



Finance Director
636-537-4726

M E M O

DATE: May 4, 2017
TO: Mike O. Geisel, City Administrator
FROM: Craig D. White, Finance Director *CDW*
RE: Health Insurance Costs

Health insurance is the City's third largest General Fund expenditure, only exceeded by salaries and debt service. The City recently received notification of premium increases for the 2017-18 plan year and a premium reimbursement representing a plan surplus from the 2010-2011 plan year. In light of this and the ongoing compensation and benefits study, now seems like the appropriate time to revisit the City's health insurance plan/expenditures.

St. Louis Area Insurance Trust (SLAIT)

Since 2009, the City of Chesterfield has been a member of the St. Louis Area Insurance Trust (SLAIT) health insurance pool. The pool is currently made up of approximately twenty (20) professionally-managed cities and subdivisions which includes 4,500 employees/dependents who are insured by the "pool". The size of the pool gives the City significant protection from any sort of catastrophic loss, which would otherwise cause our rates to climb sharply.

SLAIT's Board regularly bids the health insurance provider and recently shifted from "United Healthcare" to "Anthem Blue Cross/Blue Shield". The Board views its role as an "insurance broker" and is not bound to any individual insurance company. When making any such change, the Board works to minimize costs, maintain insurance benefits and doctor/hospital availability/access, for the participating City's employees and their families.

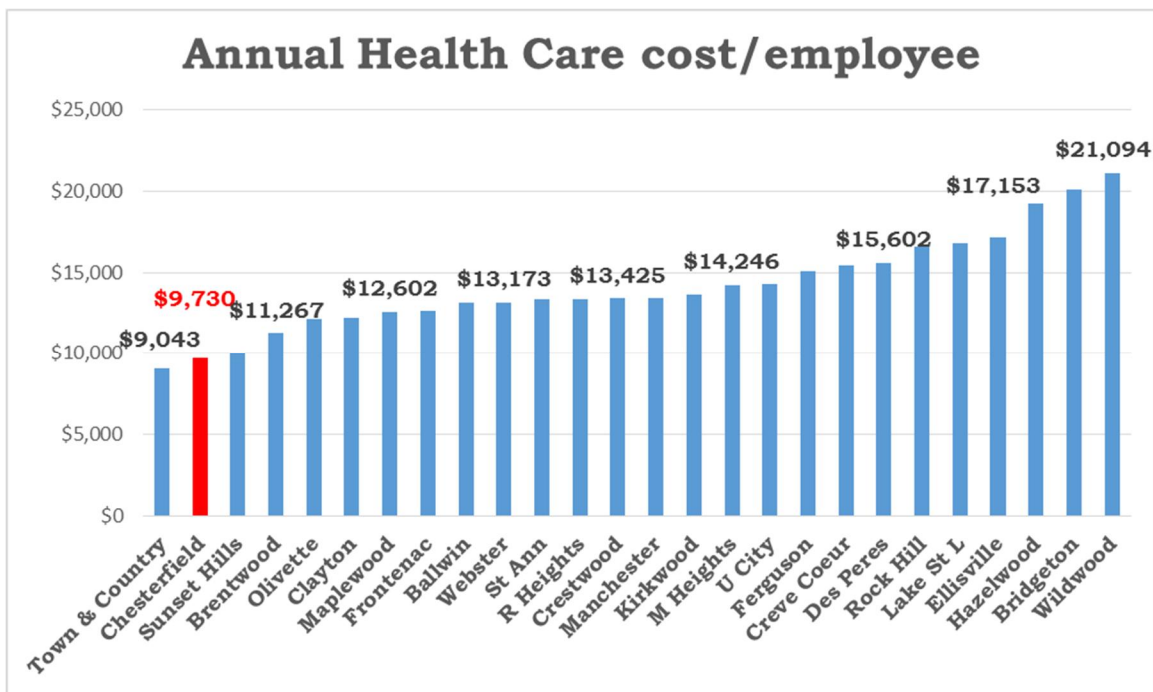
Each year, the member cities are independently rated based on their prior claims experience. Based on Chesterfield's superior claims experience from July 2014 – February 2017, the City will experience only a 2% rate increase during the 2017-18 plan year (see attached memo from SLAIT). The very favorable rate increase of only 2% represents an estimated \$29,780 increase in premiums which is shared by the City and its employees.

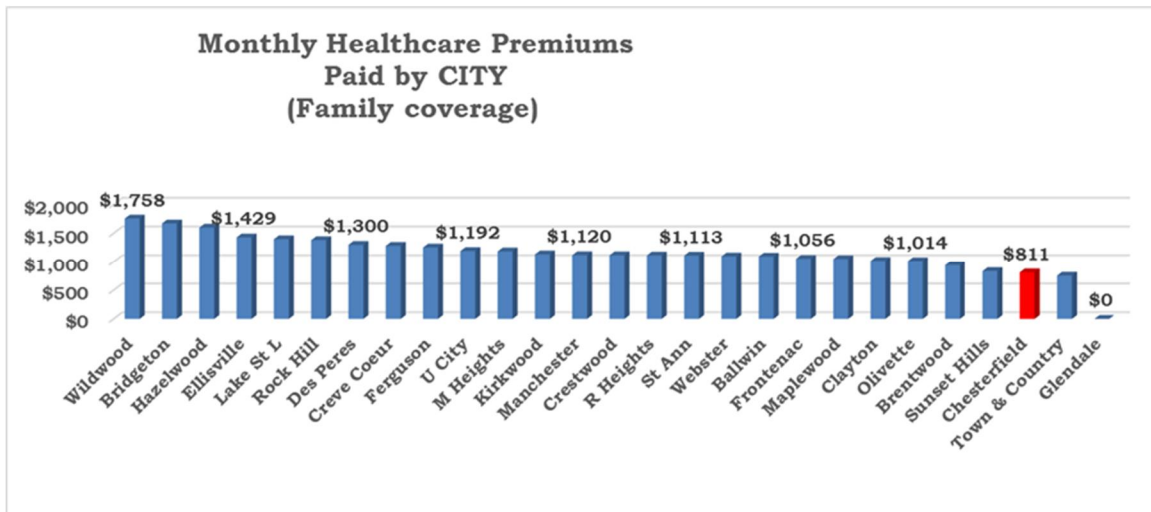
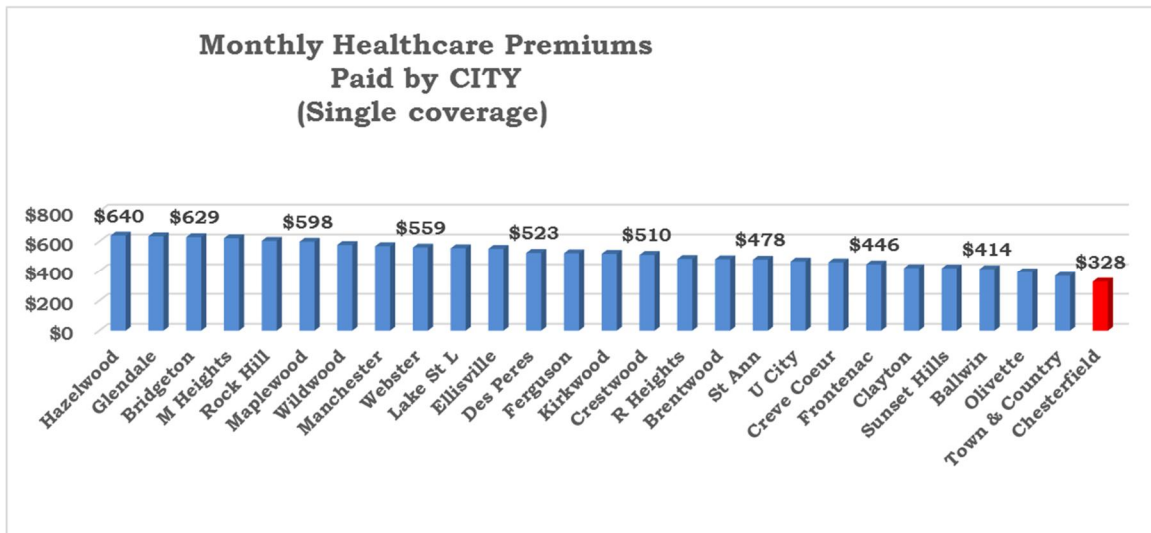
Healthcare Insurance Premiums

During 2016, the City's health insurance expenditures totaled \$1,489,971. This represents the City's annual portion of the premiums which are paid by both the City and City employees. For the 2016/17 plan year, this split was \$328.02/\$100.00 employee for the single plan and \$810.83/\$382.80 employee for the family plan. On an annual basis, this amounts to \$3,936.24/\$1,200 for single and \$9,729.96/\$4,593.60 for the family plan. There are currently 96 employees on the single plan and 115 on the family plan (211 total).

Cost Comparison to Other Area Municipalities

The City's health insurance plan has many moving components including type (single/family), cost (city/employee), deductibles, deductible reimbursements, network, premiums, etc. When analyzing the plan from a management standpoint, I focus on the total cost to the City. *The average annual cost of the City's family health insurance plan is \$10,204 (premium plus average HRA cost). Of the 27 cities in the referenced study, the City of Chesterfield's cost for the annual family premium under Chesterfield's coverage is the second lowest at \$9,730 (the average is \$14,180 and highest, Wildwood, is \$21,094).* The following graphs depict the City's contributions for employee healthcare as compared to 27 metro communities. Please note that this information comes from a healthcare cost study completed by the City of Des Peres earlier this year.





As evidenced by the graphs provided and the data tables provided as appendices, the City of Chesterfield contributes the least or near the least of the 27 surveyed cities for employee healthcare even with the Healthcare Reimbursement Account included.

Premium Surplus Redistribution

In each of the last two years, 2016 and 2017, the SLAIT Board approved a reimbursement of prior years' surplus premiums which had not been paid out for healthcare claims. This was made on a pro-rata basis to members that participated in the Plan during the 2010-2011 policy year which was closed out. Chesterfield will receive a payment of \$130,681 (coded to "other revenues" per accounting rules). It should be noted that the premiums paid to SLAIT for healthcare insurance is a cost that is paid by both the City and the employee.

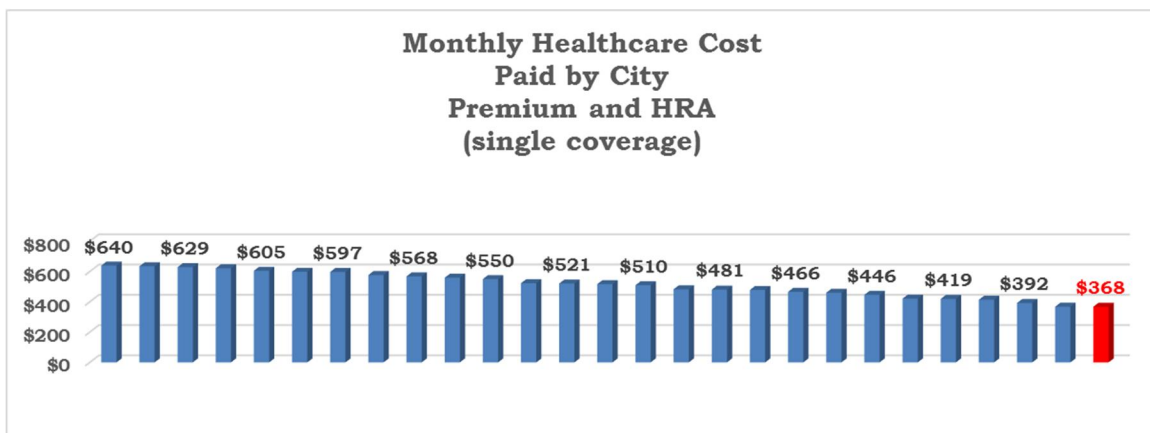
Of the \$130,681 reimbursement, we estimate that \$31,616 (24%) of this amount represents premiums paid by employees, while \$99,065 (66%) reflects premiums paid by the City. If the City were not a member of SLAIT, there would be no distribution of prior year premiums as such excess payments resulting from superior claims experience would simply be captured as profit by the private provider.

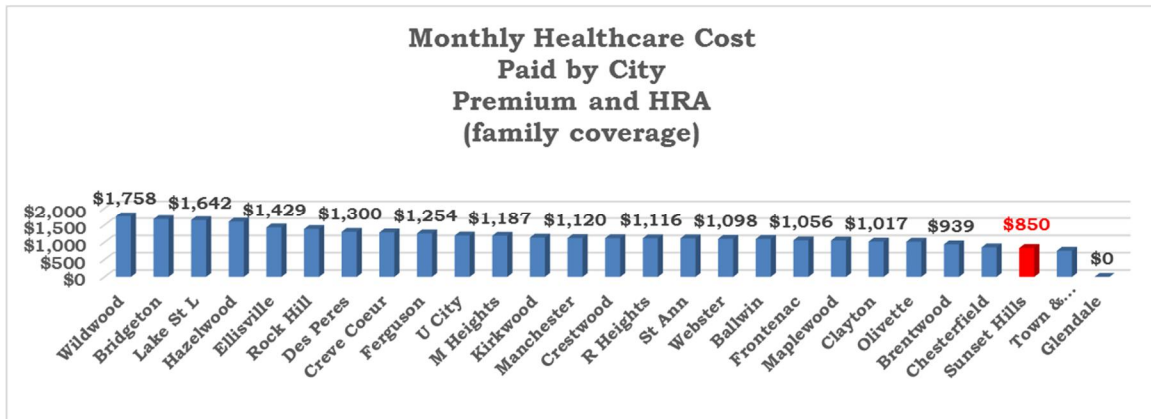
Healthcare Insurance Deductibles

The City's in-network family deductibles are slightly higher than the average of the 27 area municipalities that participated in a recent study (\$3,000 vs \$2,889). The City moved from a low deductible to high deductible plan several years ago, to slow the rapidly rising premium costs, and implemented a health reimbursement (HRA) plan. The savings from the high deductible plan exceeded the City's HRA cost, which has remained approximately \$100,000/year since its implementation.

Healthcare Reimbursement Arrangement (HRA) Plan

The City's HRA plan reimburses employees up to 100% of their deductible payments. In essence, it is a \$3,000 dollar benefit to the employee (\$1,500 for single coverage). 17 out of the 27 municipalities that participated in the previously mentioned study offer an HRA plan, 6 of which cover 100%. Chesterfield has 211 fulltime employees that utilize the City's health insurance plan. The City's actual cost of this benefit is not the full \$3,000 or \$1,500 but rather depends on the eligible deductibles incurred and submitted during a given year. This total cost has been approximately \$100,000 since the plan was adopted and is budgeted at \$100,000 for 2017. This means that the City can offer a \$1,500/\$3,000 benefit to employees at a cost of \$474/employee (\$100,000/211 participating employees).





Premium Allocation – 2017-2018 Plan Year

The City has been notified that our premiums for the 2017-2018 plan year will increase by 2%. Historically, the City Administrator has determined the allocation of premium costs, between the City and employee, using the following model:

Single Plan

- Employee cost = \$100/mo - \$1,200/year
- City cost = remaining premium (\$328.02/mo - \$4,593.66/year)

Family Plan

- Employee Cost = Total Family Premium Less Employee Cost Less one-half of remaining premium
- City Cost = remaining premium
 - o Said another way, the City pays the full premium of insuring the employee plus one-half the cost of insuring the family

	2016-17
Family	\$ 14,323.56
Single	\$ 5,136.24 (1) City covers
	\$ 9,187.32 Remaining split
50%	\$ 4,593.66 (2) Employee cost - family
(1)	\$ 5,136.24
(2)	\$ 4,593.66
	\$ 9,729.90 City cost - family insurance

Accordingly, Staff recommends that the City renew the current healthcare plan benefits for the 2017-2018 plan year. Further, we recommend that the City take advantage of the \$130,681 premium reimbursements to fully offset the increase in premiums and fully fund the HRA plan for the 2018 fiscal year. In doing so, the City will eliminate 2% cost of increased health premiums and eliminate the budgeted expense for the HRA plan for the 2017-18 plan year.

TOTAL MONTHLY INSURANCE PREMIUMS

Monthly Premium paid by City - Family Coverage		Monthly Premium paid by City - Single Coverage	
Wildwood	\$1,758	Hazelwood	\$640
Bridgeton	\$1,672	Glendale	\$635
Hazelwood	\$1,599	Bridgeton	\$629
Ellisville	\$1,429	M Heights	\$622
Lake St L	\$1,398	Rock Hill	\$605
Rock Hill	\$1,383	Maplewood	\$598
Des Peres	\$1,300	Wildwood	\$577
Creve Coeur	\$1,283	Manchester	\$568
Ferguson	\$1,254	Webster	\$559
U City	\$1,192	Lake St L	\$554
M Heights	\$1,187	Ellisville	\$550
Kirkwood	\$1,135	Des Peres	\$523
Manchester	\$1,120	Ferguson	\$521
Crestwood	\$1,119	Kirkwood	\$517
R Heights	\$1,116	Crestwood	\$510
St Ann	\$1,113	R Heights	\$483
Webster	\$1,098	Brentwood	\$481
Ballwin	\$1,094	St Ann	\$478
Frontenac	\$1,056	U City	\$466
Maplewood	\$1,050	Creve Coeur	\$460
Clayton	\$1,017	Frontenac	\$446
Olivette	\$1,014	Clayton	\$421
Brentwood	\$939	Sunset Hills	\$419
Sunset Hills	\$833	Ballwin	\$414
Chesterfield	\$811	Olivette	\$392
Town & Country	\$754	Town & Country	\$368
Glendale	\$0	Chesterfield	\$328

TOTAL MONTHLY INSURANCE PREMIUMS (INCLUDING CHESTERFIELD HRA CONTRIBUTION)

Monthly Premium paid by City - Family Coverage (includes Chesterfield HRA expense only)		Monthly Premium paid by City - Single Coverage (includes Chesterfield HRA expense only)			
***	Wildwood	\$1,758	Hazelwood	\$640	
***	Bridgeton	\$1,672	***	Glendale	\$635
	Lake St L	\$1,642	***	Bridgeton	\$629
	Hazelwood	\$1,599		M Heights	\$622
***	Ellisville	\$1,429	***	Rock Hill	\$605
***	Rock Hill	\$1,383	***	Maplewood	\$598
***	Des Peres	\$1,300		Lake St L	\$597
***	Creve Coeur	\$1,283	***	Wildwood	\$577
	Ferguson	\$1,254	***	Manchester	\$568
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	Chesterfield	\$850	***	Ballwin	\$414
***	Sunset Hills	\$833		Olivette	\$392
				Town &	
***	Town & Country	\$754	***	Country	\$368
***	Glendale	\$0		Chesterfield	\$368

*** These communities have HRA reimbursement but the actual values are not disclosed and are not therefore included. The HRA reimbursement IS included in the Chesterfield value.