



**From:** Myla D. Hite, Human Resources Director  
**To:** Finance Committee  
**Date:** September 28, 2015  
**Subject:** 2016 Budget Inclusion of 2.5% Increase for Employee Health Care Benefit

Purpose: To obtain financial approval to proceed with securing re-designed health care benefits for City employees, at a projected net rate increase of 2.5% (approximately \$91,660.30) for health insurance. We are still awaiting a firm renewal quote for dental, however we are optimistic based upon our claims experience.

Background: As part of total compensation, the City of Wausau provides employees the opportunity to participate in group Health, Dental and Life Insurance programs. Consistent with the Employee Handbook at sections 7.03, 7.04 and 7.05 respectively, employees contribute 12% of the health insurance premium, 50% of the dental insurance and 100% of the life insurance premiums.

When first hired in July 2014, the designated insurance broker/consultant was projecting a 10% (then approximately \$500,000) increase for health care benefits. Applying creative strategies, HR staff was able to develop a plan design to keep cost projections flat, while waiving premiums for non-represented staff as an incentive for them to elect a newly offered, more cost effective plan option. While staff was able to make significant accomplishments for 2015, we hoped to access expertise that could help us to continue to cost contain for future.

On May 11, 2015 the Human Resources Committee gave direction to City staff to pursue options for providing health benefits to City employees as a stand-alone entity for 2016 and to solicit Requests for Proposals for a new Consultant/Broker in an attempt to obtain the best possible benefits in the most cost effective manner.

On July 14, 2015 upon the recommendation of the Finance Committee the Council adopted Resolution 15-0706, designating Associated Financial Group (AFG) as the City's Broker/Consultant. This staff recommended designation resulted in a .5% per year Commission fee reduction, representing a cost savings estimated between \$6,000 - \$14,000 per year.<sup>1</sup>

Staff has worked with the broker to pursue options that balance cost containment against benefits provided. The initial increase for current plan design projected by the City's current carrier, WPS, was 15.74% (\$850,804.52). WPS later reduced the benefit design increase to 12.94% (approx \$706,969.08).

Through the process of competitive bidding facilitated by AFG, along with continued plan design modifications, staff has successfully outlined a plan (with assistance and input from AFG) resulting in a projected increase of 2.5% (projections provided by current provider – WPS, at current claim experience rate and usage level). An overview of projected design changes is attached.

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<sup>1</sup> Estimate projections vary based upon the number of plan participants within a plan year – the negotiated fee was 5% as opposed to the former 6%.

## **Overview of Proposed Design Changes Health Insurance 2016**

This pricing is conditioned upon the following design changes recommended.

1. Eliminate the 2015 Statewide PPO (Traditional Plan)) that currently has 17 Family and 5 Single plan participants. (Column 1 on 2015 Medical Plan Options)
2. Eliminate the 2015 HRA Plan – Aspirus Network option with 4 Family and 4 Single plan participants (Column 2 on 2015 Medical Plan Options).
3. Eliminating the Retiree plan option and migrating the Retirees to one of two plan offerings the same as other City employees. The City currently has 10 Retiree participants.
4. Increasing the stop loss deductible from \$60,000 to \$70,000.
5. Modifying the 2015 Statewide HDHP/H.S.A./HRA Option (Column 3 on 2015 Medical Plan Options) as follows:
  - a. Increase by \$250.00 the Single In-Network Deductible (\$2,000 to \$2,250) and by \$500.00 for Family (\$4,000 - \$4,500).
  - b. Increase by \$500.00 the Single Out-of-Network Deductible (\$4,000 to \$4,500) and by \$1,000.00 for family (\$8,000 to \$9,000).
  - c. Increase by \$750.00 the Single In-Network Out-of-Pocket Maximum (\$2,500 to \$3,250) and by \$1,500.00 for family (\$5,000.00 to \$6,500).
  - d. Increase by \$2,500.00 the Single Out-of-Network Out-of-Pocket Maximum (from \$8,000 to \$10,500) and by \$5,000 for family (from \$16,000 to \$21,000)
  - e. Increase by \$5.00 the Primary Care Office visit copay after deductible (from \$25 to \$30)
  - f. Increase copay by \$10.00 for a Specialist office visit after deductible (from \$50 to \$60)
  - g. Add a \$100 Urgent care copay after deductible
  - h. Add a \$200 Emergency room copay after deductible
  - i. Increase prescription copays after deductible is met (from \$0/\$25/\$40 to \$10/\$40/\$60/\$25% up to \$150)
6. Modifying the 2015 Aspirus HDHP/H.S.A./HRA Option (Column 4 on 2015 Medical Plan Options) as follows:
  - a. Increase by \$250.00 the Single In-Network Deductible (\$2,000 to \$2,250) and by \$500.00 for Family (\$4,000 - \$4,500).
  - b. Increase by \$500.00 the Single Out-of-Network Deductible (\$4,000 to \$4,500) and by \$1,000.00 for family (\$8,000 to \$9,000).
  - c. Increase by \$1,250.00 the Single In-Network Out-of-Pocket Maximum (\$2,000 to \$3,250) and by \$2,500.00 for family (\$4,000.00 to \$6,500).
  - d. Increase by \$500.00 the Single Out-of-Network Out-of-Pocket Maximum (from \$7,000 to \$7,500) and by \$1,000 for family (from \$14,000 to \$15,000)
  - e. Add a \$30 copay Primary Care Office visit after deductible
  - f. Add a \$60 copay Specialist office visit after deductible
  - g. Add a \$100 Urgent care copay after deductible
  - h. Add a \$200 Emergency room copay after deductible
  - i. Increase prescription copays after deductible is met (from \$0 to \$10/\$40/\$60/\$25% up to \$150)

### **Human Resources Committee Minutes Excerpt (May 11, 2015)**

**Discussion and Possible Action on the North Central Wisconsin Public Employer Health Insurance Consortium.** Hite gave an overview to the committee of the discussion last September to explore the possibility of participating in the North Central WI Public Employer Health Insurance Consortium. In the September meeting, Hite was given authority to spend up to \$10,000 for this process. To date, Wausau has spent \$5,500 as a participant. Hite explained that further exploration is needed by the consortium that would cost the City \$7,000 for a needed RFP, \$16,000 for a complete pharmacy benefits audit, and an on-going charge of \$3.50 per employee per month for charges through BSG. Hite presented two options to the committee: continue with the consortium and be approved for additional costs, or have staff explore options on their own and discontinue participation in the consortium. **Motion made by Rasmussen directing Hite to pursue 2016 options for budget as a stand-alone provider, and to have Hite construct an RFP for a new broker. Second by Oberbeck.** Further discussion took place regarding the pro's and con's of joining a consortium. Oberbeck believes that a smaller group will be able to make more changes. Rasmussen agreed, saying that the bigger you get, the harder it is to make changes. **Motion passes 4-0.**

### **Finance Committee Minutes Excerpt (July 14, 2015)**

**Discussion and Possible Action approving a two year contract for insurance broker consultant services – Hite** Elise Krohn indicated the HR Department strongly recommends moving to a new broker through the RFP process and was asking the Finance Committee to approve going forward to the next step. There were eight responses to the RFP, which were charted by HR and Finance based on the qualifications asked for. The recommendation is to move forward with Associated Financial Group, which came in at the lowest cost, is local, and has a lot of benefits to offer. Wagner indicated as chair of HR he was in support of immediate acceptance.

**Motion by Nutting, second by Mielke to approve a two year contract with Associated Financial Group. Motion carried 4-0.**