

# CITY OF HIGH POINT

## AGENDA ITEM



### **Title: Cigna Contract Renewal – Employee Health Care**

**From:** Angela Kirkwood, Director of Human Resources

**Meeting Date:** October 2, 2017

**Public Hearing:** N/A

**Advertising Date**

**Advertised By:** N/A

**Attachments:** Cigna Healthcare Contract

---

### **PURPOSE:**

Renew the contract between Cigna Healthcare and the City of High Point for city employees healthcare coverage plan year of January 1, 2018 to December 31, 2018.

### **BACKGROUND:**

The City of High Point offers healthcare coverage to its employees that include medical and dental care products. The plan year runs from January 1<sup>st</sup> to December 31<sup>st</sup>. At the Finance Committee Meeting on Wednesday, September 27, 2017, Mark Browder of Mark III Employee Benefits, briefed the City Council on the Medical Plan and Dental Plan Renewal options.

### **BUDGET IMPACT:**

Cigna Healthcare medical costs increased by 7.85% which will be equally split between the City and the employees/retirees. The annual cost is \$16,357,318. There was no increase in the Cigna's dental coverage, but an increase in the dental claims. To ensure we can cover the difference, the dental costs will increase by 5% which will be equally split between the City, and the employees/retirees. The annual cost is \$897,848. Staff will initiate conversations with healthcare providers during the first quarter of 2018, and present options to City Council in the Fall for the January 1, 2019 to December 31, 2019, plan year.

### **RECOMMENDATION / ACTION REQUESTED:**

Council is requested to authorize the City Manager to execute a twelve (12) month contract with Cigna Healthcare for healthcare coverage for city employees. Contract will be effective January 1, 2018 - December 31, 2018.



## Medical and Dental Plan Renewal 2018

### City Manager/City Council Overview - September 27, 2017

---

#### I. Introduction of Broker

##### a. Accountant Representative – Mark Browder

Introduce Mark to review FY2017/18 Medical and Dental Plan Options

##### b. Average change in Cigna Health Care Costs per year

Year beginning 4-1-14 = 3.00%  
Year Beginning 4-1-15 = 0.00%  
Year beginning 1-1-16 = 4.91%  
Year beginning 1-1-17 = 5.0%  
Year beginning 1-1-18 = 7.85%

#### II. 2017 Medical Plan Review

- 2017 renewal was a competitive 12.2% increase, based on claims experience
- The Plan was bid to various North Carolina providers in for cost comparison
- Other carriers did not present competitive rates
- In 2017, the Plan's projected cost \$14,918,179; roughly 5% higher than projected

##### Renewal Efforts

- The original CIGNA renewal started out in the mid-teens and was later reduced to an 12.2% increase
- The final adjustment to the fully insured renewal was reduced to a 7.85% increase, with an adjustment in the out-of-pocket deductibles and plan funding structure

#### III. Comparison of Fully Insured Renewal FY 2017 vs FY 2018

##### a. 2017 vs 2018 Plan Year Costs

Current Actual cost = \$15,166,309

Renewal cost = \$16,357,318

##### **Bi-Weekly** Employee Premium Comparison

Coverage Level	2017	2018	Change
Employee Only	\$44.59	\$38.82	-\$5.77
Employee/Spouse	\$155.57	\$175.03	+\$19.46
Employee/Children	\$110.01	\$135.37	+\$25.36
Employee/Family	\$178.83	\$198.94	+\$20.11



# Medical and Dental Plan Renewal 2018

## Monthly Retiree Premium Comparison

Coverage Level	2017	2018	Change
Retiree Only	\$654.00	\$673.03	+\$19.03
Retiree/Spouse	\$796.00	\$955.03	+\$159.03
Retiree/Children	\$895.00	\$986.32	+\$91.32
Retiree/Family	\$945.00	\$1,112.18	+\$167.18

### Key Points:

- Renewal cost total is an **increase** of approximately \$1,191,008.64 over the current year or 7.85%
- Current plan costs trend about a 12.2% increase, so a 7.85% increase is competitive to maintain costs
- The City's projected costs are based on plan utilization, paid and pending claims and projections based on prior years' utilization
- The projections are a result of comparing current/prior utilization with regional and national averages

## IV. Affordable Care Act Costs

	<u>Fully Insured</u>	<u>Self-Funded</u>
Healthcare Reform Transitional Reinsurance Fee (2014-2016)	\$0 (included w/Cigna cost)	\$0 (send to IRS directly)
Healthcare Reform FI Fee (3% estimate of premium)	\$0	(not required)
Healthcare Reform PCORI Fee	\$6154 (Included w/Cigna cost)	\$6154 (send to IRS directly)

## V. Medical Plan Recommendation

- **Remain fully insured**
- **Retain current benefits, with a change to plan deductibles and annual out-of-pocket maximums**
- **Increase plan funding by 7.85%**
- **The 7.85% increase should be distributed equitably between the City, employees and retirees**

## Medical and Dental Plan Renewal 2018

### Things to remember:

- We anticipate a more challenged fully insured renewal for 2019, based on the aggressive 2018 renewal from CIGNA.
- In January 2019, the Human Resources Department will reconsider market proposals for a fully-insured and self-insured options and recommend long-term funding options.
- If self-funding is both feasible and fiscally plausible, then the planning process will begin for the funding transition.

### VI. 2018 Dental Plan Review

Current cost = \$807,000

Renewal cost = \$847,000

#### Basic Plan Monthly Employee/Retiree Premium

Coverage Level	2017	2018	Change
EE Only	\$2.27	\$2.35	+\$0.08
EE/ Spouse	\$10.57	\$11.76	+\$1.19
EE/ Children	\$12.58	\$13.82	+\$1.24
EE/ Family	\$12.58	\$13.82	+\$1.24

#### Premium Plan Monthly Employee/Retiree Premium

Coverage Level	2017	2018	Change
Employee Only	\$6.43	\$7.06	+\$0.63
Employee/Spouse	\$19.31	\$21.17	+\$1.86
Employee/Children	\$20.50	\$22.34	+\$1.84
Employee/Family	\$25.07	\$27.34	+\$2.27

- Plan Calls for a 6% increase based on claims
- For 2018, the recommendation is for a 5% increase. A 5% increase represents \$40,000

### VII. Dental Plan Recommendation

- **Retain current benefits**
- **Increase the funding by 5%**
- **The 5% increase should be equally split between the City, employees and retirees**

### VIII. Other Benefits

The City will continue to offer Voluntary products including: Vision (Community Eye Care), Critical Illness (Unum), Accident (Aflac), Whole Life (Texas Life), Term Life (Standard) and Short/Long Term Disability (Unum).



## Medical and Dental Plan Renewal 2018

### IX. Summary

The Human Resources Department recommends accepting the low renewal rate offered by Cigna which requires remaining as a fully-insured plan. Human Resources staff will continue to seek, consider and evaluate plans to transition to a self-funded plan effective January 1, 2019. This strategic, aggressive move should yield enough savings to establish and increase reserve revenues to effectively navigate the unpredictable self-insured market should that transition be made.

### X. Decision Timeline

September 27, 2017	- Discuss renewals with City Council
September 29, 2017	- Renewal documents from CIGNA signed
October 2, 2017	- City Council makes 2018 benefit decision
October 10, 2017	- Draft Enrollment material produced
October 23, 2107	- Web-based Open Enrollment starts
Oct 24 – Nov 3, 2017	- Onsite Open Enrollments starts
December 1, 2017	- Data transmitted to the carriers
January 1, 2018	- ID Cards delivered to members