

MEMORANDUM



TO: CLAY J. PEARSON, CITY MANAGER
VICTOR CARDENAS, ASSISTANT CITY
FROM: TIA GRONLUND-FOX, DIRECTOR OF
SUBJECT: 2012 HEALTH CARE RENEWAL
DATE: OCTOBER 12, 2011

10/12/2011
To: Mayor and Members of the City Council
For staff presentation on October 17
meeting.
Clay

We have completed our review of the 2012 health plan renewal offers and alternatives and provide our findings as summarized below to be implemented effective January 1, 2012 as part of our contractual obligations and compensation package to active employees, as well as coverage for our eligible retirees.

Blue Cross Blue Shield (BCBS) Renewal and Alternatives

BCBS' rate increase for 2012 came in significantly lower than last year's 56% increase. For 2012, the BCBS renewal rate for active employees is 2.2% or \$16,125 over last year's premium bringing the total annual premium to \$744,915 (assuming equal number of employees in that plan). With the recent opt-in to the 80/20 premium split, employee contributions toward healthcare costs will more than double, increasing from \$56,789 in 2011 to \$123,711 expected in 2012.

Retiree's BCBS renewal rates came back with an increase of 12.1% or \$62,390 over 2011 rates, all with the largest increase for those with Medicare, or BCBS complementary. Retirees contribute 20% of the healthcare premium. The individual premium shares vary due to the various drug card riders. As in past years, there are several options available to the retirees to lower their individual premium share such as a higher prescription rider, a higher deductible BCBS plan or opting into HAP. The more expensive plans are generally what the City is obligated to provide per benefits in place at the time of retirement.

The overall increase for both active and retirees is estimated \$78,515 for the calendar year 1-1-2012 to 12-31-2012 which does straddle over FY 2011/12. The health care premiums for the City are well within the budget. The City will actually see an annual savings of approximately \$886 in 2012 due to the significant increase in employee contributions as a result of City Council adopting the 80/20 option from PA 152.

In an attempt to further save additional premium costs, we also requested quotes from Blue Cross for a higher deductible plan, Community Blue 4. Those costs came back 20% less than the Community Blue 2 Plan. The Plan has similar benefits however the deductible, coinsurance and emergency room co-pays are increased. Therefore, the plan will be offered as an option saving employees and the City from the CB2 plan required in some labor agreements.

Health Alliance Plan (HAP) Renewal and Alternatives

The HMO option from HAP's rate increase for 2012 for active employees came in right as expected at 7.4%. The overall increase in premiums is estimated to \$140,187 bringing the total annual premium to \$2,040,759. However, the projected final net City of Novi cost will decrease for HAP by approximately \$69,312. Again, these figures are based on current enrollment volumes and factor in the higher employee contributions, including an increase to 20% employee contribution for those groups with expired contracts. Employee contributions toward healthcare costs will increase from \$154,069 in 2011 to \$363,568 expected in 2012. These figures for the HAP section may increase as employees and possibly retirees migrate to this plan as a lower cost option than the BCBS plans during open enrollment which begins in November.

The HAP renewal rates for retirees came back with an increase of 6.8% or \$8,447 over last year's premium. Retirees contribute 20% of the healthcare premium. The premium shares vary due to the various drug card riders. As mentioned above, retirees may choose to move to higher prescription rider plans in order to save on premium.

The overall increase for both active and retirees for 2012 is estimated at \$148,634. The City will see an annual savings of approximately \$62,554 in 2012 due to the significant increase in employee contributions as a result of PA 152.

We also requested rates from HAP with increased deductibles, coinsurances and other co-pays however these quotes did not come back as low as expected. The slight decrease in premium does not appear to be enough of an incentive to get many employees to change.

Priority Health Renewal

Priority Health's increase for 2012 came in slightly higher than anticipated at 8.8%. The overall increase in premiums is \$8,826, for a total annual premium of \$129,783. However, the projected final net cost will decrease by \$6,913 again based on the higher employee contributions for 2012. Employee contributions toward healthcare costs will increase from \$10,114 in 2011 to \$25,957 expected in 2012. These figures may also increase as employees migrate to this plan as a lower cost option than both BCBS and HAP. The plan, essentially a high deductible plan which was introduced for 2011 calendar year, provides a City contribution to a Health Savings Account. The Plan still represents a lower premium than other plans, benefitting the City and the employees who elect to take it.

Dental Renewal and Alternatives

Delta Dental initially proposed the same rates as 2011 based on our group's claim experience over the past year. However, based on the pricing provided by competitor carriers, Delta agreed to reduce the total rates 1.2%, which results in a total annual cost decrease of approximately \$2,262.

Implementation

After thorough review and exploration of options, we are thus set for continuing with the current HAP and Priority Plans and discontinue offering the BCBS CB 2 plan for Administrative and Library personnel and instead offer the BCBS CB 4 plan mentioned above. We will also offer this plan to all employees as a lower BCBS option which will be a savings to both the employee and the City.

We will be conducting our 2012 Employee Health Care Open Enrollment in November. In the next couple of weeks Human Resources will again reach out to the retirees in order to go over the renewals and all healthcare options available to them (interim meetings have been held with staff and retirees as well in preparation). Once we have concluded Open Enrollment I will provide a final head count with corresponding premium costs.

Attachments

**City of Novi - Health Insurance with Public Act 152 Summary
Based on 2012 Rates & August 2011 Census & Employee Selections**

	<u>80/20 Cost Share Model</u>	<u>Based on Current Contribution Rates</u>
City's Contributions/Costs		
PA 152	\$ 1,717,583	\$ -
Contractual obligation	\$ 661,860	\$ -
Current contribution rates (2011)	\$ -	\$ 2,685,710
Total City Contributions/Costs	<u>\$ 2,379,443 (a)</u>	<u>\$ 2,685,710 (b)</u>
Employees' Contributions		
PA 152	\$ 429,399	\$ -
Contractual obligation	\$ 106,615	\$ -
Current contribution rates (2011)	\$ -	\$ 229,747
Total Employee contributions	<u>\$ 536,014</u>	<u>\$ 229,747</u>
Total Costs	<u>\$ 2,915,457</u>	<u>\$ 2,915,457</u>

Additional savings	\$ 306,267 (b-a)
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Anticipate additional savings as a result of open enrollment and elimination of certain plans.

NOTE: The entity-wide health insurance cost estimates above do not include the HICAA (Health Insurance Claims Assessment Act) which may increase the insurance costs above by approximately \$26,000 (1% tax on payment of claims).

***Current Contributions thru 10.6.11:**

2.5% of insurance premiums - Police Officers & Police Clerks

7.5% of insurance premiums - MAPE

10% of insurance premiums - Administrative, Library, Police Command Officers, Police Clerks & Firefighters

3.5% of Base Salary - Dispatchers (no distinction in this schedule for shift leader salary)

NOTE: Police Command Officers expires June 30, 2013; Firefighters expires June 30, 2012 & Dispatchers expires June 30, 2013

Assumptions:

August 2011 Census Information; employee plan selection; plan benefits; HSA contributions

Firefighters contract effective 7.1.12 - 20%

The schedule does not include any impact as a result of Public Act 54, since Public Act 152 of 2011 (Senate Bill 7) currently exceeds those costs. In the future, those bargaining units with expired contracts that are at 20% employee contribution rate will likely be impacted by PA 54.

NOVI 2012 HEALTH CARE OPTIONS

	2011 Annual Premium	2012 Annual Premium (per employee)		20% Annual Contrib	City's Annual Premium Remaining (after 20% Employee contribution)	Current Annual Employee Contribution* (Based on 2012 Rates)
		(a)		(b)	(a) - (b)	
BLUE CROSS/BLUE SHIELD PPO (contractually required)						
Police Officers						
Single	\$ 10,784	\$ 11,203		\$ 2,241	\$ 8,962	\$ 280
2 Person	\$ 24,682	\$ 26,888		\$ 5,378	\$ 21,510	\$ 672
Family	\$ 32,353	\$ 33,610		\$ 6,722	\$ 26,888	\$ 840
HEALTH ALLIANCE PLAN						
Police Officers						
Single	\$ 5,681	\$ 6,111		\$ 1,222	\$ 4,889	\$ 153
2 Person	\$ 13,065	\$ 14,054		\$ 2,811	\$ 11,243	\$ 351
Family	\$ 14,770	\$ 15,887		\$ 3,177	\$ 12,710	\$ 397
Police Clerks						
Single	\$ 5,681	\$ 5,838		\$ 1,168	\$ 4,670	\$ 146
2 Person	\$ 13,065	\$ 13,428		\$ 2,686	\$ 10,742	\$ 336
Family	\$ 14,770	\$ 15,179		\$ 3,036	\$ 12,143	\$ 379
Dispatchers						
Single	\$ 5,681	\$ 5,838		\$ 1,168	\$ 4,670	\$ 1,726
2 Person	\$ 13,065	\$ 13,428		\$ 2,686	\$ 10,742	\$ 1,726
Family	\$ 14,770	\$ 15,179		\$ 3,036	\$ 12,143	\$ 1,726
MAPE						
Single	\$ 5,568	\$ 5,995		\$ 1,199	\$ 4,796	\$ 450
2 Person	\$ 12,807	\$ 13,789		\$ 2,758	\$ 11,031	\$ 1,034
Family	\$ 14,478	\$ 15,588		\$ 3,118	\$ 12,470	\$ 1,169
Administrative, Library						
Single	\$ 5,449	\$ 5,838		\$ 1,168	\$ 4,670	\$ 584
2 Person	\$ 12,532	\$ 13,428		\$ 2,686	\$ 10,742	\$ 1,343
Family	\$ 14,166	\$ 15,179		\$ 3,036	\$ 12,143	\$ 1,518
Police Command Officers						
Single	\$ 5,449	\$ 5,838		\$ 1,168	\$ 4,670	\$ 584
2 Person	\$ 12,532	\$ 13,428		\$ 2,686	\$ 10,742	\$ 1,343
Family	\$ 14,166	\$ 15,179		\$ 3,036	\$ 12,143	\$ 1,518
Firefighters						
Single	\$ 5,449	\$ 5,838		\$ 1,168	\$ 4,670	\$ 584
2 Person	\$ 12,532	\$ 13,428		\$ 2,686	\$ 10,742	\$ 1,343
Family	\$ 14,166	\$ 15,179		\$ 3,036	\$ 12,143	\$ 1,518

NOVI 2012 HEALTH CARE OPTIONS

	2011 Annual Premium	2012 Annual Premium (per employee)	20% Annual Contrib	City's Annual Premium Remaining (after 20% Employee contribution)	Current Annual Employee Contribution* (Based on 2012 Rates)
		(a)	(b)	(a) - (b)	
BLUE CROSS - COMMUNITY BLUE 2 (contractually required)					
Dispatchers					
Single	\$ 8,621	\$ 8,234	\$ 1,647	\$ 6,587	\$ 1,726
2 Person	\$ 20,689	\$ 19,761	\$ 3,952	\$ 15,809	\$ 1,726
Family	\$ 25,862	\$ 24,701	\$ 4,940	\$ 19,761	\$ 1,726
Police Clerks					
Single	\$ 8,621	\$ 8,234	\$ 1,647	\$ 6,587	\$ 823
2 Person	\$ 20,689	\$ 19,761	\$ 3,952	\$ 15,809	\$ 1,976
Family	\$ 25,862	\$ 24,701	\$ 4,940	\$ 19,761	\$ 2,470
MAPE					
Single	\$ 8,243	\$ 8,453	\$ 1,691	\$ 6,762	\$ 634
2 Person	\$ 19,783	\$ 20,288	\$ 4,058	\$ 16,230	\$ 1,522
Family	\$ 24,728	\$ 25,359	\$ 5,072	\$ 20,287	\$ 1,902
Police Command Officers					
Single	\$ 8,031	\$ 8,234	\$ 1,647	\$ 6,587	\$ 823
2 Person	\$ 19,275	\$ 19,761	\$ 3,952	\$ 15,809	\$ 1,976
Family	\$ 24,093	\$ 24,701	\$ 4,940	\$ 19,761	\$ 2,470
Firefighters					
Single	\$ 8,031	\$ 8,234	\$ 1,647	\$ 6,587	\$ 823
2 Person	\$ 19,275	\$ 19,761	\$ 3,952	\$ 15,809	\$ 1,976
Family	\$ 24,093	\$ 24,701	\$ 4,940	\$ 19,761	\$ 2,470
BLUE CROSS - COMMUNITY BLUE 4					
Administrative, Library					
Single	\$ 8,621	\$ 6,604	\$ 1,321	\$ 5,283	\$ 660
2 Person	\$ 20,689	\$ 15,849	\$ 3,170	\$ 12,679	\$ 1,585
Family	\$ 25,862	\$ 19,268	\$ 3,854	\$ 15,414	\$ 1,927
PRIORITY HEALTH					
All Groups (currently only Library and Administrative participating)					
Single	\$ 4,914	\$ 5,298	\$ 1,060	\$ 4,238	\$ 440
2 Person	\$ 11,031	\$ 11,917	\$ 2,383	\$ 9,534	\$ 1,012
Family	\$ 12,235	\$ 13,245	\$ 2,649	\$ 10,596	\$ 1,144

Includes employer contributions to Health Savings Accounts & BCBS Vision

***Current Contributions thru 10.6.11:**

2.5% of insurance premiums - Police Officers & Police Clerks

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