COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Amy Sharkey, Compensation and Benefits Manager
Janet Miller, HR Director
Kelly DiMartino, Employee & Communication Services Director

SUBJECT FOR DISCUSSION

City of Fort Collins Employee Health Benefits Review

EXECUTIVE SUMMARY

The City is committed to providing employee benefits that contain costs, are competitive and market-based, and that allow us to attract and retain employees needed to deliver services to this community. Employee health benefits are evaluated each year with the assistance of a Benefits Consultant. Premiums, plan designs, claims, and employer and employee cost share data are analyzed and adjustments are made based on experience, risk analysis, trends and market data.

This presentation provides information on claims history, historical changes to employee health benefits, trends, and current market comparison data.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

This information is being provided at the request of Council Financial Committee members. Did we answer your questions? Is additional information needed?

BACKGROUND/DISCUSSION

In 2004, City Council adopted 2004-116 which expanded the types of benchmark organizations used as comparisons for the City's employee health plans. Benchmark organizations include Front Range communities, counties, the state of Colorado and/or regional data from private and public sector employers.

Each year, the City's Human Resources Department works in conjunction with the City's Benefits Consultant to gather data from these benchmark organizations and to assess the costs and competitiveness of our benefit plans. City staff has prepared a comprehensive summary of employee health benefit plans and market information for the Council Finance Committee (Attachment 1).

ATTACHMENTS

Attachment 1 – Employee Health Benefits Overview

Council Finance Committee

Health Benefits Discussion

January 23, 2012

Overview

The City is committed to providing employee benefits that contain costs, are competitive and market based and that allow us to attract and retain employees needed to deliver services to this community. Employee health benefits are evaluated each year with the assistance of a Benefits Consultant. Premiums, plan designs, claims, and employer and employee cost share data are analyzed and adjustments are made based on experience, risk analysis, trends and market data.

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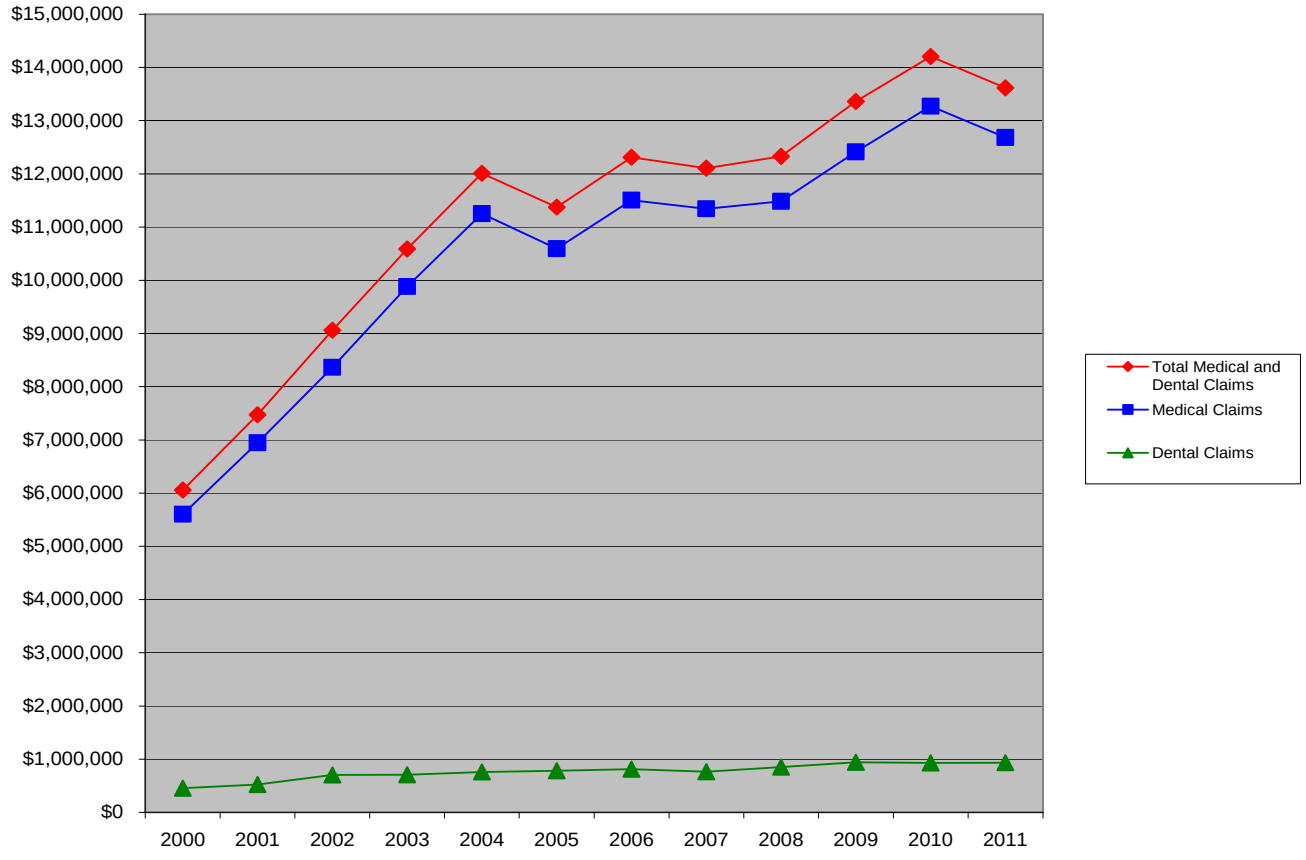
10 Year History of Medical and Dental Claims

Plan Year	Medical Claims	% Difference in Medial Claims	Dental Claims	% Difference in Dental Claims	Total Medical and Dental Claims	% Difference in Total Claims
2000	$5,603,147		$452,924		$6,056,070	
2001	$6,947,337	23.99%	$525,335	15.99%	$7,472,712	23.39%
2002	$8,361,864	20.36%	$701,229	33.48%	$9,063,093	21.28%
2003	$9,883,577	18.20%	$705,195	0.57%	$10,588,772	16.83%
2004	$11,251,695	13.84%	$758,096	7.50%	$12,009,790	13.42%
2005	$10,594,991	-5.84%	$779,734	2.85%	$11,374,725	-5.29%
2006	$11,503,496	8.57%	$810,448	3.94%	$12,313,945	8.26%
2007	$11,344,084	-1.39%	$761,784	-6.00%	$12,105,867	-1.69%
2008	$11,481,661	1.21%	$849,004	0.87%	$12,330,664	1.86%
2009	$12,413,863	8.12%	$944,152	11.21%	$13,358,015	8.33%
2010	$13,274,396	6.93%	$930,822	-1.41%	$14,205,218	6.34%
2011	$12,681,336	-4.47%	$935,587	0.51%	$13,616,923	-4.14%
2012 Proj	See Note Below					

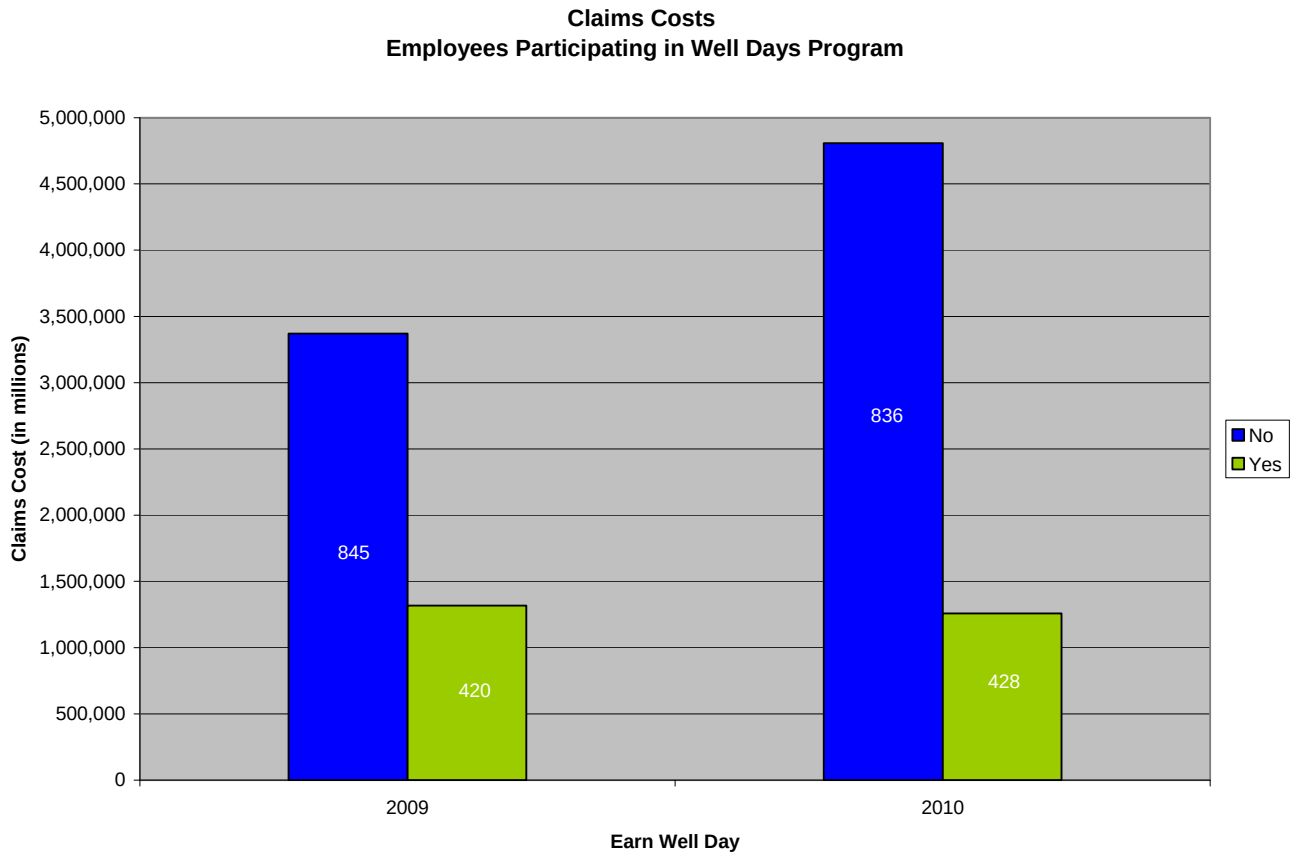
NOTE: The City changed Benefits Consultants effective January 1, 2012 from Mercer to Hays Companies. Hays Companies have tools available to the City that will help us more accurately project costs and claims going forward.



Wellness – Participation in Well Days Program

2009	Participate in Well Days Program	# of Employees	Total Claims Costs	Cost Per Employee
	No	845	$3,370,880	$3,989
	Yes	420	$1,317,012	$3,136

2010	Participate in Well Days Program	# of Employees	Total Claims Costs	Cost Per Employee
	No	836	$4,807,195	$5,750
	Yes	428	$1,258,013	$2,939



- Claims costs for participants that participated in the Well Days Program slightly decreased between 2009 and 2010
- Claims costs for employees that did not participate in the Well Days Program increased between 2009 and 2010
- This preliminary data shows a positive impact on the per employee claims cost for Well Day participants compared to those that did not participate in the Well Days Program
- We will continue to gather this data to examine trends

Medical Plans

The goal is to provide benefits to City employees that are competitive and align with market.

The City currently offers two Preferred Provider Option (PPO) Plans; the Core Plan and the Advantage Plan. Offering these two Plans provides a consumerism option, intended to heighten awareness of medical costs based on how employees use the plan.

The Core Plan provides employees with a lower cost share of the premium yet higher costs (co-pays, deductibles, etc,) than the Advantage Plan; less out-of-pocket premium payment but more out-of-pocket costs when they use the plan.

The Advantage Plan provides employees with a higher cost share of the premium yet lower costs (co-pays, deductibles, etc,) than the Core Plan; more out-of-pocket premium payment but less out-of-pocket costs when they use the plan.

City and Employee Cost Share of the Medical Premium

Contribution Level	2003 - 2004	2005	2006	2007 - 2009	2010 - 2012
City Employee Only	90%	85%	85%	85%	85%
Employee Employee Only	10%	15%	15%	15%	15%
City Employee Plus Dependents	90%	85%	80%	75%	70%
Employee Employee Plus Dependents	10%	15%	20%	25%	30%

Medical Plan Employee Share	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family
ADVANTAGE	15% 317 employees	30% 105 employees	30% 151 employees	30% 265 employees
CORE	10% 109 employees	17% 65 employees	17% 101 employees	17% 185 employees

*Data as of December 8, 2011 – includes Poudre Fire Authority

Market Data – Cost Share of Medical Premium

- Contract with a Benefits Consultant to research market trends and review programs for alignment
- Market information is reported by survey respondents for the plan where most employees participate (most City employees participate in the Advantage Plan)
- The City and its Consultant review multiple surveys for premium and plan design alignment
  - 2011 Mountain States Employers Council (MSEC) Health and Welfare Plans
    * *reprinted with written authorization from Mountain States Employers Council*
  - 2010 Mercer National Survey
  - 2011 Colorado Municipal League (CML)
- Cost share within range

EMPLOYEE ONLY – average cost share percentage of the premium

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	80%	20%
MSEC (Colorado)	84%	16%
CML	90%	10%
Mercer (City 500+)	84%	16%
Mercer (Government 500+)	86%	14%
Mercer (Colorado 500+)	77%	23%
City Advantage Plan	85%	15%
City Core Plan	90%	10%

EMPLOYEE + SPOUSE – average cost share percentage of the premium

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	67%	33%
MSEC (Colorado)	70%	30%
CML	80%	20%
City Advantage Plan	70%	30%
City Core Plan	83%	17%

EMPLOYEE + CHILD(REN) – average cost share percentage of the premium

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	69%	31%
MSEC (Colorado)	71%	29%
CML	81%	19%
City Advantage Plan	70%	30%
City Core Plan	83%	17%

EMPLOYEE + FAMILY – average cost share percentage of the premium

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	65%	35%
MSEC (Colorado)	67%	33%
CML	79%	21%
Mercer (City 500+)	72%	28%
Mercer (Government 500+)	72%	28%
Mercer (Colorado 500+)	69%	31%
City Advantage Plan	70%	30%
City Core Plan	83%	17%

How the Market Data Compares to What City Employees Pay

- Office Visit Co-pays –at or slightly higher for City employees
- Co-insurance levels – within range
- Deductibles – within range or lower
- Out-of-Pocket Maximums – higher for City employees
- Emergency Room Co-Pay – higher for City employees
- Prescription Drug Retail Co-Pay – within range
- Prescription Drug Mail Order Co-Pay – within range

Market Data – Office Visit Co-Pay

**highest percentage response*

Survey	Office Visit Co-Pay
MSEC (Northern Colorado)	$25
MSEC (Colorado)	$25
Mercer (City 500+)	$20
Mercer (Government 500+)	$20
Mercer (Colorado 500+)	$20
City Advantage Plan	$25
City Core Plan	$35

Market Data – Co-Insurance Levels – In and Out of Network

**highest percentage response*

Survey	Co-Insurance
MSEC (Northern Colorado)	80% / 60% 42% of respondents
MSEC (Northern Colorado)	90% / 70% 12% of respondents
City Advantage Plan	90% / 70%
City Core Plan	80% / 60%

Market Data – Deductibles

**median*

EMPLOYEE ONLY

Survey	Deductible
MSEC (Northern Colorado)	$750
MSEC (Colorado)	$750
Mercer (City 500+)	$300
Mercer (Government 500+)	$300
Mercer (Colorado 500+)	$375
City Advantage Plan	$350
City Core Plan	$700

EMPLOYEE + FAMILY

Survey	Deductible
MSEC (Northern Colorado)	$2,000
MSEC (Colorado)	$1,500
Mercer (City 500+)	$750
Mercer (Government 500+)	$900
Mercer (Colorado 500+)	$900
City Advantage Plan	$700
City Core Plan	$1400

Market Data – Out-of-Pocket Maximums

**median*

EMPLOYEE ONLY – In Network

Survey	Out-of-Pocket Maximum
MSEC (Northern Colorado)	$2,500
MSEC (Colorado)	$2,500
Mercer (City 500+)	$1,500
Mercer (Government 500+)	$2,000
Mercer (Colorado 500+)	$2,100
City Advantage Plan	$2,500
City Core Plan	$5,000

EMPLOYEE + FAMILY – In Network

Survey	Out-of-Pocket Maximum
MSEC (Northern Colorado)	$6,000
MSEC (Colorado)	$6,000
City Advantage Plan	$5,000
City Core Plan	$10,000

Market Data – Emergency Room Co-Pay

**highest percentage response*

Survey	Emergency Room Co-Pay
MSEC (Northern Colorado)	$100
MSEC (Colorado)	$100
City Advantage Plan	$200
City Core Plan	$200

Market Data – Prescription Drug Co-Pay

**median*

Retail Plan

Survey	Generic	Brand Formulary	Non-Formulary
MSEC (Northern Colorado)	$10	$30	$60
MSEC (Colorado)	$10	$30	$60
Mercer (City 500+)	$11	$28	$43
Mercer (Government 500+)	$9	$25	$41
Mercer (Colorado 500+)	$11	$31	$49
City Advantage Plan	$10 or 10%, whichever is greater	$20 or 20%, whichever is greater	$40 or 40%, whichever is greater
City Core Plan	$10 or 10%, whichever is greater	$20 or 20%, whichever is greater	$40 or 40%, whichever is greater

Mail Order Plan

Survey	Generic	Brand Formulary	Non-Formulary
MSEC (Northern Colorado)	$20	$67	$120
MSEC (Colorado)	$20	$70	$120
Mercer (City 500+)	$18	$51	$82
Mercer (Government 500+)	$21	$60	$100
Mercer (Colorado 500+)	$16	$47	$77
City Advantage Plan	$25	$50	$100
City Core Plan	$25	$50	$100

Changes to Medical Plans

- 2007
  - moved from 4 plans to 2 plans
  - implemented new PPO plan designs
  - eliminated employee only free plan
  - eliminated the credit employees received for waiving medical coverage

- 2010
  - Increase in Employee Cost Share of the Premium
- 2011 – Plan Design Changes
  - increased deductibles
  - increased office visit and specialist co-pays
  - increased out-of- pocket maximums
  - increased retail and mail order pharmacy co-pays
  - increased urgent care co-pay
  - increased emergency room deductible for both plans from $100 to $200
  - all preventative care covered at 100% (Healthcare Reform)
  - eliminated life time maximum of $2,000,000 (Healthcare Reform)
  - changed mental health and substance abuse coverage from co-pays to meeting deductible and then paying co-insurance (Mental Health Parity Act)
  - eliminated prescription drug out-of-pocket cap
  - removed outpatient physical therapy calendar year maximum (Healthcare Reform)
  - eliminated pre-existing condition limitation for children 19 and under (Healthcare Reform)
  - cover dependent children to age 26 (Healthcare Reform)
  - cover same-sex domestic partners

Medical Plan Considerations for 2012 - 2014

- 2012
  - work with Benefits Consultant, Hays Companies, to evaluate premiums and plan design
    - offer a more aggressive data analysis
    - different approach to setting premiums – factors applied to single coverage versus family coverage
    - ability to review how the plan gets used and where the costs come from in order to look at other opportunities in addition to premium cost sharing – different plans, alternatives for access to care, etc.
  - W-2 reporting – “value” of medical benefits added to employee’s W-2 (Healthcare Reform)

- 2013 and 2014 – more Healthcare Reform Changes
  - details pending Federal legislative decisions

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Mike Beckstead, CFO, City of Fort Collins

SUBJECT FOR DISCUSSION

The Rate at which the City lends money to outside entities

EXECUTIVE SUMMARY

The current Investment Policy assigns the interest rate for outside entity loans based upon the Treasury note rate of similar duration to the loan. At present, interest rates are at historically low levels. The current Treasury note rate would set interest rates on a 10 year loan at approximately 2.0% and adversely impact future interest earnings when interest rates return to more normal levels.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Council direction concerning the benchmark to be used when establishing interest rates on outside entity loans.

ATTACHMENTS

Attachment 1 – Presentation

Council Finance Committee

The Rate at Which The City Lends Money to Outside Entities

23 January 2012

Clarification Request

What Interest rate should be used for Loans to outside entities?

Comparison to City Cash Investment Policy

- Investments limited to a maximum of 5 years
- Average term of all investments limited to 3 years
- Designed to keep cash earning a reasonable interest rate and to maintain near term liquidity
- When rates are low, provides the ability to roll the portfolio over as interest rates rise to realize improved interest earnings

Policy Provides Liquidity and Interest Earnings Consistent with a Rolling 5 Year View of Interest Rates

Borrowing Rates for City Loans Within the Current Investment Policy

Section VIII, 2, (c)

The interest rate assigned to the borrowing would be based upon the Treasury note of similar duration (3 years, 5 years, etc.)

Current Interest Rates

- T-Bill rates are at or near all time lows
  - Current 10 year rate 2.01%
  - Current 7.5 year rate 1.375%
- Muni rates (which reflect the City's cost of borrowing) are higher than T-Bill rates
  - Current 10 year Muni rate 2.23%
  - Current 7.5 year Muni rate 1.51%

Current Policy Drives Loans to Exceptionally Low Rates

Implications

- Provides exceptionally low rates to support City priorities & projects
- City loans lock in interest earnings for the term of the loan – 10 to 20 years
- Current policy sets interest rates at below the City's cost of borrowing
- Future interest earnings will be reduced given a portion of the portfolio cannot be rolled into higher earning investments when interest rates return to more normal ranges

Hidden Cost of Current Policy will Reduce Future Interest Earnings When Interest Rates Return to More Normal Ranges

Four Alternatives

1. Maintain current interest rates in support of City priorities
2. Modify policy:
   - Higher of Muni or T-Bill rate
   - Add .5% to the current rate
   - Set a floor by term range to establish the minimum interest rate
3. Modify Policy:
   - Set the rate of each loan at the mid point between the City borrowing cost and the recipient's borrowing cost
4. Financial Officer evaluates each loan based on the project and repayment risk and recommends an interest rate to the Council

Term	Rate
0-5 yrs	2.75%
5-10 yrs	3.25%
10-15 yrs	3.75%
15-20 yrs	4.00%

Guidance and Clarification From Council Requested