



**CITY OF BUCKEYE
COUNCIL WORKSHOP
APRIL 19, 2016
MINUTES**

**Executive Conference Room
530 E. Monroe Ave.
Buckeye, AZ 85326
3:15 p.m.**

1. Call to Order/Roll Call

Mayor Meck called the meeting to order at 3:18 p.m.

Members Present: Councilmember Strauss (arrived at 3:25 p.m.; excused at 4:58 p.m.; returned at 5:01 p.m.), Councilmember McAchran (excused at 4:25 p.m.; returned at 4:28 p.m.), Councilmember Heustis, Vice Mayor Hess (excused at 4:23 p.m.; returned at 4:25 p.m.), and Mayor Meck.

Members Absent: Councilmember Garza and Councilmember Orsborn.

Departments Present: City Manager Stephen Cleveland, Assistant City Manager Roger Klingler, City Attorney Scott Ruby, City Clerk Lucinda Aja, Deputy City Clerk Summer Stewart, Assistant to Council Carol Conley, Public Works Director Scott Lowe, Finance Director Larry Price, Fire Chief Bob Costello, Economic Development Director Len Becker, and Community Services Director Cheryl Sedig.

2. Discussion Regarding Cigna Health Insurance Renewal for Fiscal Year 2016/2017

Ms. Love opened the presentation and provided information related to Fiscal Year (FY) 2016/2017 health insurance renewal options. The City is interested in managing healthcare costs while continuing to provide quality and competitive benefit options for employees. The initial renewal information for FY 2016/2017 reflected a rate increase of 40 percent. Factors contributing to the rate increase include high dollar claims and the current plan design. The City's consultant, Segal Company ("Segal"), reviewed the rate increase and found them to be accurate and valid. Input was sought from the Benefits Committee ("the Committee"), which is made up of 15 current City employees. The Committee held three meetings; plan options and cost sharing options were reviewed. The Committee was interested in affordability of the Open Access Plan (OAP) and equal cost sharing options for employees, regardless of plan election. The Committee recommended medical plan options were presented and include the current OAP, a new Health Maintenance Organization (HMO) plan, and a new High Deductible Health Plan (HDHP). Features of each plan option were presented and discussed. Discussion was held regarding the option for a Health Savings Account (HSA), which is generally coupled with the HDHP. The HSA allows eligible employees and their employer to contribute money into an account with specific annual pre-tax maximums. The employee may use the funds deposited into the HSA to cover healthcare costs; funds roll-over from year to year. Plan design comparisons were reviewed including deductibles, out of pocket maximums, copays and prescription costs. If the option to choose between these three different plans is approved, extensive education will be provided to employees. Lori Otto, Benefits Administrator, reviewed cost sharing options; the City

currently pays 88 percent of employee only coverage and 84 percent of employee plus family coverage. A history of medical premium and contribution rates was provided. Cost sharing strategies recommended by the Committee were reviewed; the committee recommends current cost sharing percentages remain the same, with the same dollar amount applied to OAP premiums also be applied to HMO and HDHP premiums. Tables depicting strategies that detail potential cost sharing arrangements were displayed and discussed. Strategy No. 1 includes an equal cost sharing arrangement for each plan; the City would contribute the same for each employee, regardless of the plan chosen. Strategy No. 2 recommends the City absorb the entire cost of the rate increase with employees having the option to choose between the three recommended plans. Strategy No. 3 consists of offering the HMO as a base plan where the employee would not pay a higher monthly premium than they currently pay, but with the option to pay a higher premium for the OAP plan or the option to choose the HDHP. Annual HSA contribution comparisons were addressed. The financial impact of each strategy to the employee and the City, as compared to FY 2015/2016, was reviewed; the total cost to the City, including premiums and HSA contributions, would increase by 27.59 percent for the strategy no. 1, 32.55 percent for strategy no. 2, and 20.89 percent for strategy no. 3. The total cost to employees *overall* would decrease by 11 percent for strategy no. 1, decrease by 32.5 percent for strategy no. 2, and increase by 18 percent for strategy no. 3. Ms. Otto stated it is important to understand that, when comparing our rates to the rates of other municipalities, no two cities are the same as plan designs are different and claims experience and claims history are unique. Other benefit details were reviewed; the dental plan, which is employee paid, will increase by 7 percent; vision insurance is also employee paid and will remain the same. Arizona State Retirement System (ASRS) contributions increase by 0.01 percent for the City and employees; Public Safety Personnel Retirement System (PSPRS) contributions do not change for the employee, however City contributions increase by 0.42 percent for police and decrease by 0.19 percent for fire. Ms. Love discussed future action; an action item will be placed on the May 3, 2016 Regular Council Agenda for approval. Open enrollment is scheduled for May 16 through June 2, 2016. Employee meetings will be held May 17 through May 19, 2016 and a benefit vendor open house will be scheduled for May 24, 2016

Councilmember Heustis requested further information regarding insurance rates and premiums with other providers and how they compare to Cigna's rates. Ms. Love clarified premium comparisons have been sought with the assistance of our benefits consultant, Segal. Amy Girardo with Segal stated there is a procurement process that takes place which includes extensive analysis to interpret information and determine the best course of action; this process generally takes place every five years. If the renewal information and proposed rates returned by the provider appeared unreasonable and Segal determined there may be more reasonable deals in the marketplace, a recommendation to initiate the procurement process would have been provided. Ms. Segal reiterated that claims experience is driving the increase.

Benefit Committee Member William Crotteau stated the Committee recommends strategy no. 2 as their first choice, with strategy no. 1 as their second choice. Ms. Love stated staff determined it was in the City's best interest to present strategy no. 3 to Council for consideration.

Benefit Committee Member Mark Miller stated it was important to consider specific limitations related to HSA eligibility; employees should be provided education regarding each plan.

Ms. Love stated a vendor open house will be held May 24, 2016, which will provide employees the opportunity to collect information regarding each plan.

Councilmember Heustis requested further information related to HSA contributions. Ms. Love clarified with strategy no. 2; the recommendation is that the City pay the same dollar amount per employee regardless of the plan chosen. For instance, if an employee elects the HDHP with an HSA, the difference in premium cost between the OAP and HDHP would be contributed to the HSA. The

employee may choose to place additional funds into their HSA. Ms. Love stated the annual HSA contribution limit for pre-tax dollars is \$3,350 for an individual plan and \$6,750 for a family plan. Mr. Cleveland stated action scheduled to be taken by Council on May 3, 2016 will include potential plan choices, cost sharing arrangements, and HSA contributions.

Vice Mayor Hess requested further information regarding health insurance costs and FY 2016/2017 budget implications. Mr. Price stated the draft proposed budget includes an increase of 21 percent in health insurance costs; clarified projected costs include current approved staff along with vacancies. Ms. Love clarified the *overall* premium increase with offering the current OAP only is approximately 29.5 percent; adding additional plan options reduces the overall increase. Vice Mayor Hess requested staff provide to Council the cost of equally dividing the approximate 29.5 percent increase between the City and employees with the current plan. Discussion was held regarding HSA contributions. Ms. Gerardo stated the contribution strategy will drive options chosen by employees. General discussion was held regarding premium percentage increases and cost-sharing options.

Benefit Committee Member Jean Poe expressed her interest in the HDHP and stated offering this plan may encourage employees to make more wise choices with regard to their healthcare and use of health insurance.

Vice Mayor Hess expressed interest in further information related to offering the OAP and HMO only without the option of the HDHP, with an equal cost share of the increase between the City and employee.

Benefit Committee Member Terri Hogan stated she supports the HDHP; it is a progressive plan that requires a lot of personal education, but with the correct structure there is a pre-tax benefit to the employee.

Councilmember Strauss stated the HDHP can be successful and an opportunity that should be provided to employees; employees must be accountable for choosing a health insurance plan that is appropriate for their needs.

Benefit Committee Member Edward Boik stated the Committee was interested in equity and would like the same healthcare benefit be provided to each employee.

Discussion was held regarding rate increases. Ms. Gerardo stated it appears there were additional negotiations with Cigna, resulting in a lower percentage increase than the originally proposed 40 percent increase.

Benefit Committee Member Miranda Gomez expressed her interest in electing the OAP based on her family needs; employees should be encouraged to educate themselves in order to make the correct choice for their individual and family needs.

Ms. Love clarified the Committee recommends offering three plans; OAP, HMO and the HDHP. If approved, each employee would have the choice to elect one of the three plans.

Mr. Becker asked if discussions have been held regarding the potential of offering incentives to employees that do not elect insurance through the City. Ms. Love stated conversations have been held regarding those incentives.

General discussion was held regarding plan choices, cost sharing arrangements, and HSA contributions.

3. Council will make a motion to adjourn the meeting.

A motion was made by Vice Mayor Hess and seconded by Councilmember McAchran to adjourn the meeting at 5:30 p.m. Motion passed unanimously.

Jackie A. Meck, Mayor

ATTEST:

Lucinda J. Aja, City Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Council Workshop held on the 19th day of April, 2016. I further certify that a quorum was present.

Lucinda J. Aja, City Clerk