



STAFF REPORT

DATE: July 16, 2019

TO: Ronald L. Olson, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: RECOMMENDATION TO EMPLOYEE BENEFITS TRUST FOR APPROVAL OF GROUP EMPLOYEE MEDICAL/RX & DENTAL INSURANCE BENEFITS

BACKGROUND AND FINDINGS:

The City of Killeen offers medical and dental insurance as part of its employee benefits package. Currently, of the approximately 1169 eligible employees, approximately 906 enroll in the City medical insurance plan. Approximately 1081 employees elect dental insurance. The City currently pays 100% of the medical and dental care premiums for employee only. Employees may purchase additional medical and dental care coverage for eligible family members or dependents at their added expense. Current carriers for medical and dental insurances are United Health Care (UHC) and Lincoln Financial Group, respectively.

All benefits are reviewed annually to ensure that both the City and employees are receiving the best product for the best price. The City requested renewal quotes from UHC for both fully insured and self-funded platforms in order to obtain the most competitive rates possible inside a rapidly changing environment.

The renewal proposals are as follows:

Current Plan	Proposal To Renew Current Plan	Proposal To Change To Navigate Plan	Proposal To Renew Current Plan Self-funded With TLO	Proposal To Renew Current Plan Self-Funded With Expected Liability	Proposal To Renew Current Plan Self-Funded With Mid Liability	Proposal To Renew Current Plan Self-Funded With Max Liability	Proposal To Change To UHC Navigate Plan Self-Funded With TLO	Proposal To Change To UHC Navigate plan Self-Funded With Expected Liability	Proposal To Change To UHC Navigate Plan Self-Funded With Mid Liability	Proposal To Change To UHC Navigate Plan Self-Funded With Max Liability
UHC EPO (Choice)	UHC EPO (Choice)	UHC (Navigate)	UHC EPO (Choice)	UHC EPO (Choice)	UHC EPO (Choice)	UHC EPO (Choice)	UHC (Navigate)	UHC (Navigate)	UHC (Navigate)	UHC (Navigate)
\$5,342,676	\$6,358,159	\$5,556,706	\$9,566,991	\$6,232,253	\$6,869,051	\$7,505,850	\$8,494,365	\$5,569,982	\$6,123,997	\$6,678,012
N/A	19.0%	4.0%	79.1%	16.7%	28.6%	40.5%	59.0%	4.3%	14.6%	25.0%

After a thorough analysis of the medical insurance options, it is requested that the City Council make a recommendation to the City of Killeen Employee Benefit Trust to select the UHC Navigate fully insured plan options for the 2019 plan year. With this selection, the cost for healthcare would increase by 4% and the plan would change from the UHC Choice to UHC Navigate plan design. The main difference between current plan year UHC Choice and proposed UHC Navigate is that insured members will have to be referred by their primary care physician in order to be seen by a specialist physician. The current UHC Choice plan does not

require a referral. The proposed UHC Navigate plan would also require out-of-area dependents to have an in-area primary care physician. The UHC Navigate plan options increases the employee-only premium from \$421.78 per month to \$438.65 per month.

Dental is also reviewed annually. Last year Lincoln provided a two (2) year rate guarantee. Therefore, dental will not have a financial impact for FY20 and the City will continue to offer two dental plans with Lincoln at the same cost.

It is requested that the City Council make a recommendation to the City of Killeen Employee Benefit Trust to select both plans offered by Lincoln as the ones that provide the most effective, most competitive dental health insurance package for employees.

THE ALTERNATIVES CONSIDERED:

Alternatives considered:

(1) To consider a contract with United Health Care Choice for a fully-insure medical healthcare plan and fully-insured with Lincoln for a dental care plan.

(2) To consider a contract with United Health Care Navigate for a fully-insured medical healthcare plan and fully-insured with Lincoln for a dental care plan.

Which alternative is recommended? Why?

Staff recommends the second alternative because the UHC fully-insured (Navigate) plan and Lincoln’s no rate change options offer the most advantageous products and competitive price.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The medical insurance plan proposed reflects a 4% increase in premiums to the City. Based on the average of 906 full-time employees that participate in medical insurance, the annual fiscal impact of this recommendation is an estimated total increase in cost of \$214,030 for FY 20. The new rates would be effective October 1, 2019.

Current healthcare cost:	\$5,342,676
Proposed healthcare cost:	<u>\$5,556,706</u>
Total increase:	\$ 214,030
Current dental care cost:	\$ 561,050
Proposed dental care cost:	<u>\$ 561,050</u>
Total increase:	\$ 0
Total net increase:	\$ 214,030

The dental insurance plan proposal reflects a rate pass in premiums to the City. On average,

1,160 full-time employees are eligible to participate in dental insurance and the same rates of FY 19 would be effective October 1, 2019.

Costs for healthcare and dental insurance are included into the City's FY 20 proposed budget, which will be delivered to the City Council in August, 2019.

What is the amount of the expenditure in the current fiscal year? For future years?

\$5,556,706 for healthcare and \$561,050 for dental.

Is this a one-time or recurring expenditure?

Recurring after renewal period next June.

Is this expenditure budgeted?

Yes

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes, within each division's personnel service accounts.

RECOMMENDATION:

That City Council recommend to the Employee Benefits Trust the selection of the UHC Navigate plan for employee medical and Lincoln dental insurance benefits effective October 1, 2019.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

FY20 Proposed Rates