

# CITY OF HIGH POINT

## AGENDA ITEM



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

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

**Meeting Date:** August 20, 2018

**Public Hearing:** N/A

**Advertising Date:** N/A

**Advertised By:** N/A

**Attachments:** Cigna Healthcare Contract

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### **PURPOSE:**

Renew the contract between Cigna Healthcare and the of City of High Point for city employee's healthcare coverage plan year of January 1, 2019 to December 31, 2019.

### **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 Manager's Meeting on Monday, July 9, 2018, 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 1.58%. The annual costs are \$16,574,575. There was no increase in the Cigna's dental coverage, and the annual cost is \$846,000. Staff will initiate conversations with healthcare providers during the first quarter of 2019, and present options to City Council in the Summer for the January 1, 2020 to December 31, 2020, plan year. I budgeted funds in the recently adopted budget to cover this contract.

### **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, 2019 to December 31, 2019.



# Medical and Dental Plan Renewal 2019

City Manager/City Council Overview –  
August 10, 2018 Revised (item #IV)

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## I. Historical Information

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

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%  
Year beginning 1-1-19 = 5.00%

## II. 2018 Medical Plan Review

- 2018 renewal was a competitive 12.2% increase, based on claims experience
- The Plan was bid to various North Carolina providers for cost comparison
- Other carriers did not present competitive rates

### Renewal Efforts

- The original CIGNA renewal started out in the low-teens and was later reduced to an 1.58% increase, which is below expected and below budget.
- However, with the city's intent to consider self-funding, a 5% increase was approved in the budget and will be cost applied to the new plan year to help build a reserve.

## III. Comparison of Fully Insured Renewal FY 2018 vs FY 2019

### a. 2018 vs 2019 Plan Year Costs

Current Actual cost = \$16,385,607      Renewal cost = \$17,188,000

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

Coverage Level	2018	2019	Change
Employee Only	\$38.82	\$29.89	-\$8.93
Employee/Spouse	\$175.03	\$187.63	+\$12.60
Employee/Children	\$135.37	\$151.04	+\$15.67
Employee/Family	\$198.94	\$224.36	+\$25.42



## Medical and Dental Plan Renewal 2019

### Monthly Retiree Premium Comparison

Coverage Level	2018	2019	Change
Retiree Only	\$673.03	\$706.68	+\$33.65
Retiree/Spouse	\$955.03	\$1079.92	+\$124.89
Retiree/Children	\$986.32	\$1109.61	+\$123.29
Retiree/Family	\$1,112.18	\$1,308.73	+\$195.55

#### Key Points:

- Renewal cost total is an **increase** of approximately \$802,393 over the current year or 5.0 %
- Current plan costs were trending at about 12.2% increase, so a 5% increase is an excellent renewal to maintain costs and build the insurance reserve
- 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. Spousal Surcharge

- Each year the City evaluates our healthcare program to determine our competitiveness in the market and to minimize cost to the city and staff.
- On July 16 we discussed with Council a plan to control costs where spouses who have coverage through another employer, must take that coverage. After hearing feedback from our employees and reviewing alternatives, we will implement a \$150.00 monthly surcharge effective January 1, 2019. This reduces the undue financial hardship on many of our employees whose spouses have much more expensive insurance coverage.
- The spousal surcharge provides additional revenue to offset spousal claims and increases our Insurance Reserve Fund. These changes also apply to our retirees.

#### V. 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)

## Medical and Dental Plan Renewal 2019

### VI. Medical Plan Recommendation

- **Remain fully insured**
- **Retain current benefits, with no change to plan deductibles or annual out-of-pocket maximums**
- **Increase plan funding by 5.0%**
- **The 5.0% increase should be distributed equitably between the City, employees and retirees**
- **Use Dependent Verification to help reduce plan overall costs**

#### Things to remember:

- We anticipate a more challenged fully insured renewal for 2019, based on the aggressive 2019 renewal from CIGNA.
- In January 2020, 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.

### VII. 2019 Dental Plan Review

Current cost = \$847,000

Renewal cost = \$846,000

#### Basic Plan Monthly Employee/Retiree Premium

Coverage Level	2018	2019	Change
EE Only	\$2.35	\$2.35	+\$0
EE/ Spouse	\$11.76	\$11.76	+\$0
EE/ Children	\$13.82	\$13.82	+\$0
EE/ Family	\$13.82	\$13.82	+\$0

#### Premium Plan Monthly Employee/Retiree Premium

Coverage Level	2018	2019	Change
Employee Only	\$7.06	\$7.06	+\$0
Employee/Spouse	\$21.17	\$21.17	+\$0
Employee/Children	\$22.34	\$22.34	+\$0
Employee/Family	\$27.34	\$27.34	+\$0

- Plan Calls for a 0% increase based on claims
- For 2019, the recommendation is for a 0% increase



## Medical and Dental Plan Renewal 2019

### VIII. Dental Plan Recommendation

- **Retain current benefits**
- **Retain current funding**
- **Continue to split the cost of dental plan the same as prior year**

### IX. 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).

### X. 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, 2020, if it makes good business sense. 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.

### XI. Decision Timeline

July 16, 2018	- Discuss renewals with City Council
August 20, 2018	- City Council makes 2019 benefit decision
September 3, 2018	- Renewal documents from CIGNA signed
October 2, 2018	- Draft Enrollment material produced
October 22, 2018	- Web-based Open Enrollment starts
Oct 22 – Nov 2, 2018	- Onsite Open Enrollments starts
December 1, 2018	- Data transmitted to the carriers
January 1, 2019	- ID Cards delivered to members