

City of Bethel Action Memorandum

Action memorandum No.	18-33		
Date action introduced:	April 24, 2018	Introduced by:	Peter Williams, City Manager
Date action taken:	April 24, 2018	X	Approved Denied
Confirmed by:	LS		

Action Title: Authorize City Manager to negotiate and execute level-funded health care plan through Premera Blue Cross/Blue Shield

Attachment(s): Summary of Differences

Department/Individual:	Initials:	Remarks:
HR	<i>HA</i>	
Risk Manager		
City Attorney	<i>PB</i>	<i>of Code or State statute issues</i>
City Clerk	<i>S</i>	<i>Does Not apply to code - NOR:VIEW</i>
Finance		
City Manager	<i>PJW</i>	

Amount of fiscal impact:		Account information:
X	No fiscal impact at this time.	
	Funds in City Budget.	
	Funds not in City Budget.	

Summary Statement

Authorize the City Manager to change the current group health coverage plan for City of Bethel employees from a self-funded program to a level-funded program offered through Premera Blue Cross/Blue Shield. Projection presented by The Wilson Agency and analyzed in-depth by Administration anticipates savings of \$250,000+ the first year and expected significant savings in subsequent years by converting. Basic coverage for employees would be very similar with lower costs for common claims and higher costs for less common claims.

The administration has conducted due-diligence and determined moving to a level-funded plan offered by Premera is in the best interests of the City and its employees for the following reasons:

1. Lower costs. Moving to Premera will save approximately \$250,000 over projected costs under current plan for FY 19
2. Set premiums per month, and significantly lower financial risk. Under the self-funded plan, the City bears all the risk until a claim reaches the stop-loss level of \$60,000. This is

especially significant because of the increase in the number of claims over \$30,000:

- a. 2015-2016 – 2 claims between \$30k and \$60k and 1 claim between \$60k and \$120k
 - b. 2016-2017 – 6 claims between \$30k and \$60k and 1 claim between \$60k and \$120k
3 claims over 120k
 - c. 2017-Feb 2018 – 5 claims between \$30k and \$60k and 3 claims between \$60k and \$120k
3. Lower total annual out-of-pocket costs for families than current plan; \$9,000 (Premera) vs. \$14,300 (current plan)
 4. Many common events enjoy better coverage under new plan including:
 - a. Preventive dental coverage for adults would be covered at 100% vs 90% under current plan
 - b. Emergency room copay would be \$100 vs \$150 under current plan
 - c. Lower costs for newer non-generic prescriptions \$30/\$50 vs 20% under current plan; same cost for generic prescriptions with both plans
 5. If our costs are lower than our premiums and we are in a 'gain' position, the City would receive 50% of the gains annually in a refund
 6. With the purchasing power of Premera, the City expects even lower premiums in the future

Other things to consider:

1. Employees would incur higher costs if they use out-of-network providers (60% vs 20% under current plan) Note: All providers in Bethel are in-network
2. Terminal Liability costs for run-out of self-funder plan (est. @ \$221,500)
3. The City would not retain all savings if actual costs were lower than budget
4. The City would need to find a third party administrator for Cobra administration (anticipated cost of \$1,000 annually)
5. The City would no longer receive prescription rebates (estimated to be \$11,786 annually)