



Department Source: Human Resources

To: City Council

From: City Manager & Staff

Council Meeting Date: June 5, 2017

Re: Appropriate funds to cover projected FY 2017 costs for medical claims, life insurance contributions, and contributions to employee health savings accounts (HSA).

Executive Summary

Human Resources requests a \$823,000 appropriation from the Employee Benefit Fund (EBF) retained earnings account to cover projected medical claims, life insurance contributions, and City HSA contributions through September 30, 2017.

Discussion

This is a request to appropriate \$823,000 from the retained earnings account in the Employee Benefit Fund to cover expected overages. The fiscal year 2017 budget was approved to cover \$768,000 in City contributions to employee health savings accounts (HSA), \$6,693,225 in medical claims, and \$240,000 in life insurance contributions. Projected costs are trending higher than the budgeted amounts.

FY 2017 estimates developed this May show total projected costs for medical claims through the end of FY 2017 at \$7,344,000. The average medical claims expense has been higher than anticipated due to a larger than expected number of large loss claims. Currently there are twenty-two large loss claims over \$50,000 for this plan year, and we anticipate several more to reach that level before the end of the fiscal year. None of these claims have reached the stop loss limit, so the City incurs the total expense.

There was also an increase in the number of employees who moved to the High Deductible Health Plan (HDHP) in January of this year. The budget for City HSA contributions is created using estimated numbers based on current plan enrollment, and movement between plans during the previous open enrollment period. Actual plan enrollment numbers are not available until late in the calendar year. The City makes monthly contributions to employee health savings accounts (HSA) for HDHP members. Movement to the HDHP was estimated at 25-30 subscribers for FY 2017; actual movement increased by 52 subscribers, and more of them are in the family HDHP. That movement requires an additional \$112,000 to cover contributions through the end of this fiscal year.

Life insurance paid by the City for all employees is based on monthly payroll volume. The department performed a billing audit on plan years 2013-2015 and found volume report errors that required payment of additional premiums of \$60,000 to the carrier to correct those errors.



Funds not used from this appropriation will be returned to retained earnings at the end of this fiscal year.

Fiscal Impact

Short-Term Impact: \$823,000 reduction in Employee Benefit Fund retained earnings in FY 2017.

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.
09/19/2016	B 237-16 passed to appropriate \$1,450,000 from EBF retained earnings to cover higher than expected medical claims, prescription drug claims and HSA contributions.

Suggested Council Action

Approve ordinance.