

	Presented
Date Action Taken: <i>N/A</i>	<i>6/13/16</i>
Other:	
Verified By: <i>[Signature]</i>	

CITY COUNCIL INFORMATIONAL MEMORANDUM

IM No. 16-11: Health Care Benefit information for FY2017.

Originator: Troy Tankersley, Finance Director

Date: 6/1/2016

Agenda of: 6/13/2016

Route to:	Department Head	Signature	Date
X	Finance Director	<i>[Signature]</i>	<i>6-1-16</i>
X	Deputy Administrator	<i>[Signature]</i>	<i>6/1/16</i>
X	City Clerk	<i>[Signature]</i>	<i>6/6/16</i>

Reviewed by Mayor Bert L. Cottle: *[Signature]* *06:06:2016*

Attachments: None

Summary Statement: Currently, the City of Wasilla provides health insurance benefits to employees of the City under a self-insured model administered through contract for health care and stop-loss protection. Dental and Vision benefits are deemed a fully insured as these are paid through a policy either directly or through an administrator.

The City has expended \$1.8m to \$2.2m in the previous 5-years as shown for all benefits to include health, dental, vision, life, EAP, and/or any other services required to administer the City's benefits:

Fiscal Year(s)	Cost (\$)	% Change
2016 est.	2,144,092	-3.48%
2015	2,221,437	-9.74%
2014	2,461,267	16.65%
2013	2,110,048	17.75%
2012	1,791,920	15.49%

Prior to the start of each fiscal year, the City is required to negotiate with the Unions of the Operators, Local 302 and Teamsters, Local 959 as specified in each Collective Bargaining Agreement. Laborers, Local 341 only require the City to provide health care benefits.

For Fiscal Year 2017, the Unions have come forth to propose benefits and costing that potentially requires the City to take pause and analyze the costing should the City decide to allow the Unions to accept their members into their own health care plans or trusts. The Operators,

Local 302 have offered to accept the Non-Reps through an agreement that can be cancelled by allowable methods (i.e., proper notification and time). The City by allowing defragmentation of its employees can create cost savings to the City as indicated:

Plan/Trust		Cost (\$)	Savings (\$)
COW	All employees	2,364,846	
L302 Trust	L302 + Non-Reps	820,186	(410,955)
L959 Trust	L959 Members	830,694	(193,848)
L341 Trust	L341 Members	90,240	(18,924)
	Totals:		(623,727)
90/10 split coverage for dependents; Policy No. 06-03 – to be negotiated			
L302 Trust	L302 + Non-Reps		56,222
L959 Trust	L959 Members		67,893
L341 Trust	L341 Members		5,760
	Totals:		129,875
Est. Run-out cost to self-insured plan:			500,835
Net cost in FY2017:			6,983
Net (savings) in FY2018:			(493,851)

If the City does defragment its existing self-insured plan, the run-out costs to the City, associated with claims prior to July 1, 2016 is estimated at \$190,000, contract cost \$60,835, and excess stop loss risk liability of \$250,00 for a total cost of \$500,835 in year one. Beyond FY2017, year two, the cost savings are realized fully as claims have largely been paid in the first half of FY2016.

Other items in consideration are in reporting of claims and claims history for the City. In the self-insured model and enrollees in excess of 100, the City receives reporting on claims and claims history that may be used in future years to alter its existing plans or provide wellness programs. This type of information is removed in a fully-insured model as the City would simply pay invoices monthly to its respective vendors.

The Statement of Benefits (SOB) regarding the above plans/trusts places the benefits (i.e., deductibles, out-of-pocket, etc.) below that of the City’s existing plans of \$500 and \$1,000 to \$300 (i.e., L302); and \$400 (i.e., L959). Information is being gathered for L341’s trust and was not available as of this IM.

Therefore, the City is recommending a defragmentation of its existing self-insured model to a fully-insured model and negotiating with Union’s L302, L959 and L341 to provide health, dental and vision coverage to the City employee’s. The City would retain the policies for life insurance and employee assistance program (EAP) under current contracts.