

MEMORANDUM

March 29, 2022

TO: Mayor John Kahl and Members of the City Council

FROM: Teresa Durm, Human Resources Director
Scott A. Brunton, City Attorney

SUBJECT: Resolution Regarding Employee Contribution Rates for the City's Group Health Insurance Plan (Effective May 1, 2022)

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. The Insurance Committee makes these adjustments based upon the figures provided by the City's reinsurance company during the reinsurance renewal process. Fortunately, the City's reinsurance carrier (Reunion Health) has only provided a modest increase in rates for the coming year – well below current levels of inflation and cost-of-living. Accordingly, effective May 1, 2022, 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	\$211.84 (+4.30)	\$181.84 (+4.30)
Individual + Child(ren)	\$325.80 (+5.88)	\$280.80 (+5.88)
Individual + Spouse	\$377.08 (+6.32)	\$327.08 (+6.32)
Family	\$535.36 (+8.84)	\$460.36 (+8.84)

Depending on the option chosen by the Plan participant, these contribution rates will be increasing in the range of 1.5% to 2.0% for the PPO Plan and 2.0% to 2.5% for the HDHP Plan.

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 \$20,

then this increase is split \$10-\$10 between the City's contribution and the employee's contribution for that particular rate. Under this example, the employee's rate would increase \$10 for the new Plan Year starting on May 1, 2022 (this example is very close to the rate adjustment for the Family rate).

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

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, and the Insurance Committee has approved the continuation of these monthly contribution amounts.

Last, at the request of employees in the HDHP who do receive these monthly contributions to their HSA account, the Insurance Committee has now also reviewed investment platforms that would allow the employee to invest their HSA account funds in investment options other than a savings account. When the City places these HSA contributions into an employee's HSA account, these funds immediately fall under the control and ownership of the employee with the HSA account; the City has no further rights or obligations in relation to these HSA contributions. The City's Third-Party Administrator for the Plan (Consociate) offers this type of HSA investment platform through WEX Health Inc., which provides employee benefits administrative services that include an investment platform for investing HSA account funds. The Insurance Committee recommends that the City offer this option to place HSA account funds with WEX for additional investment options provided that (1) at least \$2,000 is held in the HSA account, and (2) the employee pays any administrative cost associated with placing the employee's HSA account funds with WEX. This option to place HSA funds with WEX shall be completely voluntary at the employee's option, as the City will still offer to place HSA funds with MCB in a savings account (as has been done in the past).

RECOMMENDATION:

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

RESOLUTION NO. 2122-125

East Peoria, Illinois

_____, 2022

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, 2022; 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, upon receiving requests from employees enrolled in the HDHP plan option for an HSA that provides investment options beyond a savings account, the Insurance Committee has reviewed and now recommends that the City afford HSA account holders the option to place their HSA accounts with WEX Health Inc. in affiliation with the City's Third-Party Administrator for the Plan (Consociate Inc.), as WEX Health

Inc. provides employee benefits administrative services that include an investment platform for investing HSA account funds (“WEX”), and further provided that the employee pays any administrative cost associated with placing their HSA account with WEX; 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, 2022;

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, 2022, as follows:

	<u>PPO Plan</u>
Individual	\$211.84
Individual + Child(ren)	\$325.80
Individual + Spouse	\$377.08
Family	\$535.36

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, 2022, as follows:

	<u>HDHP Plan</u>
Individual	\$181.84
Individual + Child(ren)	\$280.80
Individual + Spouse	\$327.08
Family	\$460.36

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, 2022, and ending on April 30, 2023.

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 2022-2023 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. Upon the transfer of the City contributions as provided herein, such funds placed in an employee’s Health Savings Account (HSA) shall become under the control and ownership of the employee, and the City shall have no rights or obligations thereto. The City shall not be obligated to make this payment into an employee’s Health Savings Account if the employee does not set up an HSA account within thirty (30) days of enrolling in the HDHP until such time that the employee has properly set up the employee’s HSA account for receiving the City’s contributions. If an employee is delinquent in setting up the employee’s HSA account as required herein, the

City shall not be obligated to make the City's contribution as provided herein except for the months after the employee has set up the employee's HSA account.

Section 5. The City also adopts the recommendation made by the Insurance Committee to provide employees holding an HSA account pursuant the HDHP plan option under the Plan with the option to place their HSA account with WEX for the opportunity to seek investment options under the HSA account platform provided by WEX, and provided that (1) the employee pays any administrative cost associated with placing their HSA account with WEX, and (2) the other terms and conditions set forth herein are met. Only HSA accounts holding funds in an amount of \$2,000.00 or more will be permitted access to the investment options offered by WEX; HSA accounts holding funds in an amount less than \$2,000.00 will not be permitted access to the investment options offered by WEX. Additionally, an employee's agreement and consent to place the employee's HSA account with WEX signifies the employee's acceptance of any and all investment risk for placing the employee's HSA funds with WEX, thereby waiving any claim against the City in relation to losses or gains incurred by the employee through the employee's HSA account. The City's Finance Director is hereby authorized to deduct the administrative cost associated with accessing the WEX platform from the employee's monthly contribution from the City for the employee's HSA account.

Section 6. 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, wellness incentive, and HSA contributions for the HDHP plan option for the City's Plan effective May 1, 2022. Further, the Mayor or his designee is authorized to take any necessary action to implement the provisions of this Resolution.

APPROVED:

Mayor

ATTEST:

City Clerk