



HISTORIC
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TENNESSEE

ITEM #15
WRKS 05/28/13

MEMORANDUM

May 20, 2013

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator *ES*
Russ Truell, Assistant City Administrator / CFO
Shirley Harmon, Human Resources Director
Tammie Pitts, Benefits Manager

SUBJECT: Group health insurance benefits

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information regarding health insurance rate adjustments and recommended plan design changes.

Background

The City's health insurance costs have remained relatively stable since 2008. As a result, the City has not changed the employee contribution for health insurance since 2008. In the last fiscal year, however, costs increased significantly and BlueCross BlueShield of Tennessee (BCBST), the City's third party administrator for the group health plan, recommended a substantial increase in the suggested funding levels for 7/1/2013 through 6/30/2014. Total paid claims increased 13.9% over the study period of 2/1//2012 to 1/31/2013. 51 members had claims in excess of \$25,000 whereas in the previous twelve-month period, 38 members had claims in excess of \$25,000.

To minimize the effects of the increase, staff worked with BCBST and Sherrill Morgan, the City's Employee Insurance Benefits Consultant, to modify deductible and out-of-pocket expense levels for Option I as outlined below. No deductible or out-of-pocket changes were made to the Option II plan.

Option I	7/1/2012		7/1/2013	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible:				
Single	250	500	500	1,000
Family	750	1,500	1,000	2,000
Percentage Payable	90%	70%	80%	60%
Preventative Health Care	100% after \$20 copay	70%	100% (copay eliminated)	60%
Out-of-Pocket Maximum (inc. deductibles)				
Single	1,000	2,250	1,500	4,500
Family	2,250	5,000	3,000	9,000



Option II	7/1/2012			7/1/2013	
	In-Network	Out-of-Network		In-Network	Out-of-Network
Calendar Year Deductible:					
Single	1,000	2,000		1,000	2,000
Family	3,000	6,000		3,000	6,000
Percentage Payable	80%	60%		80%	60%
Preventative Health Care	100% after \$20 copay	60%		100%	60%
Out-of-Pocket Maximum (inc. deductibles)					
Single	4,000	6,000		4,000	6,000
Family	9,000	14,000		9,000	14,000

Bi-Monthly Premiums								
	7/1/2012			7/1/2013			Increase	
	Employee	City	Total	Employee	City	Total	Employee	
Option I - Single	\$32.50	\$238.00	\$270.50	\$38.59	\$218.66	\$257.25	\$6.09	
Option I - Family	\$113.75	\$506.52	\$620.27	\$133.95	\$535.79	\$669.74	\$20.20	
Option II - Single	\$14.08	\$121.63	\$135.71	\$20.14	\$181.26	\$201.40	\$6.06	
Option II - Family	\$47.67	\$314.93	\$362.60	\$78.64	\$445.61	\$524.25	\$30.97	

To better manage future health insurance costs, it is recommended the City institute a policy establishing a percentage share that the City pays toward employee health insurance and maintain that level of support going forward. The specific proposal is that the City pays 85% of single coverage for active employees and 80% for family coverage. The shift to the 85%/80% funding in Option II will be phased in this year (90% for single and 85% for family coverage) and next.

The rate increases most significantly impact City retirees enrolled in Option II. Employees who retire with 25 years of service regardless of age are eligible to enroll in the Option II group health plan. When the Alternative Retirement Insurance Plan was established, the City's contribution was set at \$125 per month for single coverage and \$275 for family coverage. The City's fixed cost has remained at this level since inception. It is recommended the City increase its contribution to \$200 per month for single coverage and \$500 per month for family coverage. These changes will bring the retiree's monthly portion of the premium from \$146.41 to \$202.80 for single coverage and from \$450.19 to \$548.50 for family coverage. Incorporating these changes would equate to the City contributing 50% of single coverage and 48% for family coverage.



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Financial Impact

The modifications described in this memorandum are incorporated in the 2013-14 budget recommendation.

Recommendation

Staff recommends that the Board approve plan design changes for Option I and the implementation of a policy with the City contributing 85% of the cost of single health insurance coverage and 80% of family health coverage. These contribution levels for Option II will be phased in this year and next. In addition, staff recommends increasing the City's monthly contribution to the Alternative Retirement Insurance Plan to \$200 for single coverage and \$500 for family coverage.