



# City of Sachse, Texas

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

## Meeting Agenda City Council Workshop

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Monday, January 18, 2016

6:30 PM

Council Chambers

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The City Council of the City of Sachse will hold a Workshop Session on Monday, January 18, 2016, at 6:30 p.m. in the Council Chambers at Sachse City Hall, 3815 Sachse Road, Building B, Sachse, Texas to discuss the following items of business:

1. Discussion Items.

[16-3179](#) Discuss City of Sachse Medical Insurance renewal.

Attachments: [Presentation](#)

2. Discuss any City Council meeting agenda items.

*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.*

3. Adjournment.

As authorized by Section 551.072(2) of the Texas Government Code, this meeting may be convened into closed Executive Session at any time during the City Council workshop or regular meeting for the purpose of seeking confidential legal advice from the City Attorney on any workshop or regular meeting agenda item listed herein.

Posted: January 15, 2016; 5:00 p.m.

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Michelle Lewis Sirianni, City Secretary

If you plan to attend this public meeting and you have a disability that requires special arrangements, please contact Michelle Lewis Sirianni, City Secretary at (972) 495-1212, 48 hours prior to the scheduled meeting date.



Legislation Details (With Text)

<b>File #:</b>	16-3179	<b>Version:</b>	1	<b>Name:</b>	Discussion of City of Sachse Medical Insurance renewal.
<b>Type:</b>	Discussion Item	<b>Status:</b>		<b>Status:</b>	Agenda Ready
<b>File created:</b>	1/8/2016	<b>In control:</b>		<b>In control:</b>	City Council
<b>On agenda:</b>	1/18/2016	<b>Final action:</b>		<b>Final action:</b>	
<b>Title:</b>	Discuss City of Sachse Medical Insurance renewal.				
<b>Sponsors:</b>					
<b>Indexes:</b>					
<b>Code sections:</b>					
<b>Attachments:</b>	<a href="#">Presentation</a>				

Date	Ver.	Action By	Action	Result
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Title

Discuss City of Sachse Medical Insurance renewal.

Background

Andrew Weeger with IPS Advisors, our benefits consultant, will brief City Council on the current status of the City of Sachse medical plan and will discuss the 2016-2017 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

Discussion only.

# 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

## 2016-2017 Benefits Strategy



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- I. *Our Company - IPS Advisors*
- II. *Historical Per Capita Cost Analysis*
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- IV. *2016-2017 Budget Projection*
- V. *Benefits Strategy*
- VI. *2016-2017 Preliminary Timeline*

# Our Company – IPS Advisors

- Established over 35 years ago, IPS Advisors is an independent fee based brokerage and consulting firm. Our governmental division services over 35 municipalities, counties and State agencies across 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

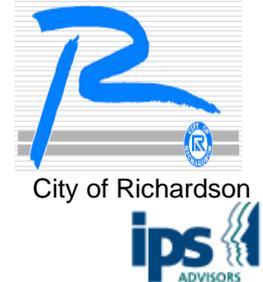
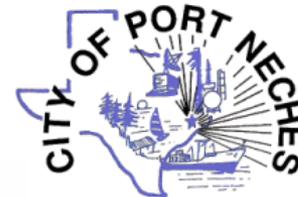
# Municipal Experience



City of Conroe



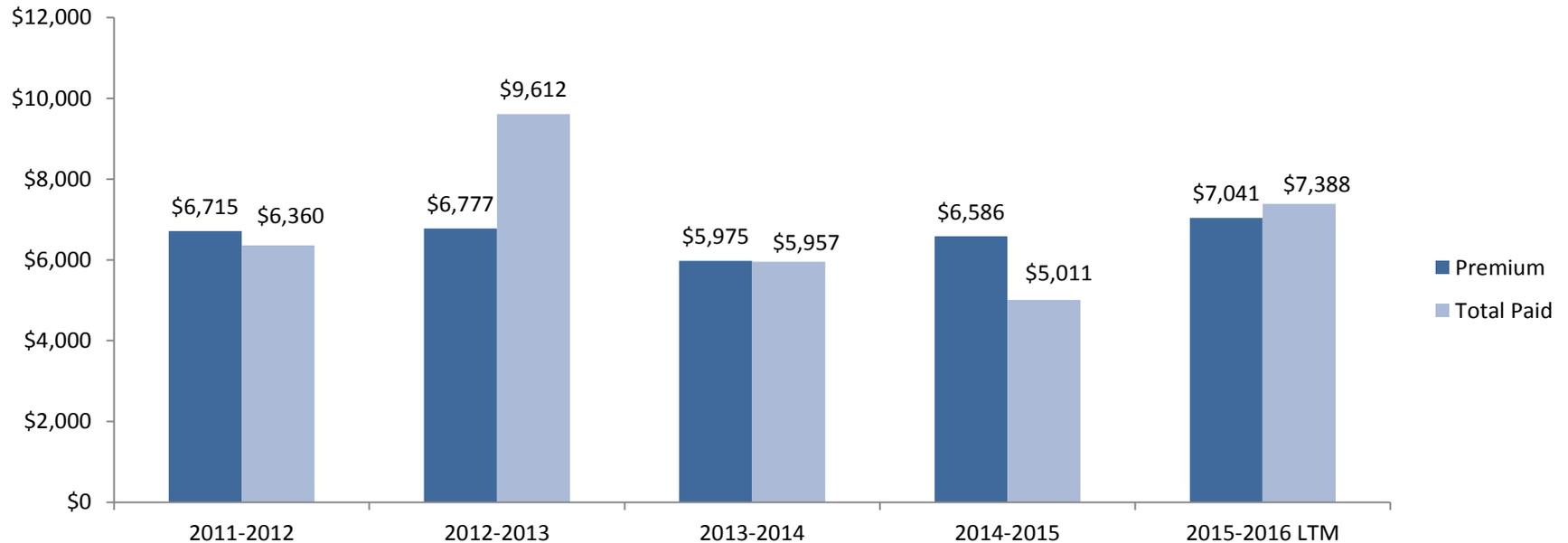
CASTLE HILLS



# 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	94.71%	n/a
2012-2013	\$6,777	0.9%	\$9,612	51.1%	141.8%	47.0%
2013-2014	\$5,975	-11.8%	\$5,957	-38.0%	99.7%	-42.0%
2014-2015	\$6,586	10.2%	\$5,011	-15.9%	76.1%	-23.7%
2015-2016 LTM	\$7,041	6.9%	\$7,388	47.4%	104.9%	37.9%

*HRA/HSA Claims and Contributions are not Included*

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

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

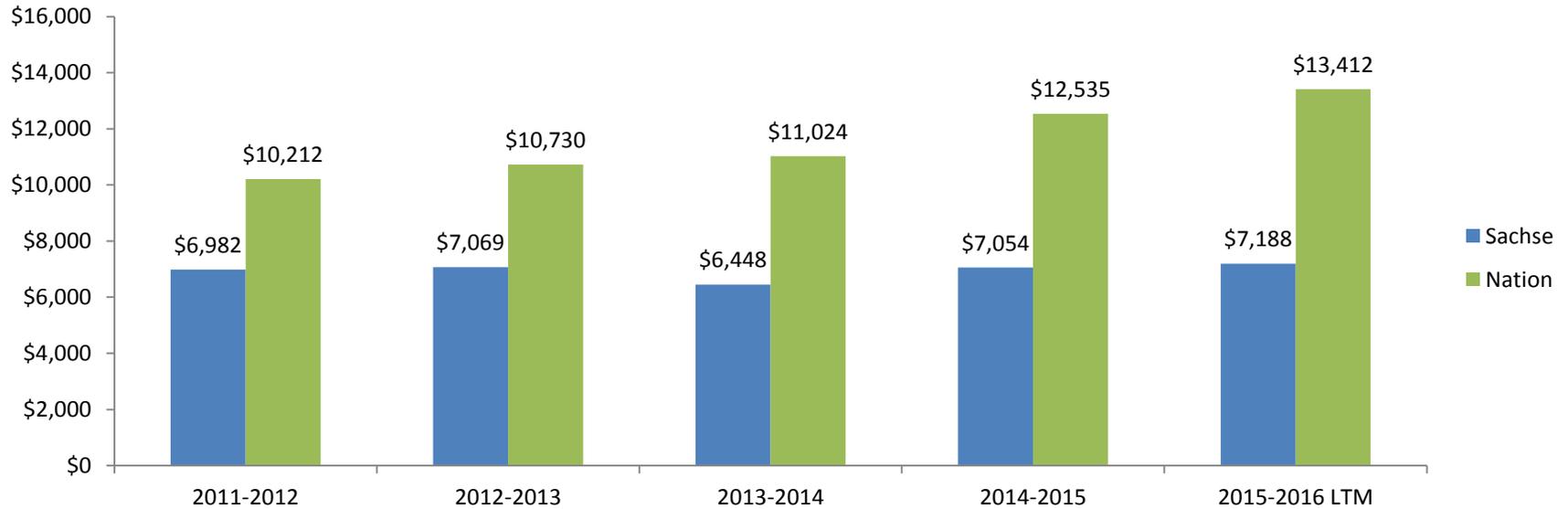
2013-2014: 05/2013: 04/2014 BCBS

2014-2015: 05/2014: 04/2015 BCBS

2015-2016 Last Twelve Months 05/2015: 11/2015 BCBS



# Plan Cost Vs. Nation



	Sachse	%Δ	Nation	%Δ
2011-2012	\$6,982	n/a	\$10,212	n/a
2012-2013	\$7,069	1.2%	\$10,730	5.1%
2013-2014	\$6,448	-8.8%	\$11,024	2.7%
2014-2015	\$7,054	9.4%	\$12,535	13.7%
2015-2016 LTM	\$7,188	1.9%	\$13,412	7.0%

HRA Claims Included (Estimated \$267.42 in 2011-2012, \$292.34 in 2012-2013, \$473.27 in 2013-2014, \$233.93 in 2014-2015, \$146.65 for 2015-2016 LTM)

HSA Contributions 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 :05/2014: 04/2014 BCBS

2015-2016 LTM: 05/2015: 11/15 BCBS

# Healthcare Reform – A Look Ahead



# Affordable Care Act Review

- **Starting January 1, 2015**, large employers (100+) were required to offer health care coverage to 70% of their “full-time” employees or face penalties.
- **Non-Calendar Year Plans** – Received additional reprieve by the department of Treasury and can implement the mandate **at their renewal date in 2015** if threshold testing is met.
- **The Patient Protection and Affordable Care Act (PPACA)**, defines “full-time” work as averaging only 30 hours per week or 130 hours per month.
- An “applicable large employer” may be **subject to a penalty** if the employer fails to offer its “full-time” employees (and their dependents) the opportunity to enroll in **minimum essential and affordable coverage**.
- The law allows you to assess full-time status on **actual hours worked**.
  - Difficult to determine for variable hour staff.
  - Employers risk penalties if coverage not offered to employee expected to work < 30 hours/week who actually work more.
- **Safe harbor guidance** was issued that allows employers to establish a **measurement period** to determine hours worked and eligibility for the health plan.

# 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 2020 (Originally 2018)
  - Current Per Month Tax Thresholds :
    - \$850 EE/ \$2,292 EE&FAM Actives Employees
    - \$988 RET/ \$2,579 RET&FAM Pre-65 Retirees

# 2016-2017 Budget Projection



# 2016-2017 Conservative Budget Projection

	Total
Projected Paid Medical Claims	\$748,041
Projected Paid Rx Claims	\$158,501
Provision For Large Claims	\$0
Total Projected Claims	\$906,542
Administration	0.833
Needed Annual Premium	\$1,088,285
Current Premium Cost	\$888,336
Needed \$ Increase	\$199,949
Needed % Increase	22.51%

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 123 Employees

# 2016-2017 Benefits Strategy



# 2016-2017 Benefits Strategy

- **Request for Proposal**
  - IPS will release a request for proposal for dental and medical coverage due 2/6/16.
  - 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 – Blue Cross Blue Shield**
  - The City is currently running at a 104.9% loss ratio year to date and the carriers target loss ratio sits at 75%. IPS is projecting a 22.5% renewal increase to premium rates and an RFP is being conducted to leverage negotiations.
  - The City currently retains a more progressive benefits strategy by providing high deductible health plans with HRA and HSA contributions to assist in offsetting deductible liability.
  - This strategy has contributed to the City's health plan costs being approximately 38.5% below the Public Sector Benchmarks. The City currently contributes approximately 82.1% to the total Health Plan costs which is in line against public sector benchmarks of 83.6%.
  - After review of Evergreen Solutions Benefits study, it's important to note that although the city's portion of healthcare premiums is below benchmarks, the employees premiums are substantially similar to like entities.
  - IPS will be providing savings considerations including adjustments to HRA funding structures to align with best practices. Additionally, ER copay and pharmacy Copay adjustments are recommended for consideration.
  - No significant changes are recommended to the City's subsidy levels, however is it recommended to consider moving towards a cost neutral funding strategy between all benefit plans over time.
  - IPS will also evaluate both narrow network (EPO) high performance network (ACO) options for potential implementation.

# 2016-2017 Benefits Strategy

- **Dental Insurance – United Healthcare**
  - DHMO and DPPO both offered and paid at 100% for EE, 0% for Dependents.
  - These benefits are in-line with benchmarks.
  - The Dental Policy renews 5/1/16.
- **Life / Accidental Death & Dismemberment Insurance – Dearborn National**
  - 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.
  - The Life Insurance Policy renews 5/1/18.
- **Long Term Disability – Dearborn National**
  - The City provides an Long Term Disability program to employees which covers up to 60% of their paycheck (to a maximum) if they are too sick or hurt to work.
  - These benefits are in-line with benchmarks.
  - The Long Term Disability Policy renews 5/1/17.
- **Vision Insurance - Avesis**
  - Optional Vision program to employees which is in-line with benchmarks.
  - The Optional Vision policy renews 5/1/18.
- **Employee Assistance Program- Compass Professional Health Services**
  - The City provides an Employee Assistance Program that helps employees find pathways to care and become better consumers of healthcare.
  - The EAP policy renews 12/1/2017.

# 2016-2017 Benefits Strategy

- **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 continue to prepare the City with 6055 and 6056 tracking for 2016 reporting requirements.
- The Cadillac Tax of 2018 has been delayed until 2020. IPS will conduct an Cadillac Tax Assessment for the City.

- **Health Risk Management**

- The City will continue to contract with the Medical Center of Plano for their Shine On wellness program.
- It is recommended to consider implementation of an annual physical incentive to include premium differentials for employee participation.
- It is also recommended to consider future implementation of tobacco surcharges. Most employers will provide employees notice at least 12 months before the surcharge program would be effective. This allows ample time to begin the process of quitting.

- **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).

# 2016-2017 Preliminary Timeline



# 2016-2017 Preliminary Time Line

## January - 2016

- ✓ RFP Draft to City
- ✓ Begin Drafting Benefits Communication Guides
- ✓ Monthly Reporting
- ✓ January Release

## February - 2016

- ✓ RFP Due
- ✓ Presentation of Renewal Results
- ✓ Presentation of Best and Final Offers
- ✓ Complete Benefits Strategy
  - ✓ Plan Design
  - ✓ Contribution Structure
- ✓ Monthly Reporting

## March - 2016

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

## April - 2016

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

## May - 2016

- Receipt and Review of Plan Documents
- ✓ Monthly Reporting

## June / July - 2016

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

