



Sachse, Texas

Sachse City Hall
3815-B Sachse Road
Sachse, Texas 75048

Meeting Agenda City Council Workshop

Monday, January 19, 2015

6:30 PM

Council Chambers

1. The City Council of the City of Sachse will hold a Workshop Session on Monday, January 19, 2015, at 6:30 p.m. in the Council Chambers at the Sachse City Hall, 3815 Sachse Road, Building B, Sachse, Texas to discuss the following items of business:

2. **Discuss All City Council Meeting Agenda items.**

3. **City Manager Update Report: Briefing on current activities of staff including engineering, economic development, parks, public works, fire and police departments.**

4. **Discussion Items.**

5. *Please note: These items are for discussion purposes only and no Council action will be taken. The workshop session is for City Council and staff discussion, citizen input is not permitted on this agenda.*

[15-2652](#) Discussion of City of Sachse Medical Insurance renewal.

Executive Summary

Adam Hensen, Corporate Benefits Analyst with IPS Advisors, will present information regarding the City's medical insurance renewal.

Attachments: [Council Update -Jan. 19 2015](#)

6. **Adjournment.**

7. State law prohibits the introduction or discussion of any item of business not posted at least seventy-two (72) hours prior to the meeting time.

Posted: January 16, 2015; 5:00 p.m. Terry Smith, City Secretary



Legislation Details (With Text)

File #: 15-2652 **Version:** 1 **Name:** Discussion of City of Sachse Medical Insurance renewal.
Type: Discussion Item **Status:** Agenda Ready
File created: 1/15/2015 **In control:** City Council
On agenda: 1/19/2015 **Final action:**
Title: Discussion of City of Sachse Medical Insurance renewal.

Executive Summary
Adam Hensen, Corporate Benefits Analyst with IPS Advisors, will present information regarding the City's medical insurance renewal.

Sponsors:

Indexes:

Code sections:

Attachments: [Council Update -Jan. 19 2015](#)

Date	Ver.	Action By	Action	Result
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Title
Discussion of City of Sachse Medical Insurance renewal.

Executive Summary
Adam Hensen, Corporate Benefits Analyst with IPS Advisors, will present information regarding the City's medical insurance renewal.

Background
Adam Hensen with IPS Advisors, our new benefits consultant, will brief City Council on the current status of the City of Sachse medical plan and will discuss the 2015-2016 renewal strategy along with the preliminary timeline for the renewal process.

Policy Considerations
None at this time.

Budgetary Considerations
None at this time.

Staff Recommendations
None.

IPS Advisors, LLP



Our Vision is Your Advantage

Corporate Benefits Consulting
Our Goal is to Turn Your Expense into an Asset

Insurance Planning Services
We Help You Uncover - Then Cover Your Risks

Retirement Plan Consulting
Choosing Your Company Retirement Plan is a Big Decision - We Offer Big Help

2015-2016 Strategy



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IPS Advisors

- Established over 35 years ago, IPS Advisors is an independent fee based brokerage and consulting firm. Our governmental division leads all other consultants servicing over 30 municipalities across the State of Texas with their health and welfare benefits planning needs.
- We provide specialized services through our core practice areas:
 - Corporate Benefits Consulting
 - Long Term Strategic Planning
 - Fully Insured and Self Insured Benefits Programs
 - Health Risk Management Programs
 - Compliance Assistance
 - Benefits Administration
 - Corporate Retirement Consulting
 - 457 Plans
 - Life Insurance Portfolio Management
 - Property and Casualty Insurance

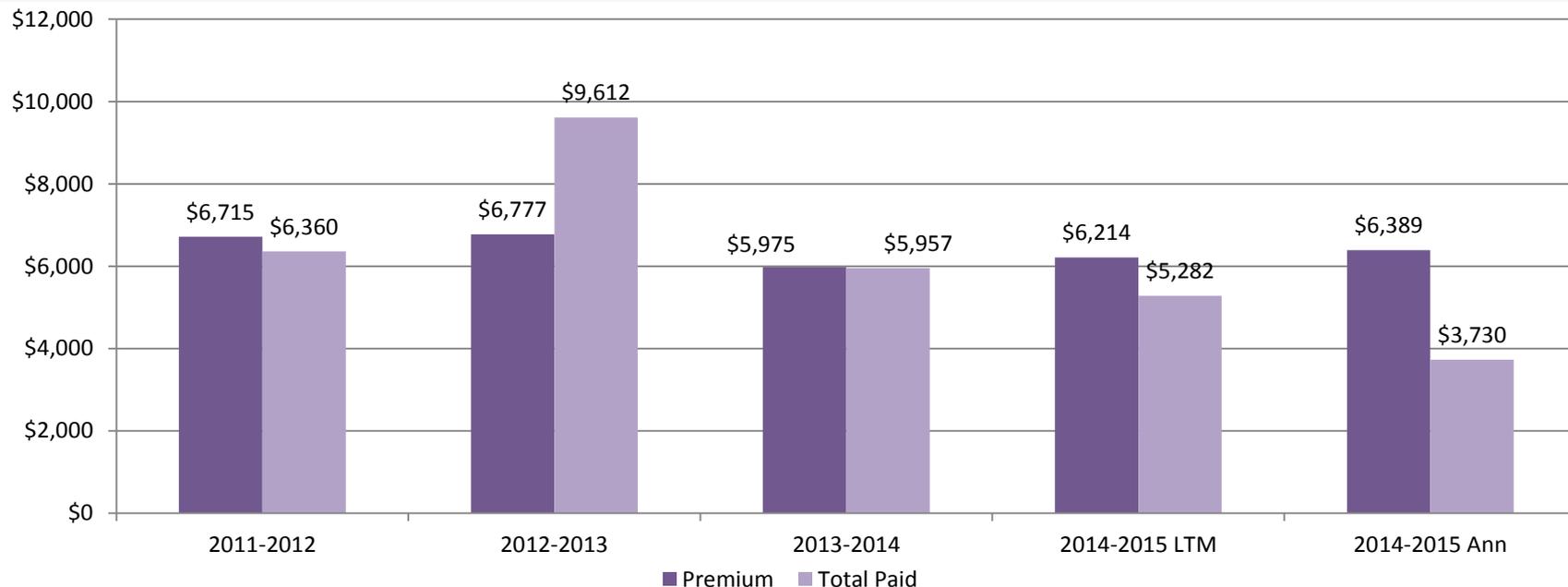
Key Strategic Items

- Request for Proposal - Timeline
- Health Insurance Plan
- Dental Insurance Plan
- Life Insurance Plan
- Long Term Disability Plan
- Vision Insurance Plan
- Healthcare Reform Compliance
- Health Risk Management
- Communications / Administration

Historical Per Capita Cost Analysis



Per Capita Premium Paid vs Claims Paid



	Premium	Δ	Total Paid	% Δ	Loss Ratio	Δ
2011-2012	\$6,715	n/a	\$6,360	n/a	94.70%	n/a
2012-2013	\$6,777	0.90%	\$9,612	51.10%	141.80%	47%
2013-2014	\$5,975	-11.80%	\$5,957	-38.00%	99.70%	-42%
2014-2015 LTM	\$6,214	4.00%	\$5,282	-11.30%	85.00%	-15%
2014-2015 Ann	\$6,389	6.90%	\$3,730	-37.40%	58.40%	-27%

HRA/HSA Claims and Contributions are not Included

2011-2012: 05/2011: 04/2012 AETNA

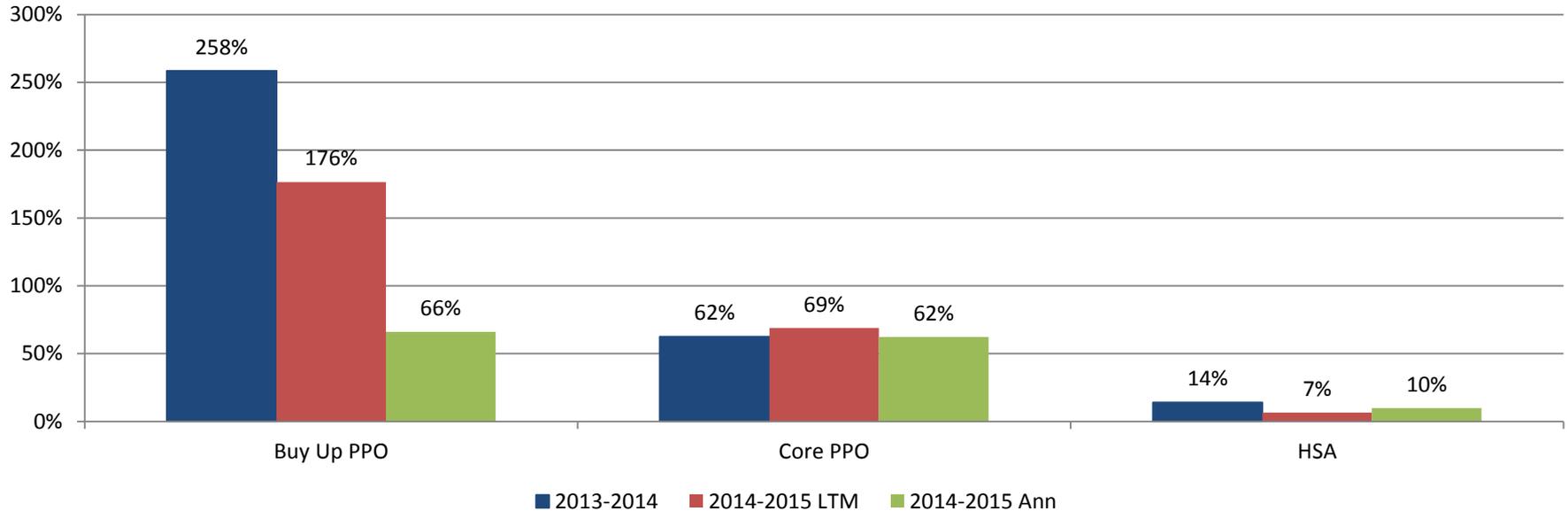
2012-2013: 05/2012: 04/2013 AETNA

2013-2014: 05/2013: 04/2014 BCBS

2014-2015 LTM: 11/2013: 10/2014 BCBS

2014-2015 Ann: Annualized 05/2014: 10/2014 BCBS

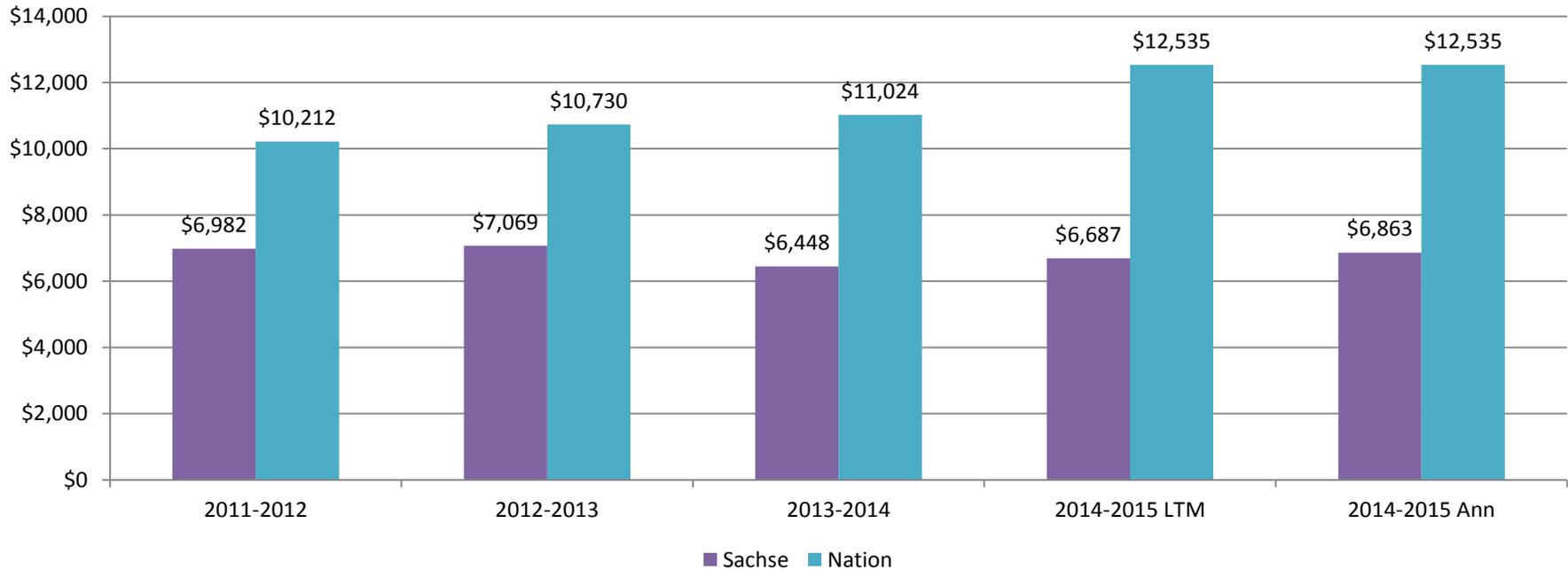
Per Capita Loss Ratio by Plan



	Buy Up Plan		Core Plan		HSA	
	Claims Paid	Loss Ratio	Claims Paid	Loss Ratio	Claims Paid	Loss Ratio
2013-2014	\$15,543	258%	\$3,839	62%	\$618	14%
2014-2015 LTM	\$11,034	176%	\$4,393	69%	\$313	7%
2014-2015 Ann	\$4,148	66%	\$4,089	62%	\$492	10%

HRA/HSA Claims and Contributions are not Included
 2013-2014: 05/2013: 04/2014 BCBS
 2014-2015 LTM: 11/2013: 10/2014 BCBS
 2014-2015 Ann: Annualized 05/2014: 10/2014 BCBS

Plan Cost Vs. Nation



	Sachse	% Δ	Nation	% Δ	% ΔΔ
2011-2012	\$6,982	n/a	\$10,212	n/a	-31.6%
2012-2013	\$7,069	1.2%	\$10,730	5.1%	-34.1%
2013-2014	\$6,448	-8.8%	\$11,024	2.7%	-41.5%
2014-2015 LTM	\$6,687	3.7%	\$12,535	13.7%	-46.7%
2014-2015 Ann	\$6,863	6.4%	\$12,535	13.7%	-45.3%

HRA Claims Included (Estimated \$267.42 in 2011-2012, \$292.34 in 2012-2013, \$473.27 in 2013-2014, and Assumed \$437.27 for 2014-2015 LTM and ANN)

HSA Contributions not included, (Estimated \$113.78 for 2014-2015 ANN)

2011-2012: 05/2011: 04/2012 AETNA

2012-2013: 05/2012: 04/2013 AETNA

2013-2014: 05/2013: 04/2014 BCBS

2014-2015 LTM: 11/2013: 10/2014 BCBS

2014-2015 Ann: Annualized 05/2014: 10/2014 BCBS

Healthcare Reform – A Look Ahead



Healthcare Reform – 3 Part Test

- *Eligibility Requirements*

- Coverage must be expanded to “full-time” employees working more than 30 hours per week.
- Additional administration requirements to determine eligibility for the health plan are required.

- *Minimum / Actuarial Value of Plans*

- Definition: The Base Plan must meet at minimum 60% Actuarial Value.

- *Affordability of Plans*

- Definition: Employees health insurance premium for the Base Plan may not exceed 9.6% of an Employees W-2 Earnings.

Considerations

- Transitional Reinsurance Fee, Health Insurance Industry Fee and Patient Centered Outcomes Research Fee continue. (Paid through Fully Insured Premium Costs)
- Form 6055 (Minimum Essential Coverage) and 6056 (Offer of Coverage) are required will be filed in 2016 for 2015 plan year. 6055 is an Issuer requirement and 6056 is an Employer Requirement.
- Cadillac Tax of 2018
 - Current Per Month Tax Thresholds :
 - \$850 EE/ \$2,292 EE&FAM Actives Employees
 - \$988 RET/ \$2,579 RET&FAM Pre-65 Retirees

2015-2016 Budget Projection



2015-2016 Conservative Budget Projection

Projected Medical Claims Per Capita	\$4,566
Projected Rx Claims Per Capita	\$1,292
Projected Total Claims Per Capita	\$5,857
Projected Employees	118
Projected Claims	\$691,154
Administration (Including HCR)	0.83
Claims + Administration (Needed Annual Premium)	\$832,716
*Current BCBS Premium	\$759,579
Needed Δ in Premium	9.63%

*Assumes 7.8% Medical Trend, 8.6% Rx Trend
 Projected Per Capita Claims cost are based on a blending of the last 24 months of Claims
 Assumes 118 Employees*

**Current BCBS Premium – Annualized last month's premium*

2015-2016 Strategy Discussion



2015-2016 Benefits Strategy

- Request for Proposal
 - IPS has released a request for proposal for all lines of coverage. Due 2/6/15.
 - Upon receipt of bids, IPS will conduct RFP evaluation, naming of finalists, best and final offers and presentation of recommendations including plan design and contribution adjustments.
- Health Insurance
 - The City's current fully insured financial funding structure is recommended to be continued. Alternative funding (self insuring / partial self insuring) structures are typically reserved for employer with larger populations.
 - In most categories, the City's plans are competitive with benchmarks when HRA funding is incorporated. Dependent cost sharing and benefit levels should be reviewed as part of an upcoming complete compensation study.
 - In conjunction with an upcoming complete compensation study, IPS will be presenting staff with recommended deductible, out of pocket and copay, and contribution adjustments to better align the plan with best practices and benchmarks.
 - It is recommended to implement a Single Non-Profit Employee Benefits Trust to exempt the City from paying State Premium Taxes (1.75% of premium Costs).

2015-2016 Benefits Strategy

- Dental Insurance
 - DHMO and DPPO both offered and paid at 100% for EE, 0% for Dependents.
 - Evaluation of funding strategy recommended.
 - \$1,000 Annual Maximum is below benchmarks.
- Life Insurance
 - The City provides a benefit of 1 x basic annual earnings up to \$50k in addition to 1 x basic annual earnings TMRS benefit.
 - These benefit amounts are in-line with benchmarks.
 - Combined benefits over \$50k may be subject to imputed income taxes to the employee.
- Long Term Disability
 - The City provides an Long Term Disability program to employees which covers up to 60% of their paycheck (to a maximum) if they are to sick or hurt to work.
 - The benefit offering is typical within a City, however the current monthly maximums require adjustments to accommodate 60% salary replacement.
- Vision Insurance
 - Optional Vision program to employees which is in-line with benchmarks.

2015-2016 Benefits Strategy Discussion

- Healthcare Reform Compliance
 - Measurement Periods and Stability Periods Established. City is in compliance with Minimum Value and Affordability requirements.
 - Transitional Reinsurance Fee, Health Industry and PCORI Fee are included within BCBS's premiums.
 - IPS will prepare the City with 6055 and 6056 tracking for 2016 reporting requirements.
 - Compliance Audit of all policies and procedures to be preformed in Q1 of 2015
- Health Risk Management
 - Premium differential strategies for employee and spouses for annual physicals and tobacco use are recommended for consideration.
- Communications / Administration
 - IPS to enhance enrollment communications with our benefit booklet and our employee communication website
 - 1-800 Number has been implemented for Employee Support
 - It is recommended for the City to evaluate a paperless and electronic benefits administration system for open enrollment (additional cost).
 - Chapter 175 of the Local Government Code states that employees of municipalities with a population of 25,000 or more are entitled to receive retiree benefits from the City.

2015-2016 Preliminary Timeline



2015-2016 Preliminary Time Line

December - 2014

- ✓ Strategy Meeting
 - ✓ Claims Analysis
 - ✓ Budget Projections
 - ✓ Benchmarking
 - ✓ Strategic Planning / Time Lines
- ✓ Begin Monthly Reporting Process
- ✓ Request Preliminary Health Plan Renewals from BCBS

January - 2015

- ✓ RFP Draft to City
- ✓ Begin Drafting Benefits Communication Guides
- ✓ Complete Compliance Audit
- ✓ Monthly Reporting
- ✓ January 9th Release RFP
 - ✓ All Lines of Coverage

February - 2015

- ✓ February 6th: RFP Due
- ✓ February 18th: Presentation of Renewal Results
- ✓ February 25th: Presentation of Best and Final Offers
- ✓ Complete Benefits Strategy
 - ✓ Plan Design
 - ✓ Contribution Structure
- ✓ Monthly Reporting

March - 2015

- ✓ Present Recommendations to Council
- ✓ Finalize Benefit Communications
- ✓ Conduct Open Enrollment
- ✓ Monthly Reporting

April - 2015

- ✓ Complete Open Enrollment
- ✓ Release ID Cards
- ✓ Finalize Implementation
- ✓ Monthly Reporting

May - 2015

- Receipt and Review of Plan Documents
- ✓ Monthly Reporting

June / July - 2015

- Strategy Meeting – End of Year Report
 - ✓ Claims and Utilization Review
 - ✓ Preliminary Recommendations
 - ✓ Strategic Planning / Time Line

