

Proposal Only

City of Racine

2013 Benefits Proposal

September 12, 2012

The New Normal

During the 2012 budget process we emphasized that reductions in services and personnel would become the “new normal” and there are very few ways to avoid those reductions.

Budget Projections

- 16% projected increase in
Healthcare claims costs: **\$1,915,000**
 - Projected increase in
Prescription claims cost: **\$ 264,000**
 - Total Projected Shortfall
with no healthcare plan changes: **\$2,179,000**
- Projected increased cost
for WRS pension: **\$712,122****

Baseline Information

- ❖ Estimated Costs and Projected Savings do **not** include:
 - Water and Wastewater employees and retirees
 - 118 City Retirees whose benefit plan designs cannot be changed per a settlement agreement
- ❖ All current retirees premiums cannot be changed
- ❖ Prescription Drug plan will not be changed

Health Care Benefit Plan Change History

- ❖ Last premium equivalent contribution change was in 2005. (0 to 5%)
- ❖ Last benefit plan changes were in made 2004 and 2005.
 - Out of pocket maximum increased
 - Deductible increased

Open Enrollment

- Currently no open enrollment period for the Health plan.
- Employees may enroll in the plan and add dependents any time with just 30 days notice.
- ❖ **Recommendation: A 30 day annual open enrollment period be established in 2013.**
- Employees only allowed to make changes during open enrollment or with major life changes.
- Major life changes (marriage, divorce, new baby, spouse loses insurance) would be the exceptions.

Recommended Modifications to Individual Flexible Spending Plans

Flexible Spending Accounts

\$200 Individual Flex Spending Account

- Account funded by the city
- \$200 per year per employee and retiree covered under the Health plan.
 - Administrative Fee: \$2.00 per employee per month
 - Total estimated cost for 2012: \$35,184
 - Amount paid out in 2011 approximately: \$140,000

❖ **Recommendation: The \$200 Individual Flex Spending Account be discontinued.**

❖ **Projected Savings: \$35,184 admin fee + \$140,000 paid out = \$175,184**

Flexible Spending Accounts (Continued)

Cafeteria 125 Plan Flex Spending Account and Dependent Care Account

- Voluntary and is pre-tax
- AFLAC is the Administrator
- AFLAC Admin. fee: \$3.60 per participating employee per month
- Total AFLAC Admin. cost for participating employees: \$6,652.80

❖ **Recommendation: United Healthcare administrates the account as a consolidated service.**

Benefits of change:

- Health claims may be automatically reviewed and paid to employees with sufficient funds in their account.

Flexible Spending Accounts (Continued)

Cafeteria 125 Plan Flex Spending Account and Dependent Care Account (continued)

- ❖ **Recommendation: The city pays the administration fee for those who participate.**

UHC Administration fee is \$4.80 per participating employee per month

Current number of participants: AFLAC Flex Spending Account: 146
AFLAC Dependent Care Account: 8

Total cost for current participants with UHC: \$8,870

- ❖ **Total Increase in Administrative Cost:
\$8,870 UHC - \$6,652 AFLAC = \$2,217**

Recommended Modifications to City Funded Life Insurance Policies

Life Insurance

Consolidation from two plans to one

Hartford Life

- Provided to all full time General employees at no cost to employee
 - \$9000 value while the employee is active.
 - Value reduces to \$3000 for Local 67 DPW/Parks employees and \$1000 for all other employees at retirement

❖ **Recommendation: Plan to be discontinued.**

❖ **Projected Savings:** Approximately \$28,800 per year

Life Insurance (continued)

Minnesota Life

- Basic coverage equals one times employees annual salary
- City pays for Basic coverage for all full-time employees except Local 67 DPW/Parks and Nurses who pay for their own coverage

Recommendation: The City pays for the Basic coverage for all eligible full-time employees and retirees.

❖ **Total projected Cost increase : \$14,000 per year**

❖ **Net Savings with Consolidation to one plan:**

\$28,800 savings - \$14,000 cost = \$14,800

Recommended Modifications to Member Cost Share

Member Cost Share Changes

	Current	Proposed
In-Network:		
Individual Deductible	\$300	\$400
Family Deductible	\$600	\$800
Coinsurance	85%	80%
Individual Out-of-Pocket Maximum	\$2000	\$3000
Family Out-of Pocket Maximum	\$4000	\$6000
Out of Network:		
Individual Deductible	\$300	\$800
Family Deductible	\$600	\$1600
Coinsurance	70%	60%
Individual Out-of Pocket Maximum	\$2000	\$4000
Family Out-of Pocket Maximum	\$4000	\$8000

Member Cost Share Changes (Continued)

❖ **Estimated 2013 Total Claims with Current Plan : \$13,276,488**

❖ **Projected Savings with Proposed Plan : \$947,941**

- 73% of plan participants currently meet annual deductible
- Only 10% of plan participants meet annual out-of-pocket maximum
- 97% of claims are in-network

Recommended Modifications to Employee Health Care Premium Equivalency Payments

Health Premium Equivalent Contributions

General Employees- Active Only

	Total Premium Equivalent Estimate 2013	Employee Share		Annual Increase
		Current 5%	Proposed 7.5%	
Family	18,950	947.50	1,421.25	473.75
Single	7,160	358.00	537.00	179.00

Public Safety Employees – Active only

	Total Premium Equivalent Estimate 2013	Employee Share		Annual Increase
		Current 5%	Proposed 17.5%	
Family	18,950	947.50	3,316.25	2,368.75
Single	7,160	358.00	1,253.00	895.00

Health Premium Equivalent Contributions (Continued)

- General employees pay 7.5% of the premium equivalent
- Public Safety employees pay 17.5% of the premium equivalent
- All general employees hired on or after 1/1/2013 and public safety employees hired on or after 7/1/2011 would pay 10% premium equivalent.
 - Annual Family share \$1,895
 - Annual Single share \$716
- Premium contribution increases only apply to active employees

Note: Water and Wastewater employees pay 7.5% as of 1/1/2012(new 10%)

Health Premium Equivalent Contributions (Continued)

General Employees - Active Only

	General Employee Increase in Contributions
Family	92,855
Single	<u>12,351</u>
	<u>\$105,206</u>

Public Safety Employees - Active Only

	Public Safety Increase In Contributions
Family	677,462.50
Single	<u>61,755.00</u>
	<u>\$739,217.50</u>

Total Increase in Employee Contributions: \$844,423.50

Estimated Effect of Changes on Employees

Health premium Equivalent Contribution

General Employees

	Contribution Per Year		Contribution Per Month		Increase	
	5%	7.5%	5%	7.5%	Per Year	Per Month
Family	947.50	1,421.25	78.96	118.44	473.75	39.48
Single	358.00	537.00	32.55	44.75	179.00	12.20

Public Safety Employees

	Contribution Per Year		Contribution Per Month		Increase	
	5%	17.5%	5%	17.5%	Per Year	Per Month
Family	947.50	3,316.25	78.96	276.35	2,368.75	197.39
Single	358.00	1,253.00	32.55	104.42	895.00	71.87

Summary of All Changes for General Employees

Typical Increase in Cost

<u>Single</u>	<u>Family</u>	
\$179	\$473	for additional premium equivalent contribution
\$200	\$200	for loss of flex
<u>\$100</u>	<u>\$200</u>	for additional deductible
\$479	\$873	total per year*
\$39.92	\$72.75	per month*

* Plus additional 5% coinsurance

Summary of All Changes for Public Safety Employees

Typical Increase in Cost

<u>Single</u>	<u>Family</u>	
\$ 895	\$2,368	for additional premium equivalent contribution
\$ 200	\$ 200	for loss of flex
<u>\$ 100</u>	<u>\$ 200</u>	for additional deductible
\$1,195	\$2,768	total per year*
\$99.58	\$230.67	per month*

* Plus additional 5% coinsurance

Summary of Recommendations

Discontinue \$200 Individual Flex Spending	\$175,184
Change Cafeteria 125 Plan Administrator	(2,218)
Consolidate Life Insurance Plan	14,800
Member Cost Share Changes	947,941
Health Premium Equivalent Contributions	<u>844,423</u>
Overall Total Projected Saving	<u>\$1,980,130</u>

Bottom Line

Total Projected Shortfall:	\$ 2,179,000
Total Projected Savings:	\$ 1,980,130
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Remaining Shortfall	<u>\$ 198,870</u>