



## Agenda Item Summary

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**File #:** RES 16-325, **Version:** 1

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### **Submitted By**

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### **Reviewed By**

LKS

### **Agenda Item Title**

**A Resolution Approving the 2017 Employee Health Benefit Plan Documents, Design and Premiums and Authorizing their Implementation and Execution**

### **Overview**

This is an annual agenda item in which the Board is asked to approve the 2017 Employee Health Benefit Plan authorizing the Village Manager to execute insurance provider plan documents and establish the design of the health benefit plan and corresponding premiums.

### **Staff Recommendation**

Approve the Resolution.

### **Fiscal Impact**

The proposed 2017 Annual Budget includes a projected 2% increase to overall Medical/Rx premiums over those contained within the adopted 2016 Annual Budget. The Medical/Rx premiums presented within Exhibit A of this packet reflect the continued philosophy to right-size the health fund and to continue to prepare for increased costs in stop loss and drug claims. The financial impact of these varying premium increases do not impact the proposed 2017 budget.

The Employee Health Fund reflects the costs associated with the health benefit plan and will be reviewed by the Village Board as part of their consideration and subsequent approval of the proposed 2017 Annual Budget.

### **Background**

Some notable items of the 2017 health benefit plan design and corresponding premiums are as follows:

Medical/Rx - Blue Cross/Blue Shield:

Maintains the status quo for the Village's Medical and Rx plan in 2017, continuing with the successful administration of a unified PPO/HMO Cost Plus Contract. This change affords BC/BS to place more credibility on the Village's claims experience and has resulted in lower claim projections and lower total stop-loss liability. The effect of this approach has resulted in lower claim projections for 2017 with performance running -5.98% less in the first six months of 2016. It has also served to stabilize the Village's fixed-costs associated with administrative and stop-loss fees resulting in a 3% increase in administration: substantially less than the 7% increases seen in some BCBS experiences.

As noted above, the Village's Rx plan will also be part of the unified Cost Plus contract. While this change does serve to reduce administrative fees and offset resulting premium increases, caution is required for 2017 as Rx expenses continue to rise across all sectors. The presence of stop loss coverage on the Rx portion of claims has provided significant protection of the Village's financial liability as the costs and utilization of specialty prescription drugs continue to increase.

The executed contract for the 2106 benefit year with Mutual of Omaha Life for Life/AD&D; Dental and VSP Vision Care is still in effect for the 2017 plan year, therefore there is no need to execute a new agreement for this renewal period. The contract will expire on 12/31/17.

Life/AD&D - Mutual of Omaha:

Effective last year in 2016, the life benefit of the plan increased from \$25,000 benefit amount to \$50,000. This served to equalize the affected employees with those employees currently at the \$50,000 benefit amount.

Dental - Delta Dental:

Delta Dental presented their renewal to the Village with no changes in the dental plan design or increase to the premiums for 2017.

Vision - VSP Vision Care:

There are no changes in the vision plan design or increase to the premiums for 2017.

Affordable Care Act:

The fees associated with the Village's compliance with the provisions of the Affordable Care Act are estimated at \$29,781.74 and are reflected in the premiums for 2017.

### **Alternatives**

Although the Village is legally required to provide health insurance to its employees and retirees in some form based upon statute and collective bargaining agreements, the Village Board may direct staff to make changes to the plan documents and corresponding plan design and premiums. However, the latitude or extent of any desired changes by the Board is also subject to statute and collective bargaining agreements.

### **Previous Board Action**

N/A

### **Citizen Advisory Commission Action**

N/A

### **Anticipated Future Actions/Commitments**

Should the Village Board approve the execution of the plan documents and resulting plan design and premiums, staff will then proceed to conduct open enrollments meetings in October and plan for Open Enrollment from November 1<sup>st</sup> through November 11<sup>th</sup>. The open enrollment meetings afford participating employees and retirees the opportunity to make their annual health benefit plan elections effective for 2017.

### **Intergovernmental Cooperation Opportunities**

The Intergovernmental Personnel Benefit Cooperative (IPBC) has been discussed in the past. The Village is unique in that we have a self-funded plan that has not seemed to compliment the needs of our partner agencies. We will continue to review where we might find opportunities to partner as we move through the benefit year.

**Performance Management (MAP) Alignment**

The Village Manager's Office will continue with its participation in the MAP during the course of 2016.