



City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Human Resources

To: City Council

From: City Manager & Staff

Council Meeting Date: September 6, 2016

Re: Appropriation of additional funds for FY 2016 to cover increases in medical and prescription drug claims costs and City HSA contributions.

Executive Summary

Human Resources requests a \$1,450,000 appropriation from the Employee Benefit Fund (EBF) retained earnings account to cover expected medical and prescription drug claims and City HSA contributions through September 30, 2016.

Discussion

This is a request to appropriate \$1,450,000 from the retained earnings account in the Employee Benefit Fund to cover expected overages. The fiscal year 2016 budget was approved to cover \$684,750 in City contributions to employee health savings accounts (HSA), \$6,600,000 in medical claims, and \$1,900,000 in prescription claims.

As of July 2016, \$5,615,637 has been paid for medical claims. Total pending medical claims for August and September 2016 are estimated to be \$1,584,364. Paid prescription claims as of July 2016 total \$2,141,189; total pending prescription drug claims for August and September 2016 are estimated to be \$475,000. While the average medical claims expense has been running \$562,000 per month, a large number of large loss claims have hit the plan in the second half of the fiscal year. Currently there are seven large loss claims over \$100,000, four of which hit the plan in July. The average prescription claims expense has averaged \$214,119 per month. This is five percent (5%) higher than a year ago, mainly due to industry market increases in drug costs and specialty/biologic drugs of almost thirty-four percent (34%).

There has also been an increase in the number of employees moving to or selecting the High Deductible Health Plan (HDHP). The City makes monthly contributions to employee health savings accounts (HSA) for HDHP members. As more employees move to the HDHP, the contributions from the City increase. As of July 2016, the average contribution per month to employee accounts is \$66,000. Pending total deposits to employee HSA accounts for August and September 2016 are estimated to be \$125,000.

This additional funding is necessary to cover anticipated higher than expected HSA deposits and medical and prescription drug claims expenses for August and September 2016. Funds not used from this appropriation will be returned to retained earnings at the end of this fiscal year.



Fiscal Impact

Short-Term Impact: \$1,450,000 reduction in Employee Benefit Fund retained earnings in FY 2016.

Long-Term Impact: Unknown.

Vision & Strategic Plan Impact

Vision Impacts:

Primary Impact: Not Applicable, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Strategic Plan Impacts:

Primary Impact: Operational Excellence, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Legislative History

Date	Action
09/21/2015	B 269-15 passed to appropriate \$1,500,000 from EBF retained earnings to cover higher than expected medical and prescription drug claims.

Suggested Council Action

Approve ordinance.