deduction. Approval of the \$65.00 increase is recommended.

Under the Patient Protection and Affordability Care Act (PPACA), approximately 6 part-time/temporary employees will be eligible for health insurance benefits under the PPACA regulations because they average more than 30 hours per week. A maximum monthly contribution of \$670 per month is recommended for the benefit-eligible part-time/temporary employees. This will allow the City to meet compliance with the PPACA for those part-time/temporary employees who meet the benefit eligibility requirement. Approval of the maximum monthly contribution of \$670 is recommended.

The City has a multi-year contract with Medica for health insurance that began on 1/1/2012. Rate increases (decreases) are listed below:

Year	Rate Increase/(Decrease)	Comments
2012	(3.5)%	Obtain new bid with Medica
2013	-0-%	
2014	3.8%	A 0% increase was negotiated, but state and federal requirements resulted in a 3.8% increase
2015	15.00%	Eliminated the \$20 Copay plan
2016	7.8%	Increased the deductible on the HRA High Deductible plan and added an HSA High Deductible plan

In 2012 the City received a decrease in premium for accepting a three-year contract with Medica (prior carrier was HealthPartners). This has been a favorable contract for the City in terms of premium costs. For 2016, Medica initially required a 15% increase (capped). With the change to the HRA High

Deductible plan (explained in the next paragraph) the total health insurance premiums are only expected to increase about 7.8%. The charge to the various funds is about 6.2%. For calendar year 2014 claims ran at 21% of premium. For January 1 – June 30, 2015 claims are running at -7.00 % of premium.

Human Resources and the City Manager met with the union representation to discuss options for the 2016 health insurance plan. The benefits committee, along with broker Jeffrey Azen, discussed benefit plan changes. After some discussion the group decided to increase the deductible on the HRA High Deductible plan from \$1,500 to \$2,600 for single coverage and from \$4,000 to \$5,200 for family coverage. A new High-Deductible plan with a Health Savings Account (HSA) will be added for 2016. This plan will also have a \$2,600 deductible for single coverage and a \$5,200 deductible for family coverage.

The enclosed Renewal Rate Proposal between the City and Medica sets the total premiums for 2016. For 2017 and subsequent years the City, by State Law, is required to seek new proposals for health insurance carrier(s).

The recommended \$65.00/month increase to the employer contribution represents a 5% increase. However the rate increase from Medica is computed on total premiums and, therefore, there will be more cost sharing by employees who have family coverage. There are two charts attached to this memorandum that demonstrate the increased monthly premium costs for both the employer and the employee. Employees can change options and plans once each year at "open enrollment" which is scheduled to begin on October 28th. More announcements on open enrollment will follow in the coming weeks.

As described above and in the attachments, the recommendation is to approve the \$65.00/month increase to the maximum employer contribution for regular and probationary full time employees and to set a maximum monthly employer contribution of \$670 for the eligible part-time/temporary employees under the PPACA.