

**City of Fayetteville Staff Review Form**

**2015-0337**

**Legistar File ID**

**8/4/2015**

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

Pachee Lee

7/17/2014

Human Resources /  
Chief of Staff

**Submitted By**

**Submitted Date**

**Division / Department**

**Action Recommendation:**

Staff recommends that Council approve the proposed 2016 employee benefits renewals, as discussed in the memo.

**Budget Impact:**

xxxx.xxxx.51xx.xx		Citywide	
Account Number		Fund	
N/A		N/A	
Project Number		Project Title	
<b>Budgeted Item?</b>	Yes	Current Budget	\$ 4,715,899.00
		Funds Obligated	\$ -
		Current Balance	<b>\$ 4,715,899.00</b>
<b>Does item have a cost?</b>	Yes	Item Cost	
<b>Budget Adjustment Attached?</b>	No	Budget Adjustment	
		Remaining Budget	<b>\$ 4,715,899.00</b>

V20140710

Previous Ordinance or Resolution # \_\_\_\_\_

Original Contract Number: \_\_\_\_\_

Approval Date: \_\_\_\_\_

Comments:

**MEETING OF AUGUST 4, 2015**

**TO:** Mayor and City Council

**THRU:** Don Marr, Chief of Staff  
Michele Bechhold, Sr. Human Resources Officer

**FROM:** Pachee Lee, Benefits Administrator

**DATE:** July 17, 2015

**SUBJECT: Employee Benefits Renewals for 2016**

---

**RECOMMENDATION:**

Staff recommends Council approve renewal of employee benefits for 2016 as outlined below and in the attached spreadsheets.

**DISCUSSION:**

Staff and Gallagher Benefit Services, the City's benefits broker, have reviewed annual renewals for employee insurance plans. Employee benefit renewals are brought forward now to ensure the annual open enrollment may proceed according to schedule.

Health Insurance

The City's claims history for the 12 month look back period, (6/1/2014-5/31/2015), reflects a 90% utilization rate of claims paid versus premium paid. This utilization rate has helped keep the premium increase for 2016 at a relatively low 6.4%. As a benchmark comparison, the national medical and pharmacy annual trend factor is 7.2%. The City's benefits broker states that 4.1% of this 6.4% increase is driven by Health Care Reform fee requirements.

Staff recommends the 6.4% increase dollar amount be split evenly (50/50) between the City and City employees. Please refer to the attached spreadsheets for details.

Due to the relatively low premium increase and the inherent disruption to employees anytime their health insurance coverage changes, Staff and the broker recommend renewing with Blue Cross Blue Shield rather than taking competitive bids for health insurance for 2016.

Flexible Spending Accounts and Health Savings Accounts

Staff recommends DataPath Administrative Services continue as the administrator for Flexible Spending Accounts with no change to current fees and services.

Health Savings Accounts are currently administered by Simmons Bank. Simmons Bank is implementing a monthly maintenance fee of \$3 to account holders for 2016. The City is currently evaluating proposals from Health Savings Account administrators to ensure the selected administrator provides the services valued by City employees at the most competitive rate.

### City Paid Benefits

Staff recommends renewing with The Standard to provide City Paid Life Insurance and Long Term Disability insurance for employees. The Standard will continue to provide the same benefits and services with no new charges or price increase.

### Employee Paid Dental Insurance

Currently dental insurance is provided through Delta Dental. In the 2016 renewal, Delta proposed a 9% premium increase. The increase in premium is attributed to an increased utilization, 112%, and 2% of the increase is attributed to Health Care reform requirements. Competitive bids were taken. Staff recommends renewing with Delta Dental due to minimal premium differences and the fact that Delta has the largest provider network in Arkansas.

### Voluntary Employee Paid Benefits

Staff also recommends renewing with The Standard for optional, employee paid Short Term Disability coverage and Employee Paid Life Insurance. There will be no increase in rates for these two products for 2016.

### **BUDGET/STAFF IMPACT:**

These planned insurance/benefit items are being budgeted for in the City's 2016 budget.

### **Attachments:**

- 2015 & 2016 Health Insurance Cost Comparison
- 2016 Health Insurance Annualized Cost

# 2015 & 2016 Health Insurance Cost Comparison

TRADITIONAL PPO						
MONTHLY CALCULATIONS						
PPO Rate Tier	Total Monthly Premiums	Monthly Employee Contribution	Monthly Employer Contribution	Employee Cost Share %		
2015 Single	\$414.79	\$82.96	\$331.83	20.00%		
2015 Family	\$1,099.16	\$384.72	\$714.44	35.00%		
2016 Single	\$441.42	<b>\$96.28</b>	<b>\$345.14</b>	21.81%		
2016 Family	\$1,169.73	<b>\$420.00</b>	<b>\$749.73</b>	35.91%		
HIGH DEDUCTIBLE HEALTH PLAN (HDHP)						
MONTHLY CALCULATIONS						
HDHP Rate Tier	Total Monthly Premiums	Monthly Employee Contribution	Monthly Employer Contribution	Employee Cost Share %	Employer's Monthly Health Savings Account Contribution	Total Employer Monthly Contribution (Premium + Health Savings Account Contribution)
2015 Single	\$218.81	\$13.16	\$205.65	6.01%	\$70.80	\$276.45
2015 Family	\$579.80	\$40.68	\$539.12	7.02%	\$156.66	\$695.78
2016 Single	\$232.86	<b>\$20.18</b>	<b>\$212.68</b>	8.67%	\$70.80	\$283.48
2016 Family	\$617.02	<b>\$59.28</b>	<b>\$557.74</b>	9.61%	\$156.66	\$714.40

# 2016 Health Insurance Annualized Cost

	ANNUALIZED CALCULATIONS		
	Current Employee Participants (Excludes COBRA and Statutory Insureds, since they pay 100% for their coverage)	Current <u>ANNUAL</u> Cost to City at 2015 rates (Excluding Health Savings Account Contributions, which would not increase in 2016)	<u>ANNUAL</u> Cost to City at 2016 rates based on Current 2015 Employee Participants (Excluding Health Savings Account Contributions)
PPO Individual	95	\$378,286.20	\$393,459.60
PPO Family	48	\$411,517.44	\$431,844.48
HDHP Individual	147	\$362,766.60	\$375,167.52
HDHP Family	344	\$2,225,487.36	\$2,302,350.72
<b>TOTAL</b>	<b>634</b>	<b>\$3,378,057.60</b>	<b>\$3,502,822.32</b>
<u>Additional</u> Cost to City for 2016			\$124,764.72