

City of Fayetteville Staff Review Form

2020-0592

Legistar File ID

8/4/2020

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

Missy Cole

7/14/2020

HUMAN RESOURCES (120)

Submitted By

Submitted Date

Division / Department

Action Recommendation:

Staff recommends Council approve the 2021 employee benefits renewals as proposed in the staff memo.

Budget Impact:

xxxx.xxx.xxxx-5108.xx

Citywide

Account Number

Fund

Project Number

Project Title

Budgeted Item? Yes

Current Budget \$ 6,020,340.00

Funds Obligated \$ 3,155,722.00

Current Balance **\$ 2,864,618.00**

Does item have a cost? NA

Item Cost

Budget Adjustment Attached? No

Budget Adjustment

Remaining Budget **\$ 2,864,618.00**

V20180321

Purchase Order Number: _____

Previous Ordinance or Resolution # _____

Change Order Number: _____

Approval Date: _____

Original Contract Number: _____

Comments:



MEETING OF AUGUST 4, 2020

TO: Mayor and City Council
THRU: Susan Norton, Chief of Staff
FROM: Missy Cole, HR Director
DATE: July 14, 2020
SUBJECT: 2021 Employee Benefits Renewals

RECOMMENDATION:

Staff recommends Council approve the employee benefits package for 2021 as outlined below and in the attached documents.

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 at this time to ensure the annual open enrollment may proceed according to schedule.

Health Insurance

The one year look back period of the City’s health claims shows an 86.9% utilization rate of claims paid versus premiums paid. Under the City’s current renewal rate guarantee with Arkansas Blue Cross Blue Shield, this utilization rate results in a 6% premium increase for 2021.

Staff and the broker have reviewed the structures and utilization of the City’s current offerings of two HSA-compliant, high deductible plans and three PPO plans of various deductibles and recommend consolidating offerings to one HSA 3000 high deductible plan and one PPO 1000 low deductible plan. These plans are currently utilized by 98.2% of City employees who elect health insurance.

To mitigate the premium increase, Staff recommends restructuring both plans. Restructuring the HSA 3000 plan Out of Network, out-of-pocket costs from unlimited to include a maximum cap of \$12,000 individual and \$24,000 family will reduce the premium increase from 6% to 4% for 2021. Restructuring the PPO plan to include a prescription copay change will reduce the premium increase from 6% to 5.5% for 2021.

	Current Copay	Proposed Copay
Generic	\$10	\$10
Preferred Brand	\$30	\$40
Non-Preferred Brand	\$50	\$60
Specialty Drug	\$50	\$150

Please refer to the attached document for the recommended 2021 tier rates which reflect the premium increases and assume current cost sharing percentages between employer and employee.

Staff and the broker recommend renewing with Arkansas Blue Cross Blue Shield for 2021 with the proposed plan structure changes and premium increases of 4% to the HSA 3000 plan and 5.5% to the PPO 1000 plan, maintaining current cost sharing percentages between employer and employee.

COBRA

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

City Paid Life and LTD Benefits

As part of the City's benefit broker due diligence, Gallagher conducted a market analysis of the City's Life, Voluntary Life, Long-Term Disability and Short Term-Disability programs. Bids were requested from Sun Life, Reliance Standard, Blue Cross Blue Shield of Arkansas (administered by US Able Life) and Cigna. Bids were analyzed for comparable benefits, coverages and rates. The final analysis reflected no compelling argument to make a change in carriers for the 2021 calendar year.

Staff recommends renewing with OneAmerica for the same benefit coverage and current rates. The City received a one-year rate hold on all Life/Disability products administered by OneAmerica.

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 Dental Insurance

Staff recommends renewing with Delta Dental. The renewal includes a 3% decrease in rates with a two-year rate guarantee. Staff recommends unbundling the Health and Dental plans to allow employees more control of their health care dollars.

Please refer to the attached document for tier rates.

Employee Paid Vision Insurance

Staff recommends Superior Vision continue with no price increase. Superior Vision will provide a four-year rate hold.

Voluntary Employee Paid Benefits

Staff recommends continuing to offer optional, employee paid Short Term Disability coverage and Employee Paid Life Insurance through OneAmerica with no price increase and a one-year rate hold.

Supplemental Benefits Paid by Employees

Staff recommends continuing to offer 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:

The costs of these planned insurance/benefit items are being budgeted in the City's 2021 budget.

Attachments:

- 2021 Health Insurance Cost
- 2020 to 2021 Dental Cost Comparison

Traditional PPO - 1000 Deductible				
PPO Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %
2021 Employee Only	678.44	\$172.92	\$505.52	25.49%/74.51%
2021 Employee + Spouse	1479.32	\$558.44	\$920.88	37.75%/62.25%
2021 Employee + Child(ren)	1221.16	\$460.98	\$760.18	37.75%/62.25%
2021 Family	2013.42	\$760.06	\$1,253.36	37.75%/62.25%

High Deductible Health Plan - 3000 Deductible				
PPO Rate Tier	Total Monthly Premium	Monthly Employee Contribution	Monthly Employer Contribution	Employee/ Employer Cost-Share %
2021 Employee Only	352.98	\$49.62	\$303.36	14.06%/85.94%
2021 Employee + Spouse	761.28	\$113.26	\$648.02	14.88%/85.12%
2021 Employee + Child(ren)	576.68	\$85.80	\$490.88	14.88%/85.12%
2021 Family	1069.04	\$159.04	\$910.00	14.88%/85.12%

2021 Health Insurance Annualized City Cost

ANNUALIZED CALCULATIONS BASED ON JUNE 2020 Enrollment Excluding HSA Contributions		
	Current Employee Participants	Projected 2021 Cost to City Retaining Employee/Employer Cost Share Percentage from 2020
PPO 1000 Employee Only	36	\$218,384.64
PPO 1000 Employee + Spouse	6	\$66,303.36
PPO 1000 Employee + Child(ren)	2	\$18,244.32
PPO 1000 Family	5	\$75,201.60
HDHP 3000 Employee Only	252	\$917,360.64
HDHP 3000 Employee + Spouse	91	\$707,637.84
HDHP 3000 Employee + Child(ren)	55	\$323,980.80
HDHP 3000 Family	239	\$2,609,880.00
TOTAL	686	\$4,936,993.20

2020 & 2021 Dental Cost Comparison

Plan Tier	Employee Premium (per payroll)	Employee Premium (per month)
2020 Employee Only	\$14.18	\$28.36
2020 Employee + Spouse	\$28.34	\$56.68
2020 Employee + Child(ren)	\$32.60	\$65.20
2020 Family	\$50.57	\$101.14
2021 Employee Only	\$13.47	\$26.94
2021 Employee + Spouse	\$26.92	\$53.84
2021 Employee + Child(ren)	\$30.97	\$61.94
2021 Family	\$48.04	\$96.08