

## CITY COUNCIL MEMORANDUM

### AGENDA ITEM

Group Employee Medical and Dental Insurance Benefits

### ORIGINATING DEPARTMENT

Internal Services: Human Resources

### BACKGROUND INFORMATION

The City of Killeen provides medical and dental insurance, Scott and White Health Plan and MetLife, respectively, for each employee so that each has access to health care. In FY '16, the City continued to pay 100% of the medical and dental care premiums, base plan only, for all eligible employees. Employees may purchase additional medical and dental care coverage for their family members, if they choose.

### DISCUSSION/CONCLUSION

Medical insurance benefits are reviewed annually. The original proposed renewal for the SWHP FY '17 rate was +12.9% of the FY '16 rate, negotiated down to +9.3% by our benefits consultant. This increases the employee-only premium from \$385.05 per month to \$420.86 (actual cost to the City, \$410.86) per month. The proposed renewal rate for medical insurance benefits provides competitive pricing for employee medical insurance, maintaining current core benefits and introducing access to telemedicine for the first time. We are very excited about the telemedicine opportunity; it will provide effective, easily-accessed care for employees who choose that mode and will be accompanied by \$0 co-pay for employees who choose one of the PPO plans.

Dental insurance benefits are also reviewed annually. The proposed renewal for MetLife FY '17 rate was +7.90% of the FY '16 rate, negotiated down to +3.0% by our benefits consultant who also secured a guarantee of no increase for FY '18. This increases the employee-only premium from \$23.52 per month to \$24.24 per month. The renewal rate for dental insurance benefits also provides competitive pricing for the employee dental insurance for two years and maintains the core benefits.

Additionally, the staff is proposing several modifications in plan design for medical insurance, as follows:

1. We have dropped the third-tier plan, previously known as the "high plan." The core benefits were generous; the cost was correspondingly high (\$615.78 month, employee only); and it generated a loss- ratio of 138% (as compared to the market benchmark, 85%).
2. We have added a high deductible health savings account option for employees; it resembles the major medical approach that many employees utilized prior to the advent of managed health care, and is accompanied by the City's contribution of \$30 per month to the employee's HSA account.

3. We have added an employee engagement aspect to encourage our participation in wellness measures designed to improve health and well-being; the proposed employee engagement surcharge is \$10 per month for employees who chose to participate in the biometric screening and health assessment and \$60 per month for those who did not. Both means of employee engagement are offered by the Scott and White Health Plan, free of charge and scheduled during work hours. A portion of the surcharge (\$10) will be used to offset the City's costs.

**FISCAL IMPACT**

The medical insurance plan proposed reflects a 9.3% (6.7%) increase in premiums to the City. Based on the average of 1,039 full-time employees who are eligible to participate in medical insurance, the annual fiscal impact of this recommendation is an estimated total increase in cost of \$316,535.68 for FY '17. The new rates would be effective October 1, 2016.

Proposed FY 17	Total Increased Cost	Increased Cost Per Employee/Month
\$5,117,338.08	\$316,535.68	\$35.81 (\$25.81) or \$23.65

The dental insurance plan proposal reflects a 3.0% increase in premiums to the City. Based on the average of 1,090 full-time employees who are eligible to participate in dental insurance, the annual fiscal impact of this recommendation is an estimated increase in cost of \$10,407.60 for FY '17. The new rates would be effective October 1, 2016.

Proposed FY 17	Total Increased Cost	Increased Cost Per Employee/Month
\$317,059.20	\$10,407.60	\$0.72

Costs for both are included into the City's FY '17 proposed budget, which will be delivered to the City Council in July, 2016.

**RECOMMENDATION**

It is recommended that City Council recommend the renewal of Scott and White Health Plan as the provider for employee medical insurance to the Employee Benefit Trust and authorize the City Manager to execute an agreement with Scott and White Health Plan for medical insurance effective October 1, 2016, and that the City Manager be authorized to execute any necessary change order in accordance with state and local law.

It is recommended that the City Council recommend the renewal of MetLife as the provider for employee dental insurance to the Employee Benefit Trust and authorize the City manager to execute an agreement with MetLife for dental insurance effective October 1, 2016, and that the City Manager be authorized to execute any necessary change order in accordance with state and local law.