

**City of Fayetteville Staff Review Form**

**2017-0397**

**Legistar File ID**

**8/15/2017**

City Council Meeting Date - Agenda Item Only  
N/A for Non-Agenda Item

Brenda Reed

7/28/2017

HUMAN RESOURCES (120)

**Submitted By**

**Submitted Date**

**Division / Department**

**Action Recommendation:**

Staff recommends that Council approve the proposed 2018 employee benefits renewals, as discussed in the memo.

**Budget Impact:**

xxxx.xxx.xxxx-5108.xx		Citywide	
Account Number		Fund	
Project Number		Project Title	
<b>Budgeted Item?</b>	Yes	Current Budget	\$ 5,113,176.00
		Funds Obligated	\$ 2,728,426.22
		Current Balance	<b>\$ 2,384,749.78</b>
<b>Does item have a cost?</b>	NA	Item Cost	\$ -
<b>Budget Adjustment Attached?</b>	NA	Budget Adjustment	\$ -
		Remaining Budget	<b>\$ 2,384,749.78</b>

V20170601

Previous Ordinance or Resolution # \_\_\_\_\_

Original Contract Number: \_\_\_\_\_

Approval Date: \_\_\_\_\_

Comments: Budget information is current 2017.



**MEETING OF AUGUST 15, 2017**

**TO:** Mayor and City Council  
**THRU:** Don Marr, Chief of Staff  
**FROM:** Brenda Reed, HR Director  
**DATE:** July 28, 2017  
**SUBJECT:** **2018 Employee Benefits Renewals**

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**RECOMMENDATION:**

Staff recommends Council approve the employee benefits package for 2018 as outlined below and in the attached spreadsheets.

**DISCUSSION:**

Staff and Gallagher Benefit Services, the City's benefits broker, have reviewed the annual renewals for employee insurance plans. Employee benefit renewals are brought forward now to ensure the annual open enrollment may proceed according to schedule.

Health Insurance

In a twelve month look back period of June 1, 2016 through May 31, 2017, the City's health claims show a 102% utilization rate of claims paid versus premium paid. A utilization rate above 100% has contributed to a 20% premium increase for 2018. As a benchmark comparison, the national medical and pharmacy annual trend factor is 6.6%. In Arkansas, the annual trend factor for medical and pharmacy combined is 9.4%. The City's benefits broker states that 4% of our renewal increase is driven by Health Care Reform fee requirements.

To manage costs, staff recommends adding 2 new PPO health plans and 1 new HDHP option in addition to the existing PPO and HDHP options. To accommodate a variety of family types in the workforce and manage costs, staff recommends increasing the tier structures for each plan from 2 tiers (employee only and family) to a 4 tier structure for each plan (employee only, employee + spouse, employee + children and family). The rates for each tier in the PPO and HDHPs are based on actuarial calculations to allocate premium costs across tiers. The employer contribution to the HDHP HSAs for each tier is based on actuarial calculations of the lesser (EE only tier) to the greater (Family tier) depending on the number of possible members in each tier.

Please refer to the attached spreadsheets for the recommended tier rate and cost sharing percent.

Staff and the broker recommend renewing with Arkansas Blue Cross Blue Shield in 2018 since other health insurance bids for the City were costlier.

### COBRA

Staff recommends renewing with WageWorks as the administrator for COBRA/Retirees billing and administration.

### City Paid Life and LTD Benefits

Staff recommends renewing with One America to provide City Paid Life Insurance and Long Term Disability insurance for employees with no price increase.

### Flexible Spending Accounts

Staff recommends American Fidelity continue as the administrator of Flexible Spending Accounts with no cost for services.

### Health Savings Accounts

Staff recommends First Security Bank continue as the administrator of Health Savings Accounts with no cost for services.

### Employee Paid Telemedicine Visits

Telemedicine is the remote delivery of health care services and clinical information using telecommunications technology. This includes a wide array of clinical services using internet, wireless, satellite and telephone media. Telemedicine has been growing rapidly because it increases access to healthcare and reduces medical costs. Other advantages of telemedicine are less time away from work, elimination of child care issues, on demand options, access to specialists, less exposure to catching an illness, less time in a waiting room and better health.

Staff and Gallagher Benefit Services recommends the City offer Northwest Health System Telemedicine Services. Telemedicine providers are through Northwest Health Urgent Care Clinics Monday-Saturday 8AM-8PM and Sunday 11AM-5PM. Primary care, psychology, neurology, pulmonology, and cardiology specialists are available.

- Length of an average visit is 15 minutes, but may require additional time due to the diagnosis
- On demand visits are available
- Appointments may be scheduled through the website or by phone
- Telemed services are offered through an IT platform that communicates with appointment software

Employee Cost:

\$50 per visit

### Employee Paid Dental Insurance

Staff recommends renewing with Delta Dental and increasing the tier structure from 2 tiers (employee only and family) to 4 tiers (employee only, employee + spouse, employee + children and family) since the dental insurance is bundled with the medical insurance.

Please refer to the attached spreadsheet for tier rates.

### Employee Paid Vision Insurance

Staff recommends renewing with Superior Vision with no price increase.

Voluntary Employee Paid Benefits

Staff recommends renewing with One America for optional, employee paid Short Term Disability coverage and Employee Paid Life Insurance with no price increase.

Supplemental Benefits Paid by Employees

Staff recommends to continue offering additional supplemental benefits to employees through American Fidelity.

Disability Income Insurance

Accident Only Insurance

Cancer Insurance

Critical Illness Insurance

Life Insurance

AF Term Life Insurance

AF Permanent Life Insurance

Hospital Gap Insurance

**BUDGET/STAFF IMPACT:**

These planned insurance/benefit items will be included in the City's 2018 proposed budget.

**Attachments:**

- 2017 & 2018 Health Insurance Cost Comparison
- 2018 Health Insurance Annualized Cost

## 2017 & 2018 Health Insurance Cost Comparison

### Traditional PPO - 1000 Deductible

PPO Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %
2017 Employee Only	\$466.14	<b>\$101.66</b>	<b>\$364.48</b>	21.81% / 78.19%
2017 Family	\$1,235.23	<b>\$443.56</b>	<b>\$791.67</b>	35.91% / 64.09%
2018 Employee Only	\$559.36	<b>\$122.00</b>	<b>\$437.36</b>	21.81% / 78.19%
2018 Employee + Spouse	\$1,219.64	<b>\$437.96</b>	<b>\$781.68</b>	35.91% / 64.09%
2018 Employee + Child(ren)	\$1,006.82	<b>\$361.54</b>	<b>\$645.28</b>	35.91% / 64.09%
2018 Family	\$1,660.00	<b>\$596.10</b>	<b>\$1,063.90</b>	35.91% / 64.09%

### Traditional PPO - 2000 Deductible

PPO Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %
2017 Employee Only	\$466.14	<b>\$101.66</b>	<b>\$364.48</b>	21.81% / 78.19%
2017 Family	\$1,235.23	<b>\$443.56</b>	<b>\$791.67</b>	35.91% / 64.09%
2018 Employee Only	\$517.32	<b>\$112.82</b>	<b>\$404.50</b>	21.81% / 78.19%
2018 Employee + Spouse	\$1,127.98	<b>\$405.06</b>	<b>\$722.92</b>	35.91% / 64.09%
2018 Employee + Child(ren)	\$931.16	<b>\$334.38</b>	<b>\$596.78</b>	35.91% / 64.09%
2018 Family	\$1,535.26	<b>\$551.30</b>	<b>\$983.96</b>	35.91% / 64.09%

### Traditional PPO - 4000 Deductible

PPO Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %
2017 Employee Only	\$466.14	<b>\$101.66</b>	<b>\$364.48</b>	21.81% / 78.19%
2017 Family	\$1,235.23	<b>\$443.56</b>	<b>\$791.67</b>	35.91% / 64.09%
2018 Employee Only	\$523.64	<b>\$114.20</b>	<b>\$409.44</b>	21.81% / 78.19%
2018 Employee + Spouse	\$1,141.76	<b>\$410.02</b>	<b>\$731.74</b>	35.91% / 64.09%
2018 Employee + Child(ren)	\$942.54	<b>\$338.46</b>	<b>\$604.08</b>	35.91% / 64.09%
2018 Family	\$1,554.02	<b>\$558.04</b>	<b>\$995.98</b>	35.91% / 64.09%

### High Deductible Health Plan - 3000 Deductible

HDHP Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %	Employer's Monthly Health Savings Account Contribution	Total Employer Monthly Contribution (Premium + Health Savings Account Contribution)
2017 Employee Only	\$245.90	<b>\$21.32</b>	<b>\$224.58</b>	8.67% / 91.33%	<b>\$70.80</b>	\$295.38
2017 Family	\$651.57	<b>\$62.62</b>	<b>\$588.95</b>	9.61% / 90.39%	<b>\$156.66</b>	\$745.61
2018 Employee Only	\$295.08	<b>\$25.58</b>	<b>\$269.50</b>	8.67% / 91.33%	<b>\$70.80</b>	\$340.30
2018 Employee + Spouse	\$636.42	<b>\$61.16</b>	<b>\$575.26</b>	9.61% / 90.39%	<b>\$106.66</b>	\$681.92
2018 Employee + Child(ren)	\$482.10	<b>\$46.32</b>	<b>\$435.78</b>	9.61% / 90.39%	<b>\$132.50</b>	\$568.28
2018 Family	\$893.70	<b>\$85.88</b>	<b>\$807.82</b>	9.61% / 90.39%	<b>\$156.66</b>	\$964.48

### High Deductible Health Plan - 4000 Deductible

HDHP Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %	Employer's Monthly Health Savings Account Contribution	Total Employer Monthly Contribution (Premium + Health Savings Account Contribution)
2017 Employee Only	\$245.90	<b>\$21.32</b>	<b>\$224.58</b>	8.67% / 91.33%	<b>\$70.80</b>	\$295.38
2017 Family	\$651.57	<b>\$62.62</b>	<b>\$588.95</b>	9.61% / 90.39%	<b>\$156.66</b>	\$745.61
2018 Employee Only	\$273.64	<b>\$23.72</b>	<b>\$249.92</b>	8.67% / 91.33%	<b>\$70.80</b>	\$320.72
2018 Employee + Spouse	\$590.18	<b>\$56.72</b>	<b>\$533.46</b>	9.61% / 90.39%	<b>\$106.66</b>	\$640.12
2018 Employee + Child(ren)	\$447.06	<b>\$42.96</b>	<b>\$404.10</b>	9.61% / 90.39%	<b>\$132.50</b>	\$536.60
2018 Family	\$828.76	<b>\$79.64</b>	<b>\$749.12</b>	9.61% / 90.39%	<b>\$156.66</b>	\$905.78

## 2017 & 2018 Dental Cost Comparison

Plan Tier	Employee Premium (per payroll)	Employee Premium (per month)
2017 Employee Only	\$13.10	\$26.20
2017 Family	\$44.27	\$88.54
2018 Employee Only	\$13.10	\$26.20
2018 Employee + Spouse	\$26.20	\$52.40
2018 Employee + Child(ren)	\$30.13	\$60.26
2018 Family	\$46.75	\$93.50

# 2018 Health Insurance Estimated Annualized Cost

Annualized Calculations Based on 2017 Enrollment			
	Current Employee Participants (Excludes COBRA and Retirees, since they pay 100% for their coverage)	Current <u>ANNUAL</u> Cost to City at 2017 rates (Excluding Health Savings Account Contributions, which would not increase in 2018)	<u>ANNUAL</u> Cost to City at 2018 rates based on Current 2017 Employee Participants and Plans (Excluding Health Savings Account Contributions)
PPO Employee Only	84	\$367,395.84	\$440,858.88
PPO Employee + Spouse	9	-	\$84,421.44
PPO Employee + Child(ren)	4	-	\$30,973.44
PPO Family	24	\$351,501.48	\$306,403.20
HDHP Employee Only	238	\$641,400.48	\$769,692.00
HDHP Employee + Spouse	91	-	\$628,183.92
HDHP Employee + Child(ren)	45	-	\$235,321.20
HDHP Family	239	\$2,650,275.00	\$2,316,827.76
<b>TOTAL</b>	<b>734</b>	<b>\$4,010,572.80</b>	<b>\$4,812,681.84</b>
<u>Additional</u> Cost to City for 2018			<b>\$802,109.04</b>