



JOINT MEETING OF THE PERSONNEL COMMITTEE & FINANCE, LICENSE & REGULATION COMMITTEE

TUESDAY, SEPTEMBER 18, 2018 – 6:00 PM

CITY HALL, POLICE TRAINING ROOM

Committee Members: Ken Howell, Selena Proksa, Doug Skates, John Halverson, Cindy Flower, Shari Straube, and Rich Hedlund

AGENDA

1. Call to Order by Clerk Kropf
2. Roll Call
3. Election of Joint Committee Chairperson
4. Comments from the public as allowed by Wis. Stats. §19.84(2), limited to items on this agenda except for public hearing items. Comments will be limited to 5 minutes
5. Presentation by consultants Cottingham & Butler concerning their analysis of best options for provided employee Health Insurance benefits
6. Discussion of possible recommendation to the Common Council.
7. **Adjournment**

Requests from persons with disabilities, who need assistance to participate in this meeting or hearing, should be made to the City Clerk's office in advance so the appropriate accommodations can be made.

Posted 9/14/2018 4:00 pm

cc: Committee Members, Mayor, Council, Administrator, Attorney

City of Lake Geneva

2019 Medical Insurance Analysis

July 24, 2018

Presented By | Matt Chadwick, Sales Executive

AGENDA

- Exploring the State Plan
- Becoming Fully Insured
- Maintaining Self-Funding

ETF Option

ETF OPTION P12 (\$0 DEDUCTIBLE)

The 2019 base pricing options for the ETF have been released and organizations of Walworth county will again have four insurers for employees to choose.

- Quartz Community
- MercyCare Health Plans
- Dean Health Plan
- WEA Trust (East) – Only option with Aurora

C&B expects the City of Lake Geneva to receive a sizable surcharge and that assumption is shown in the analysis.

ETF ESTIMATED PRICING – 1ST YEAR

Health Plan Name	P12		Year 1			
	LOCAL TRADITIONAL		2019 ETF Rates - Actual** Rate-Up			
	2019 ETF Rates		2019 ETF Rates - Actual** Rate-Up			
	Medical without Dental		Medical without Dental			
	Individual	Family	Individual	Employee Contribution	Family	Employee Contribution
Quartz Community	\$771.54	\$1,898.00	\$1,051.54	\$134.96	\$2,598.00	\$333.70
MercyCare Health Plans	\$747.12	\$1,836.96	\$1,027.12	\$110.54	\$2,536.96	\$272.66
Dean Health Plan	\$669.80	\$1,643.66	\$949.80	\$33.22	\$2,343.66	\$79.36
WEA Trust-East	\$857.80	\$2,113.66	\$1,137.80	\$221.22	\$2,813.66	\$549.36
Average of Tier 1 Cost	\$761.57	\$1,873.07	\$1,041.57		\$2,573.07	
88% of Average Cost - Tier 1	\$670.18	\$1,648.30	\$916.58		\$2,264.30	

The analysis includes the estimated \$280/mo surcharge for singles and \$700/mo surcharge for families.

Rules of the ETF state employers can contribute a maximum of 88% of the average of the available insurers for each tier. Depending on which insurer employees choose, monthly contributions could range from \$33.22-\$221.22 for singles and \$79.36-\$549.36 for families.

ETF ESTIMATED COSTS – 2ND AND 3RD YEARS

Health Plan Name	Year 2				Year 3			
	2019 ETF Rates - 5% increase W/ Max Rate-Up Yr2				2020 ETF Rates - 5% increase			
	Medical without Dental				Medical without Dental			
	Individual	Employee Contribution	Family	Employee Contribution	Individual	Employee Contribution	Family	Employee Contribution
Quartz Community	\$1,090.12	\$140.03	\$2,692.90	\$346.18	\$850.62	\$111.75	\$2,092.55	\$275.29
MercyCare Health Plans	\$1,064.48	\$114.39	\$2,628.81	\$282.09	\$823.70	\$84.83	\$2,025.25	\$208.00
Dean Health Plan	\$983.29	\$33.20	\$2,425.84	\$79.13	\$738.45	-\$0.42	\$1,812.14	-\$5.12
WEA Trust-East	\$1,180.69	\$230.60	\$2,919.34	\$572.63	\$945.72	\$206.85	\$2,330.31	\$513.06
Average of Tier 1 Cost	\$1,079.64		\$2,666.72		\$839.63		\$2,065.06	
88% of Average Cost - Tier 1	\$950.09		\$2,346.72		\$738.87		\$1,817.25	

Even assuming a 5% base rate increase in each year, employer and employee costs reduce considerably in the 3rd year.

The ETF has not confirmed what the surcharges will be in for years 1 and 2. Therefore C&B used the surcharged that were used previously as an estimate.

ETF VS CURRENT SELF-FUNDED PLAN

	ETF	Self-Funded Plan	Notes
2019	\$1,623,207	\$2,239,193	SF Costs assume funding rates, but C of LG has been under projected each of the last three years by nearly \$818k
2020	\$1,707,339	\$2,351,153	
2021	\$1,328,864	\$2,468,710	
Cost of Add'l Ees	\$124,509	\$0	C of LG would have to extend coverage to certain PT workers
Run Out Expenses	\$300,000	\$0	Only a factor in year 1
Total Costs	\$5,083,918	\$7,059,055	
Est EE Contributions	\$809,276	\$249,735	Number will be higher if more people enroll in WEA plan, and lower if enrolled in MercyCare
Net Costs	\$4,274,641	\$6,809,320	

All calculations are based on \$0 deductible plan. ETF costs will lower should the City choose a larger deductible for employees.

MEDICAL PLAN HISTORY

Plan Year	Average Enrollment	Stop Loss Premium	Administration Costs	Gross Medical Claims	Gross RX Claims	Stop Loss Reim.	Total Spend	Funding	Difference
2015-2016	17/56	\$482,735	\$48,395	\$1,267,054	\$308,823	\$273,080	\$1,833,926	\$2,025,589	\$191,663
2016-2017	22/47	\$446,428	\$45,608	\$1,022,792	\$193,791	\$208,405	\$1,503,214	\$1,908,090	\$404,876
2017-2018	27/47	\$460,120	\$41,937	\$1,967,809	\$195,786	\$890,586	\$1,775,066	\$1,996,939	\$221,873
Total	22/50	\$1,389,283	\$135,940	\$4,257,655	\$698,400	\$1,372,071	\$5,112,206	\$5,930,618	\$818,412
Average Year	22/50	\$463,094	\$45,313	\$1,419,218	\$232,800	\$457,357	\$1,704,069	\$1,976,873	\$272,804

Although expensive, the City's health plan has been under budget in each of the last three plan years.

- 2017-2018 Gross Medical Claims increased significantly, but was offset by stop loss reimbursements
- The largest factor in the city's performance is the medical and RX claims
- There has been a decline in the number of employees who take family coverage over the last three plan years.

Becoming Fully Insured

FULLY INSURED OPTIONS SUMMARY

City of Lake Geneva 2019 Medical Renewal Premium Summary

	SISCO Current	MercyCare	Anthem/Blue Priority	UHC	WPS
Annual Premium	\$2,239,193	\$1,881,275	Declined to Quote	\$2,097,082	Declined to Quote
Estimated Fixed Costs Runout (3 months)	N/A	\$8,100		\$8,100	
Estimated Claims Runout (2.5 months)	N/A	\$294,864		\$294,864	
Total Cost	\$2,239,193	\$2,184,239	\$0	\$2,400,046	\$0
Difference From Current	N/A	-\$54,954	-\$2,239,193	\$160,853	-\$2,239,193
<i>Total % Increase over Current</i>		-2%	-100%	7%	-100%

* Alternate Plans are shown above are most closest to current plan designs

We have endeavored to provide you with an accurate proposal based on the information given to us. Although we believe the rate and benefit information to be correct, please keep in mind that final rates and benefits are based upon actual enrollment and underwriting and must be approved by the Insurance Carrier. We assume no liability for rate differences and advise you not to cancel your prior coverage until final rating information and underwriting approval has been received from the carrier. This proposal is a summary of plan benefits; for complete details refer to the Master Contract or Benefit Booklet.

Each comparison is for a near plan design match to what the City is currently offering. Of the carriers who offered a proposal, not one would guarantee rates beyond the first plan year. Depending on plan performance, increases in the future could be 0% to 20% or higher.

However, even a 20% increase to the annual premium would put cost on par with current Self-Funded funding rates.

FULLY INSURED OPTIONS – HRA WITH GUARANTEE (NEEDS UPDATING)



The Difference Card

Since 2001, The Difference Card has provided clients with an average annual net savings of **OVER 18%** or **\$2,030 per employee**.

All without reducing benefits.

Financial Protection

A.M. Best Rated
A (Excellent)

The Difference Guarantee provides the flexibility to customize employee benefits and limit claim exposure. The Difference Guarantee is insured by an A rated division of Assurant.

City of Lake Geneva UHC PPO 1/01/2019

Renewal Premium	\$2,239,193	
Renewal	0%	
Revised Premium	\$1,495,660	
Claims	Expected	Maximum
	\$154,423	\$171,286
Total Revised Cost	-26.3% \$1,650,083	-25.6% \$1,666,946
Net Savings	\$589,110	\$572,247

FULLY INSURED OPTION – DIFFERENCE CARD

How it works:

- The City would buy a very high deductible plan (\$5,000 deductible) from UHC. That plan design would decrease costs by 28.7% annually.
- The City would use The Difference Card to reimburse employees on expenses back down to their current benefit levels.
- The Difference Card contains an insurance element that guarantees the City's "Worst Case Scenario"
- Employees would pay the providers out of their pocket, but be reimbursed fully.
- Assuming \$300k in run-out expenses, the first year savings would be \$272,247

FULLY INSURED OPTIONS - HSA

UnitedHealthcare HSA:BE-BW		
General Plan Information	In-Network	Out-of-Network
Network	ChoicePlus	
Deductible	Single \$5,000 Family \$10,000	Single \$10,000 Family \$20,000
Coinsurance	80%	60%
Out-of-Pocket Maximum (Including Deductible and Copays)	Single \$6,350 Family \$12,700	Single \$12,700 Family \$25,400
Physician Services		
Office Visits	PCP \$30 / SPC \$60* after ded & coins	60% after Deductible
Preventive Care	100%	60% after Deductible
Diagnostic X-Ray & Lab	80% after Deductible	60% after Deductible
Hospital Services		
Inpatient	80% after Deductible	60% after Deductible
Outpatient	80% after Deductible	60% after Deductible
Emergency and Urgent Care		
Emergency Room	Deductible & Coinsurance	
Urgent Care/Walk-in Clinic	Deductible & Coinsurance	
Prescription Drugs		
Retail	Deductible & Coinsurance	
Premium Information		
Single	\$611.87	
Employee + Spouse	\$1,315.52	
Employee + Child(ren)	\$1,254.33	
Family	\$2,080.36	
Total Monthly Premium	\$101,112	
Single H S A Seeding (\$3,500)	\$101,500	
Family H S A Seeding (\$7,000)	\$336,000	
Total Annual Premium	\$1,650,838	
Est Run Out	\$300,000	
Total 1st Year Costs	\$1,950,838	

C&B explored the option of a Health Savings Account through UHC. In order to get employees closer to their current out of pocket limits, the assumption was made that the City would contribute the IRS maximum of \$3,500/\$7,000 into employee's H.S.A. accounts.

Employees who are enrolled in some other health coverage that contains "first dollar coverage below the deductible limit" would be ineligible to receive H.S.A. contributions.

Maintaining Self-Funding

ESTIMATED STOP LOSS COST STARTING 1/1/2019

Cottingham & Butler Expected Funding Rates			
Ratio:	2.24		
	Single	Family	Annualized
Count	27	48	
Med Claims	840.32	1,882.32	1,356,480
Med Admin	22.80	22.80	20,520
PPO Access	3.65	3.65	3,285
Util. Review	9.90	9.90	8,910
Transplant	5.44	13.05	9,279
Aggregate	27.77	27.77	24,993
Specific	365.07	1,064.98	731,710
ACA Fees	0.19	0.44	315
Laser Liability	166.67	166.67	150,000
Total	1,441.81	3,191.57	2,305,492
% Change			4.52%
COBRA (102%)	1,470.64	3,255.41	

The stop loss provider ARAN will not release firm quotes for a 1/1/2019 start date currently. However, C&B analyzed the claim data over the last three months and projected 2019 claims.

Additionally, C&B took the 7/1/2018 stop loss renewal figures that included the NLO and No New Laser Guarantee and added 10% to those rates. C&B also added another 10% for stop loss annual inflation

If the City was to change funding rates on 1/1/19, we would anticipate a 4.52% increase

EVERPOINTE – SELF FUNDED PROGRAM WITH AURORA ONLY NETWORK

Cottingham & Butler has not received a proposal as of noon Friday, September 14.

Summary

SUMMARY OF OPTIONS

Option	Est 1 st Year Cost (incl RO)	Impact
SF/SisCo	\$2,239,193	-
ETF	\$1,967,001	\$272,191 Decrease
UHC Match	\$2,400,046	\$160,853 Increase
Mercy Match	\$2,184,239	\$54,954 Decrease
UHC + Diff Card	\$1,966,946	\$272,247 Decrease
UHC + H.S.A.	\$1,950,838	\$288,355 Decrease
Everpointe	TBD	TBD

Appendix

WISCONSIN EMPLOYEE TRUST FUND (ETF)/STATE PLAN

- The Wisconsin State Plan is a consortium of all fully insured health insurers in the state. Each insurer chooses which counties they wish to compete.
- Each insurer offers four separate plan designs in each county where they operate.
- Employers can choose one plan design to offer to employees

WISCONSIN ETF/STATE PLAN

- The rates for the plan are underwritten as a whole and passed through to the employers based on the county
- Employers who are new (within 2 years) can be charged more than the base rate, but after year 2, will be charged the base rate of the duration of their time.
- There is no requirement that insurance companies participate

WISCONSIN ETF/STATE PLAN

- Currently Walworth County has four different carriers for insurance:
 - Dean, Mercy, Quartz, WEA Trust
- The two largest insurers in the county (Anthem and United Healthcare) have dropped out of the ETF
- Only WEA Trust allows access to Aurora and Columbia St Marys.
 - Over 85% of utilization is through Aurora and Froedtert
- Coverage would have to be extended to Part Time employees who work between 20 and 30 hours a week.