



**CITY OF MISSOULA
EMPLOYEE BENEFITS COMMITTEE (EBC)
MEMORANDUM**

TO: Mayor Engen, Dale Bickell (CAO), Steve Johnson (Central Services Director), Leigh Griffing (Finance Director), Kathy Crego (Human Resources Director), Jim Nugent (Attorney) and City Council members

FROM: Jilayne Dunn, Chair, and EBC Members: Chad Arson (Vehicle Maintenance), Shane Austin (Street), David Proctor (Street), Christopher Gray (Parks & Recreation), Bruce Hartjes (Parks & Recreation), Randy Frazier (Development Services), Lynn McCamant & Brian Crego (WWTP-MPEA Chemists), Kelly Elam (Clerk), Cyndie Winchell (Parking Commission), John Laroque (Fire), Brad Davis (Fire), Philip Keating (Fire), Patty Clawson (Retiree), Calli McGregor (WWTP-MPEA Operators), Bea Happ (Police), Shaun Loya (Police), John Martini (Police), Ken Hughes (Communication Shop), Tony Sauro (Building Inspection), Megan Yuhas (WWTP-IUOE), Katherine Auge (Planners), Vacant (Garden City Compost-Teamsters), Cristina Coddington (Building Inspection-alt)

DATE: August 1, 2019

SUBJECT: Fiscal Year 2020 Recommendations for City of Missoula Health Benefits Plan

Employee Benefits Committee recommendations for Fiscal Year 2020

1. Support Administration's recommendation of increasing premiums by 11% for Fiscal Year 2020.
2. Recommend changing the Plan year to January 1 to December 31.
3. Recommend exploring other Plan options or structures that give employees a choice. For example, offering our existing Plan along with a High Deductible Health Plan (HDHP) option accompanied by a Health Savings Account (HSA) and/or Direct Primary Care (DPC) option.

Purpose and Recognition of Employee Benefits Committee from our Bylaws

The purpose of the Employee Benefits Committee (EBC) shall be to ensure that the employees, dependents, retirees and elected officials of the City of Missoula receive the best health care benefits for the money contributed to the Health Benefit Fund by the City of Missoula and the Plan participants. The EBC shall be recognized by all employees and their Bargaining Agents and/or representatives as an advisory committee to the City administrative staff, Mayor and the City Council.

Our Work

Over the course of any given year, EBC representatives consider input and feedback from Plan participants. The committee discusses ways of keeping our Plan solvent and affordable while providing the best health care options possible. EBC also tries to incentivize participants to make healthy lifestyle choices and become educated health consumers. During the budget process, EBC considers participant feedback, participant requests, our Plan's financial state, our Plan's cost trends, and national health cost trends when making recommendations for any Plan changes.

- The City's Health Plan is self-funded. Plan contributions from employees (including for their spouses and dependents), retirees and from the City go directly into a fund to pay our Health Plan participants' covered medical, dental, vision and Pharmacy expenses. Note: Retirees are not offered dental or vision benefits.
- Total Estimated Plan Costs for FY19 is \$7,330,143.
- Industry standards recommend maintaining three (3) months of Plan expenses in our Fund Balance; this is the Plan's savings account or reserve.
- The average monthly Plan expense for the past 12 months is \$610,845 so a three (3) months' Plan reserve would be **\$1,832,536. This is our GOAL.**

Summary of Health Plan Fund Balances at Year-End

- June 30, 2009 - \$2,278,148
- June 30, 2010 - \$981,691
- June 30, 2011 - (**\$332,592**)
- June 30, 2012 - (**\$245,840**)
- June 30, 2013 - \$485,214
- June 30, 2014 - \$1,031,622
- June 30, 2015 - \$822,643
- June 30, 2016 - \$1,095,596
- June 30, 2017 - \$778,930
- June 30, 2018 - (**\$299,038**)
- June 30, 2019 - \$328,541 ESTIMATE

Summary of Premium Increases & Changes to Deductibles/Out of Pocket Maximums since 2012

- FY12 – 20% to 117.5% premium increases – see table below
- FY17 – 3 % premium increase for both the City and participants.
- FY18 – 5% premium increase for both the City and participants.
- FY19 – 12% premium increase for both the City and participants, and deductibles were increase by \$280 per individual/\$950 per family.

Summary of Premium increases by Participant type since fiscal year 2012

Premium Increases for Employees						
Fiscal Year	Current Premium per Month	% increase	\$ increase	New Premium	Rounding	
2012	\$ 10.00	117.50%	\$ 11.75	\$ 21.75	\$ 21.75	
2017	\$ 21.75	3.00%	\$ 0.65	\$ 22.40	\$ 22.40	
2018	\$ 22.40	5.00%	\$ 1.12	\$ 23.52	\$ 24.00	
2019	\$ 24.00	12.00%	\$ 2.88	\$ 26.88	\$ 27.00	
2020	\$ 27.00	11.00%	\$ 2.97	\$ 29.97		Proposed
Premium Increases for Dependents						
Fiscal Year	Current Premium per Month	% increase	\$ increase	New Premium	Rounding	
2012	\$ 27.50	74.00%	\$ 20.35	\$ 47.85	\$ 47.00	
2017	\$ 47.00	3.00%	\$ 1.41	\$ 48.41	\$ 49.00	
2018	\$ 49.00	5.00%	\$ 2.45	\$ 51.45	\$ 51.00	
2019	\$ 51.00	12.00%	\$ 6.12	\$ 57.12	\$ 57.00	
2020	\$ 57.00	11.00%	\$ 6.27	\$ 63.27		Proposed
Premium Increases for Spouse						
Fiscal Year	Current Premium per Month	% increase	\$ increase	New Premium	Rounding	
2012	\$ 65.00	74.00%	\$ 48.10	\$ 113.10	\$ 113.00	
2017	\$ 113.00	3.00%	\$ 3.39	\$ 116.39	\$ 116.00	
2018	\$ 116.00	5.00%	\$ 5.80	\$ 121.80	\$ 122.00	
2019	\$ 122.00	12.00%	\$ 14.64	\$ 136.64	\$ 137.00	
2020	\$ 137.00	11.00%	\$ 15.07	\$ 152.07		Proposed
Premium Increases for City						
Fiscal Year	Current Premium per Month	% increase	\$ increase	New Premium	Rounding	
2012	\$ 635.00	20.75%	\$ 131.76	\$ 766.76	\$ 767.00	
2017	\$ 767.00	3.00%	\$ 23.01	\$ 790.01	\$ 790.00	
2018	\$ 790.01	5.00%	\$ 39.50	\$ 829.51	\$ 830.00	
2019	\$ 830.00	12.00%	\$ 99.60	\$ 929.60	\$ 929.60	
2020	\$ 929.60	11.00%	\$ 102.26	\$ 1,031.86		Proposed
Premium Increases for Retiree						
Fiscal Year	City Premium (less dental)	Employee Premium	Premium per month	15% Subsidy	Total Premium	
2012	\$ 721.40	\$ 21.75	\$ 743.15	\$ 111.47	\$ 631.68	
2017	\$ 744.40	\$ 22.40	\$ 766.80	\$ 115.02	\$ 651.78	
2018	\$ 784.40	\$ 24.00	\$ 808.40	\$ 121.26	\$ 687.14	
2019	\$ 884.00	\$ 26.88	\$ 910.88	\$ 136.63	\$ 774.25	
2020	\$ 986.26	\$ 29.97	\$ 1,016.23	\$ 152.43	\$ 863.79	Proposed

From Allegiance’s Year-End Executive Summary Reports, the following table represents our fiscal year-end positions as a percentage increase or decrease from the prior year. Our Health Plan costs have been trending upward around 10% annually for several years. As you can see below, fiscal year 2018 was a costly year for the Plan. Overall, fiscal year 2019 has been a better year with downward trends in several categories and an overall Plan Cost decrease of 1%.

Percent Change from Prior Year		
	FY19	FY18
Medical Claims	5%	17%
Pharmacy Claims	(9%)	30%
Stop Loss/Reinsurance Reimbursements	3%	383%
Member Count	3%	8%
Stop Loss/Reinsurance Premium (\$140,000 deductible per person per year; FY19 includes additional \$60,000 aggregate deductible)	4%	17.5%
Administration	6%	12%
Large Claims (>\$25,000)	(12%)	62%
Number of Claims	29%	(1%)
Average Claims Cost	(23%)	14%
Number of In-Patient Days	(34%)	25%
Average Length of Stay	(33%)	42%
Total Plan Cost	(1%)	11%

During fiscal year 2019, Gallagher & Company continued to monitor and analyze Plan usage with data provided by Allegiance. During the past several months they have “run the numbers” several times to give the City the best estimate of what increase would be needed to fully fund the Plan in FY20. Gallagher is recommending an 11% increase in premiums for participants and the City for FY20. This recommendation does not include additional funds for building any fund balance.

<p>Employee Benefits Committee recommendations for Fiscal Year 2020</p> <ol style="list-style-type: none"> 1. Support Administration’s recommendation of increasing premiums by 11% for Fiscal Year 2020. 2. Recommend changing the Plan year to January 1 to December 31. 3. Recommend exploring other Plan options or structures that give employees a choice. For example, offering our existing Plan along with a High Deductible Health Plan (HDHP) option accompanied by a Health Savings Account (HSA) and/or Direct Primary Care (DPC) option.
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Notes and General Recommendations

- Change in Plan Year is recommended so employees and retirees are aware of upcoming health costs prior to open enrollment and Flexible Spending account deadlines.

FY20 EBC Recommendation

- Additional health plan options would allow employees to choose the best and most cost effective plan for their needs. Many younger employees are coming to the City with an HSA already established and are interested in a HDHP model.
- DPC models are gaining popularity due to the close relationship that can be developed between doctor and patient, 24/7 access to a physician via text and teleconferencing, reduced costs to participant and Plan for routine or general procedures and bridging the gap with first dollar care for HDHPs.
- Recommend fully funding the Plan each year to prevent large increases or substantial Plan changes in any one year.
- Recommend premium increases that trend more equally with Plan costs in order to provide a sustainable Health Plan.
- Recommend maintaining a fund balance equal to three (3) months of Plan expenses.
- Employee feedback indicates preference for reasonable increases in premiums rather than increases to deductibles, out-of-pocket maximums and Plan benefit changes.
- Employee feedback indicates preference for premiums increase in small amounts over time versus a major increase every few years.
- Recommend continuing to exploring the Montana Municipal Interlocal Authority's Plan options if it is in the City's and participants' best interest with respect to overall benefits (health & other), cost and representation.

Thank you for your consideration.

Sincerely,



Jilayne Dunn
EBC Chair