

MEMORANDUM

April 1, 2021

TO: Mayor John Kahl and Members of the City Council

FROM: Teresa Durm (Human Resources Director) and
Scott A. Brunton (City Attorney's Office)

SUBJECT: Resolution Regarding Employee Contribution Rates for the City's Group Health Insurance Plan (Effective May 1, 2021)

DISCUSSION:

Annually, the City's Insurance and Benefits Committee reviews the City's self-funded Group Health Care Plan and the financial status of the Plan. With the assistance of Consociate (the Third Party Administrator for the Plan) and Leaf Health (the Prescription Benefits Consultant for the Plan), the Insurance Committee has again completed this annual review process.

As a part of this annual review process, the Insurance Committee adjusts the City's and the employees' contribution rates for the two plan options under the City's Group Health Care Plan for the upcoming Plan year. While the Plan had a decent overall year this past year, which is consistent with what has been seen across most health plans this past year. However, reinsurance companies indicates that this is likely a result of elective surgeries and medical procedures being delayed and placed on hold due to the COVID-19 pandemic. Unfortunately, the reinsurance carriers are expecting to see a surge in medical procedures in the coming year as things get back to normal. Also, unfortunately, the Plan has experienced some high utilization of specific deductible claims in the past year. For these reasons, effective May 1, 2021, the employee contribution rates are being increased this year as follows (the amount of increase from the current rate schedule is shown in parentheses):

	<u>PPO Plan</u>	<u>High Deductible Plan</u>
Individual	\$207.54 (+16.04)	\$177.54 (+16.04)
Individual + Child(ren)	\$319.92 (+21.38)	\$274.92 (+21.38)
Individual + Spouse	\$370.76 (+24.64)	\$320.76 (+24.64)
Family	\$526.52 (+49.16)	\$451.52 (+49.16)

When setting the employee contribution rates, all rate adjustments on a year-to-year basis (increases or decreases) are split evenly between the City and the City employees when the new rates are set. For example, if an overall rate increase for one of the rates is \$50, then this increase is split \$25-\$25 between the City's contribution and the employee's contribution for that particular rate. Under this example, the employee's rate would

increase \$25 for the new Plan Year starting on May 1, 2021 (this example is very close to the rate adjustment for the Individual rate).

You will note that the increases across the 4-tier structure are not even. This occurs because the City's reinsurance carrier looks at the utilization of the Plan by each rate category, while also estimating expected costs for each rate category for the upcoming Plan year starting May 1, 2021. As a result, each category is rated differently on a year-to-year basis. Furthermore, over a stretch of years, these increases usually even out. For instance, last year, the Family rate increase was much less than the other rate increases, while this year, the Family rate has the highest rate increase.

With regard to the High Deductible plan option, these HDHP rates are set at a fixed dollar amount below the respective PPO Plan rates. This difference in the fixed dollar amount is one of the incentives for participation in the HDHP plan option. The other incentive is a monthly contribution into the employee's Health Savings Account (HSA) in the following amounts: Individual – \$50; Individual + Children or Individual + Spouse – \$75; and Family – \$100. These incentives have been in place for the past 5+ years.

Additionally, the Insurance Committee also recommends maintaining the \$25 per month wellness incentive that has been in place for several years, which has greatly increased the participation rates in the City's wellness program.

With general medical cost increases and medical inflation continuing to drive up Health Plan costs on a yearly basis, the Insurance Committee and the City will continue to face significant challenges in maintaining employee contribution rates at reasonable levels. Nonetheless, the Insurance Committee will continue to remain vigilant in looking at ways to address these cost increases, which impacts both participating employees and the City.

RECOMMENDATION:

The Insurance and Benefits Committee, as well as our office, recommends that the Council pass this Resolution.

RESOLUTION NO. 2021-130

East Peoria, Illinois

_____, 2021

RESOLUTION BY COMMISSIONER _____

**RESOLUTION REGARDING EMPLOYEE CONTRIBUTION RATES
FOR THE CITY'S GROUP HEALTH INSURANCE PLAN**

WHEREAS, the City of East Peoria maintains a self-insured group health care plan ("Plan") for the benefit of its employees, and the City's Insurance and Benefits Committee oversees the Plan; and

WHEREAS, under the Plan, two plan options are available for employee and retiree participation, which includes the PPO plan (preferred provider option) and the HDHP plan (high deductible health plan option); and

WHEREAS, the Insurance Committee has undertaken their annual review of the financial aspects of the Plan and contribution rates for the upcoming new plan year for the Plan which begins May 1, 2021; and

WHEREAS, the Insurance Committee has accepted and approved the administrative costs, reinsurance costs, and the funding costs for the new fiscal Plan Year which will change employee monthly contribution rates for the two plan options as provided below; and

WHEREAS, the Insurance Committee seeks to continue offering the \$25 per month wellness incentive to employees participating in the Plan who participate in the City's wellness program as a means to improve the health and welfare of the participating employees and as a means to lead to long-term cost savings for the Plan; and

WHEREAS, the Insurance Committee also seeks to continue providing an incentive for employees to choose the HDHP plan option by providing City-funded contributions to an employee's health savings account (HSA) for employees choosing coverage under the HDHP plan option, while also making the employee contribution rates more attractive for all tiers of the HDHP plan option; and

WHEREAS, the Insurance Committee, by a proper vote, has approved these recommended adjustments to the employee contribution rates for both Plan options that will be effective at the beginning of the new Plan year on May 1, 2021;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF EAST PEORIA, TAZEWELL COUNTY, ILLINOIS, THAT:

Section 1. The City adopts the recommendation made by the Insurance Committee to change the employee monthly contribution rates for the City's PPO plan option effective May 1, 2021, as follows:

	<u>PPO Plan</u>
Individual	\$207.54
Individual + Child(ren)	\$319.92
Individual + Spouse	\$370.76
Family	\$526.52

Section 2. The City adopts the recommendation made by the Insurance Committee to change the employee monthly contribution rates for the City's HDHP plan option effective May 1, 2021, as follows:

	<u>HDHP Plan</u>
Individual	\$177.54
Individual + Child(ren)	\$274.92
Individual + Spouse	\$320.76
Family	\$451.52

Section 3. The City further adopts the recommendation made by the Insurance Committee to continue offering the \$25 per month wellness incentive for employees participating in the City's Wellness Plan, as defined by the City's Wellness Committee, during the Plan year commencing May 1, 2021, and ending on April 30, 2022.

Section 4. The City also adopts the recommendation made by the Insurance Committee to continue offering the City's contribution into a Health Savings Account during the 2021-2022 fiscal year for employees enrolled in the High Deductible Health Plan at the rates of \$50 per month for Individual coverage, \$75 per month for Individual plus Children coverage, \$75 per month for Individual plus Spouse coverage, and \$100 per month for Family coverage

Section 5. The City's Finance Director and Human Resources Director are hereby authorized and directed to take appropriate action as necessary to implement the new employee contribution rates for the City's Plan effective May 1, 2021.

APPROVED:

ATTEST:

Mayor

City Clerk