



City of Racine, Wisconsin
Agenda BRIEFING MEMORANDUM

AGENDA DATE: 09/09/2019

SUBJECT: Proposed Active Employee Premium share and health savings account (HSA) –
Agenda Item 1026-19

PREPARED BY:

EXECUTIVE SUMMARY:

As part of some very difficult budget discussion, and in conjunction with the proposed healthcare plan design changes the City also evaluated the impact of changes to employee/retiree health care premium share and the implementation of an active employee health saving account program.

BACKGROUND & ANALYSIS:

The City of Racine is in severe fiscal constraints. With tax levies nearly flat, state aids flat, and net new construction the 2nd lowest in the State, the City struggles to fund even small cost increases. With healthcare being one of the largest cost increases the City faces each year, and the City having the largest unfunded post-employment healthcare liability in the State of Wisconsin, the City is forced to look at options for savings in the healthcare area.

While the administration is proposing a high deductible health plan for the active employee and the pre Medicare retirees, it is also important to look at options associated with premium share changes and active employee health savings accounts that may have a positive impact to the employee.

Premium Share %-Actives:

The City currently has two health plans (6A), which the active employees pay 10% and (7A) for which the active employee pays 5% premium share. We have about 700 actives covered under the two plans with about 440 of them paying 10% premium share currently, while 260 pay 5%. With the implementation of the proposed plan design change we are proposing to move everyone to a 7.5% premium share. While those currently paying 10% would pay less, those currently paying 5% would pay slightly more.

Preliminary calculations estimate the employee premium contribution amount for a family plan will be about \$145/month and for a single plan will be about \$55/month. Final amounts will be calculated by the City's actuaries before open enrollment.

Health Savings Account:

With a high deductible health plan the employee may setup a health savings account (HSA) that can be used to pay medical expenses. The employee owns the account but both the employee and City can contribute to the account. This account would replace the traditional Flexible Spending Account (FSA) that we have had in the past.

The City will have educational sessions to assist active employees with the benefit changes, including assistance with setting up a health savings account.

Health Savings Account City Contributions:

The administration is proposing contributions to the active employees HSA in 2020 to help with the burden associated with the plan design change. This contribution would be put into the active employees HSA account as soon as possible after the first of the year, once the account has been setup. It is the employees responsibility to make sure the account is setup. The proposed 2020 contributions are as follows:

City Resident Family Plan: \$1,500
Non Resident Family Plan: \$1,000
City Resident Single Plan: \$1,000
Non Resident Single Plan: \$750

Potential annual contribution amounts will be evaluated annually as part of the City's budget process.

BUDGETARY IMPACT:

Premium Share %-Actives:

Changing the premium share to 7.5% for all active employees will reduce the amount of premium share revenue the City receives. This will actually COST the City about \$150,000, but will save many of the active employees on a monthly basis. This additional cost will offset some of the savings received from the plan design change.

Health Savings Account (HSA) contributions:

City contributions to active employee Health Savings Accounts will COST the City about \$750,000 in 2020, but is intended to reduce the burden of the plan design change to the active employee. This additional cost will offset some of the savings received from the plan design change.

RECOMMENDED ACTION:

1. Change active employee premium share to 7.5% for 2020
2. Institute City contributions to active employee Health Savings account as proposed for 2020.
3. Premium share % and HSA contribution amounts should be evaluated and revisited as part of the budget process annually.