



Legislation Text

File #: 16-397, **Version:** 1

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SUBJECT: 2017 Cafeteria Plan Renewal

REPORT IN BRIEF

Considers approving the renewal of the 2017 Cafeteria Plan regarding employees' and retirees' health and welfare benefits.

RECOMMENDATION

City Council - Adopt a motion approving the employees' health and welfare benefits cafeteria plan renewal for calendar year 2017 and authorizing the City Manager to execute the necessary documents.

ALTERNATIVES

1. Approve, as recommended by staff and Employee Benefits Committee; or,
2. Direct staff to develop other options; or,
3. Deny; or,
4. Take no action.

AUTHORITY

Charter of the City of Merced, Article XI, Fiscal Administration. Memoranda of Understanding (MOU) with recognized labor bargaining units and Management Compensation Plan. "The plans shall be selected solely by the City following review of proposals by the Employee Benefits Committee, whose role is advisory to the City Council."

CITY COUNCIL PRIORITIES

As provided for in the 2016-17 Adopted Budget.

DISCUSSION

The City of Merced provides five (5) forms of core insurance coverage as benefits to City employees: medical, dental, vision, disability and life insurance. These are provided through an implemented IRS Section 125 Cafeteria Plan where employees can select from two (2) options in each coverage category. The insurance plans are selected solely by the City (City Council) upon review and recommendation of the proposal by the Employee Benefits Committee. The MOUs stated that the role of the Employee Benefits Committee is advisory to the City Council.

History and Past Actions:

The Employee Benefits Committee (Committee) met with Alliant Insurance Services (broker of record) on August 24, 2016 to review group benefits and discuss development with the Affordable Care Act (ACA). The informational meeting was held to bring the Committee up to date with benefit plan offerings and to review premium renewal for medical coverage as well as review annual premium summary for all lines of benefit coverage for plan year 2017.

The Committee was encouraged to speak with their respective units and respond with a recommendation. Both staff and the Employee Benefits Committee are recommending no plan design changes and acceptance of annual premium renewal for all lines of coverage for plan year 2017.

Description:

Major Medical Plan:

The major medical plan with Anthem has been provided through a self-funded pool with CSAC EIA Health effective October 1, 2005. The program provides members an alternative to group health insurance plans using the concept of pooling to reduce insurance premiums through consolidating the fixed costs over a larger population of members. In 2006, the EIA Health program began a new partnership with Self Insured Schools of California (SISC). This relationship and collaborative effort gives the EIA Health program more stability and has provided an opportunity for lower rates and premium savings.

The major medical plan received a 0.9% rate increase for plan year 2017. The increase in premium no longer includes requirements for reinsurance fees posed by the ACA to stabilize premium coverage in the individual market and lower the effects of adverse selection for insurers. However, ACA fees still remain in place for the Patient Centered Outcomes Research (PCORI) until 2018.

Compared to the 2016 annual premium, the 2017 renewal for health insurance is a premium increase of \$65,202. The annual premium for health insurance will be \$7,583,490.

Retiree Group Medicare Advantage Plan:

Effective January 1, 2016, the City moved Medicare eligible retirees to a group Medicare Advantage Plan sponsored by United HealthCare. Working closely with our broker of record (Alliant Insurance Service), the City found an alternative Medicare retiree medical and prescription benefit platform that delivers premium cost savings to both the City and the retiree while providing essentially the same benefits as provided to full-time employees. United HealthCare® has a group Medicare Advantage PPO plan underwritten by United Healthcare Insurance Company that delivers all the benefits of Original Medicare Parts A, B and D as well as additional benefits and features.

The major medical plan received a 7% rate increase for plan year 2017. The increase in premium no longer includes requirements for reinsurance fees posed by the ACA to stabilize premium coverage in the individual market and lower the effects of adverse selection for insurers. However, ACA fees still remain in place for the Patient Centered Outcomes Research (PCORI) until 2018.

Compared to the 2016 annual premium, the 2017 renewal for the retiree group Medicare Advantage Plan is a premium increase of \$57,143. The annual premium for Medicare retiree health insurance will be \$869,806.

Flexible Spending Account (FSA):

The City's Flexible Spending Account (FSA) has been offered to employees as of January 1, 2009. The third party administrator for the benefit is Benefit Coordinators Corporation (BCC). The FSA is a benefit that allows individuals to contribute pre-tax dollars from their paycheck to a spending account that can be used for eligible expenses as outlined in Section 125 of the Internal Revenue Service (IRS) regulations. The maximum contribution is \$2,500 for out-of-pocket medical expenses and \$5,000 for dependent care expenses.

An enhancement to the benefit was added at the start of plan year 2015 with debit cards issued by the FSA administrator. The debit cards allows participating individuals to pay for eligible FSA expenses at the point of service; therefore, avoiding the submission of claim form(s) or waiting for reimbursement. FSA debit cards may be used at any eligible location wherever MasterCard is accepted.

The FSA debit cards are good for a three (3)-year period. Participants are encouraged to retain their card after exhausting all available funds for reuse next program year after re-enrolling during the open enrollment period. FSA debit cards are valid for future plan years until the expiration date printed on the front of the card is reached. There is no additional cost to the City, or employees, for the benefit enhancement.

Dental Plan:

The dental plan with Delta Dental of California is provided through a self-funded dental program with CSAC EIA effective January 1, 2011. The program covers approximately 130 public agencies with more than an approximate total of 60,000 employees. The current core dental plan provides for benefits at 100% up to a maximum per patient amount of \$1,000 per plan year. The dental plan received a 0% rate increase for plan year 2017. The rate pass is based on a review of the City of Merced's group dental experience and projected changes in dental trend. There is not an expected plan design change for plan year 2017. The annual premium for dental insurance will be \$578,142.

Vision Plan:

The vision benefit is provided through Vision Service Plan (VSP) effective July 1, 1998 and is a fully insured plan. The vision plan was renewed on January 1, 2016 with a two-year rate guarantee through December 31, 2017. There is not an expected plan design change for plan year 2017. The annual premium for vision insurance will be \$78,694.

Disability Plan:

The group disability plan is provided by VOYA (formally ING) through CSAC EIA effective March 1, 2011. The disability plan was renewed on July 1, 2014 with a three-year rate guarantee through December 31, 2017. There is not an expected plan design change for plan year 2017. The annual premium for group disability insurance is \$66,873.

Life Insurance:

The group life insurance plan is provided by VOYA (formally ING) through CSAC EIA effective March 1, 2011. The life insurance plan was renewed on July 1, 2014 with a three-year rate guarantee through December 31, 2017. There is not an expected plan design change for plan year 2017. The annual premium for group life insurance is \$26,457.

IMPACT ON CITY RESOURCES

No appropriation of funds is needed.