

Council Business Meeting

May 1, 2018

Title: Health Benefit Plan Approval

From: Mark Welch Director of Administrative Services
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Tina Gray Human Resources Director
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Summary:

The City of Ashland currently provides health benefits through a self-funded plan with a change to City County Insurance Services (CIS) being recommended starting July 1, 2018.

Actions, Options, or Potential Motions:

- 1) I move to approve a resolution titled, “A Resolution Authorizing Health Benefits Provided by City County Insurance Services and Repealing Resolution 2013-22.”
- 2) I move to forgive the loan between the City’s Health Benefit Fund and the Reserve Fund

Background and Additional Information:

The City offers health benefits to employees. The well-being of our employees is a critical aspect in maintaining a high performing work force. The current premium allocation, as negotiated in labor contracts, is a 95 percent City Contribution and 5 percent employee contribution. The proposed change from having a local self-funded health insurance program to a larger self-funded health insurance trust program through CIS maintains the current benefit level to employees for the next 18 months.

The City currently offers health benefits to employees utilizing a self-funded health plan. Being self-funded means that the City is required to pay all claims incurred up to \$150,000 per participant. The City takes on all the risk of potential claims and must find funds if the budgeted revenue does not cover our actual expenditures. For the first eight months of the Fiscal Year the City has paid out over \$422,000 in claims above premiums received. For the current Fiscal Year we are under collecting based on claim experience. Being self-funded means that we need to develop means to address the overage in claims. Our claims history over the past three years have not allowed us to develop any sort of reserve funding mechanism to remain sustainable over time.

At the end of February the fund has a balance of negative \$26,000. With negative reserves, the financial risk to the City becomes alarming and in need of evaluation. In anticipation of reaching a negative fund balance, Staff reached out to JL Jones, the City’s Health Benefit Program consultant, to conduct a thorough analysis of our plan. The analysis included everything from the

cost to maintain our self-funded plan, benefit changes, comparison with other jurisdictions, along with marketing our plan to insurance companies.

The fund has a restricted reserve for accrued claims of \$472,616 to cover incurred but not reported (IBNR) claims. These are claims that are attributed to the current period but yet to be billed. It is estimated that the City has an IBNR of approximately \$800,000-\$1 million currently.

Analysis of our Health Benefit Plan

JL Jones provided City staff with a thorough analysis that determined entering into a self-funded insurance program through CIS would be the most beneficial to the City. This is primarily due to claim experience that has consistently exceeded previous estimates. The larger pool of participants associated with the CIS insurance dilutes the risk that the City currently faces (and pays for) as a very small, independent self-insured entity of approximately 730 covered lives.

In comparing our benefit offerings to other jurisdiction, the data shows that the City currently offers a superior benefit. The City's current benefits are better in essentially every category, with the exception in some cases of the pharmacy co-pay for non-formulary medications. The employee cost share is also lower than the other employers on the spreadsheet. The City's VEBA program is footnoted, as this program is unique to the City in comparison to the other employers included.

Every year, an analysis is completed to review projected claims for the proceeding years and the corresponding premium impact. The analysis based on our claim experience showed a need to raise premiums 37 percent for Fiscal Year 2018/19. The 37 percent premium increase far exceeded the amount budgeted and would have a \$1.4 million increase over currently budgeted amounts. A comparison of the increases is provided as an attachment. For example, the General Fund would need to contribute an additional \$513,389 next year (requiring budget adjustments for the final year of the biennium). This premium increase would only cover estimated claims for the next fiscal year and not build a reserve. In order to pay for the estimated claims, and build a reserve, the premiums would need to increase closer to 50 percent.

Making benefit changes, with increased deductible and co-pays, could produce a 10-15 percent savings but would still require a 25 percent premium increases (15 percent above budget). Having negotiated labor contract with the contribution split cannot be easily changed in a timely manner, due to the fact that the 95/5 premium payment split is embedded in each of the bargaining group contracts.

Health Plan Options (Bids Received)

When marketing our plan to insurance companies, JL Jones was pleasantly surprised by the results. Both CIS and Moda Health Insurance provided premiums well below the estimated cost of remaining locally self-funded. CIS offered the City an 18 month plan option with no changes to benefit offerings, outside of changing from Pacific Source to the Blue Cross Regence Network. The 18 month plan would allow the City time to communicate to employees' potential changes to the health benefit plan over the next year and a half. It is anticipated that the deductibles and co-pays will increase in 18 months. Staff does not know at this time the premium

changes in 18 months, but based on current claim experience, staff expects an increase of 10-20 percent. Over the next 18 months, the City expects to save around \$1 million in estimated claim cost within the self-insured plan versus CIS premiums. This savings would be used to pay the run out cost of the plan, as well as build a reserve fund to help mitigate future premium increases.

The CIS option could not have come at a better time for the City of Ashland. With no premium increases, an 18 month period to work towards a health benefit reserve fund, and escalation in overall health care cost still happening. Over the last 35 years the cost of health insurance have grown an average of 7 percent annual, doubling costs in 10 years. With rising premiums, and overall healthcare cost increases, we can expect that our premiums will increase at least \$750,000 for the January 1, 2020 renewal. If we are able to build a reserve with unspent budgeted funds, we will be able to help offset the increase.

Budget Impacts/Reserve Fund Opportunity

The premiums charged by CIS for the next 18 months are slightly lower than the current rates. It was anticipated during budgeting process that premiums would increase 10 percent in FY 2018/19. With the lower premiums from CIS, Staff is recommending that we maintain the actual 95/5 split with employees, resulting in a slight reduction in employee contributions, but keep the City's budgeted increase in place. There are several reasons for this recommendation:

- 1) Ensure the City has available resources to pay the run out cost of the plan. The City could have claims being processed for up to a year post self-funded plan dissolution.
- 2) Start building a health benefit reserve fund to help mitigate future premium increases. The reserve fund would only start after all claims are paid. With a health benefit reserve fund, Staff is optimistic that premium increases can be smoothed. The reserve will benefit the entire City including utilities.

Staff is also recommending the forgiveness of the loan between the Reserve Fund and the Health Benefit Fund. Staff is recommending dissolving the self-funded plan due to the financial well-being of the fund with a currently negative fund balance. The health benefit fund does not have the access to a funding source to repay the loan and with no new revenue will not have the capability to generate additional revenue.

Information about CIS (from CIS Website: <https://www.cisoregon.org/About>)

Who We Are

CIS (City County Insurance Services), was formed by the League of Oregon Cities and the Association of Oregon Counties to meet the risk management and employee benefit needs of Oregon cities, counties and other eligible local governments. The CIS Board of Trustees administers the CIS Trust which includes the CIS Property/Casualty Trust and the two CIS Benefits trusts: EBS (cities) and AOCIT (counties).

CIS provides comprehensive property/liability and workers' compensation (CIS P/C Trust) and

employee benefits coverage (EBS and AOCIT) tailored to the needs of our members. These programs are supported by expert claims management and legal defense, training, and personalized risk management services.

Our Members

CIS supports 98% of cities and over 78% of counties in Oregon with at least one type of coverage. Our members are large and small, and in every corner of the state. They join CIS knowing that by sharing their risks, they will accomplish more together than they can alone.

CIS knows Oregon; we know local government issues in different regions of the state and we make available to members a variety of risk management and loss prevention services to assist in meeting their communities' needs while protecting financial and human resources.

City of Ashland and CIS Partnerships

The City of Ashland is one of the funding members of the CIS Trust.

The City of Ashland has been a member of CIS for many years under the property/liability insurance program. The City has been pleased with the level of service provided by CIS for insurance and legal matters.

Prior to becoming locally self-funded the City of Ashland purchased Health Insurance through CIS. One of the main reason the City severed the relationship was the lack of claim data being supplied. The City at the time felt that the City of Ashland was subsidizing other members of the pool. CIS since that time, almost 7 years ago, has made many changes to address the City's concerns.

CIS will individually underwrite the City of Ashland based on our actual experience and will utilize pool reserve to stabilize individual participants. The City would be part of a larger pool and the premiums will be aggregated over the entire pool, but the bulk of the City's premiums will be based on our own individual underwritten and experience. CIS will provide the City with quarterly claim data along with an 8 month renewal notice for budgeting purposes.

CIS also now works with consultant and brokers to improve their program. This is a change from the time the City had purchased insurance through CIS.

CIS has a board and Staff has reached out to have a member from the City of Ashland be nominated for the board in the future.

Attachments:

Resolution

Exhibit A: Medical Plan Summary and Deviation

RESOLUTION NO. 2018-10

**A RESOLUTION AUTHORIZING HEALTH BENEFITS PROVIDED BY
CITY COUNTY INSURANCE SERVICES AND REPEALING
RESOLUTION 2013-22**

RECITALS:

- A. The City of Ashland has a vested interest in providing health benefits to its employees, retirees and eligible dependents.
- B. The City has provided health benefits through a self-funded plan since 2013.
- C. City County Insurance Services (CIS) can offer health benefits in a cost beneficial manner while proving the City quarterly claim data.
- D. CIS has agreed to maintain the City's current benefit offerings for the next 18 months.
- E. The EHBAC provided a recommendation to contract with CIS for health benefits.
- F. The City will maintain its restricted Health Benefit Fund to pay for run out costs along with offsetting future premium increases.

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

SECTION 1. The City Council Authorizes a change from self-funded health benefits to a health benefit program offered by City County Insurance Services plan beginning July 1, 2018.

SECTION 2. The benefits offered by the City of Ashland Benefits Plan and the City of Ashland-Parks Benefits Plan shall be those summarized in Exhibit A, and which is hereby approved by the City Council.

SECTION 3. The City Council maintains the Employee Health Benefits Advisory Committee (EHBAC) which will act as a self-directed employee team with representatives from each employee group and bargaining unit. EHBAC will make recommendations for plan offerings and provide a recommendation to the City Council yearly.

SECTION 4. The City Administrator is designated as the Plan Administrator for all City of Ashland Employee Benefits Plan.

SECTION 5. This resolution takes effect upon signing by the Mayor.

This resolution was duly PASSED and ADOPTED this _____ day of _____, 2018, and takes effect on July 1.

SIGNED and APPROVED this ____ day of _____, 2018.

John Stromberg, Mayor

Reviewed as to form:

David H. Lohman, City Attorney

**City of Ashland
Medical Benefit Deviations**



	Current Plan		Proposed RCBOSO Plan		Comments
	Participating Provider	Non-Participating Provider	In-Network Provider	Out-of-Network Provider	
Annual Deductible	\$300 per individual \$900 per family		\$300 per individual \$900 per family		
Out-of-Pocket Maximum	\$900 per individual \$1,800 per family	\$1,900 per individual \$3,800 per family	\$900 per individual \$1,800 per family	\$1,900 per individual \$3,800 per family	Deductible and Copayments apply to the out-of-pocket maximum. In an out-of-network amounts do not cross accumulate.
Fourth Quarter Deductible Carry Over	Yes		Yes		Only if prior deductible not met.
Medical Benefits					
Acupuncture	Not Covered		Acupuncture services are not covered. Coverage for other services provided by an acupuncturist according to plan benefits		Federal Provider Non-Discrimination Law requires coverage for medically necessary services provided by any type of provider.
Additional Accident Benefit	First \$1,000 of covered expenses within 90 days of an accident is covered at no charge, deductible waived		Accident expenses are covered at no charge, deductible waived		Regence is unable to administer a \$1,000 limit and timeframe of 90 days.
Advanced Diagnostic Imaging	10%	30%	10%	30%	
Allergy Injections/Testing	10%	30%	10%	30%	
Ambulance (air and ground)	10%		10%		
Biofeedback	10%	30%	10%	30%	
Chiropractic Care	10%	10%	10%	10%	Federal Provider Non-Discrimination Law requires coverage for medically necessary services provided by any type of provider.
	Covers treatment from licensed chiropractors. Chiropractic manipulation, massage therapy, lab, x-ray, radiology and DME ordered by a chiropractor. Limited to 12 visits per calendar year.		Spinal manipulations are covered by any provider. Limited to 12 visits per calendar. All other services are covered according to plan benefits.		
Clinical Trials	10%	30%	10%	30%	
Diabetic Education (Including Nutritional Counseling)	10%	30%	10%	30%	
Diagnostic Radiology and Lab	10%	30%	10%	30%	
Durable Medical Equipment	10%	30%	10%	30%	
Emergency Room & Services	\$100 copay/visit then 10% coinsurance		\$100 copay/visit then 10% coinsurance		Copay waived if admitted directly to a hospital or facility on an inpatient basis.
Family Planning	10%	30%	10%	30%	This benefit includes tubal ligation and vasectomy. Infertility treatment is a separate benefit and is excluded from this plan.
Genetic Testing	10%	30%	10%	30%	
Hearing Aids for Dependents	10%	30%	10%	30%	
	Limited to one hearing aid per ear every 48 months		Limited to one hearing aid per ear every 4 years		
Hearing Exam	10%	30%	10%	30%	
Home Health Care	10%		10%		
Hospice (Inpatient / Outpatient and Respite)	10%		10%		Regence assumes coinsurance matches home health based on benefit booklet. Limited to 30 respite care days per lifetime. Regence - physician must refer member to hospice. No life expectancy timeline required.
Hospital Care	10%	30%	10%	30%	
Infertility Treatment	Not Covered		Not Covered		
Infusion Therapy	10%		10%		
Maternity	10%	30%	10%	30%	

**City of Ashland
Medical Benefit Deviations**



	Current Plan		Proposed RCBBSO Plan		Comments
	Participating Provider	Non-Participating Provider	In-Network Provider	Out-of-Network Provider	
Massage Therapy	Not Covered		10%	30%	Currently not covered as part of a physical therapy program. In order to cover massage therapy services rendered by a chiropractor, Regence will need to cover the service for all providers due to the Provider Non-Discrimination Law.
Mental Health/Chemical Dependency Treatment - Inpatient	10%	30%	10%	30%	
Mental Health/Chemical Dependency Treatment - Outpatient	10%	30%	10%	30%	
Naturopathic Services	Not Covered		Not Covered (Naturopathy). However, other services provided by a Naturopath are covered according to plan benefits.		Currently, naturopathic treatment, supplies or any services provided by a Naturopathic physician are not covered. Federal Provider Non-Discrimination Law requires coverage for medically necessary services provided by any type of provider.
Neurodevelopmental Therapy	10%	30%	10%	30%	
Nutritional Counseling	10%	30%	10%	30%	
Obesity Treatment Surgical (Inpatient/Outpatient)	Not Covered		Not Covered		
Office Visits	10%	30%	10%	30%	
Orthotic Devices	10%	30%	10%	30%	
Orthognathic Surgery	10%	30%	10%	30%	If accident related, services would be covered under the Additional Accident Benefit.
	Covered to repair an accidental injury within one year after the accident.		Covered with no timeframe, subject to medical policy		
Preventive Care - Breast Pumps	No Charge		No Charge		
	Covered once per pregnancy when purchased or rented from a licensed provider or retail outlet.		Covered once per year when purchased or rented from a licensed provider or retail outlet.		
Preventive Care - Colonoscopy	10%	30%	10%	30%	
Preventive Care - Immunizations 0-18 years	No Charge		No Charge		
Preventive Care - Immunizations age 19 and over	10%	30%	10%	30%	
Preventive Care - Routine Physicals	No Charge Ages 22 and older - one exam every calendar year		No Charge		Regence has no limit for routine physicals for members age 22 and older.
Preventive Care - Well Baby/Well Child Care	10%	30%	10%	30%	
Preventive Care - Well Woman Visits	No Charge		No Charge		
Preventive Care - Tobacco Use Cessation	No Charge		No Charge		
	Maximum lifetime benefit of two quit attempts is limited to members age 15 or older		Limited to two quit attempts per calendar year		
Prosthetic Devices	10%	30%	10%	30%	
Private Duty Nursing	Not Covered		Not Covered		
Cardiac Rehabilitation	10%	30%	10%	30%	PacificSource: Benefits are limited to services provided in connection with a cardiac rehabilitation exercise program. Lifetime maximum of 36 visits. Regence – No lifetime limit and according to medical necessity. Pre-authorization and medical review will still apply.
Rehabilitation/Habilitation Services - Inpatient	10%	30%	10%	30%	
Rehabilitation/Habilitation Services - Outpatient	10%	10%	10%	10%	
Repair of Teeth	10%	30%	10%	30%	Regence is unable to administer timeframe of 18 months after injury. Standard medical policy review will apply.
Routine Foot Care	10%	30%	10%	30%	
Sexual Reassignment Surgery	10%	30%	10%	30%	

**City of Ashland
Medical Benefit Deviations**



Regence BlueCross BlueShield of Oregon is an independent licensee of the State of Oregon. Regence BlueCross BlueShield of Oregon is not a health plan.

	Current Plan		Proposed RBCBSO Plan		Comments
	Participating Provider	Non-Participating Provider	In-Network Provider	Out-of-Network Provider	
Skilled Nursing Facility Care	10%	30%	10%	30%	
Supplement Kidney Dialysis	10%	30%	10%	30%	<p>The first 42 visits paid at regular plan benefits for in an out-of-network.</p> <p>Supplemental Outpatient Treatment period (following initial Outpatient Treatment Period): Visit 43 through Month 30, in-network benefit pays at 100% of allowed amount, not subject to deductible. Out-of-network benefit pays at 125% of Medicare allowed amount.</p> <p>Eligible members are reimbursed for Medicare part B premium.</p>
Temporomandibular Joint Disorder (TMJ)	Not Covered		Not Covered		
Transplants	0%	40%	0%	40%	Transplants performed at non-participating facilities do not apply towards out-of-pocket maximum.
Transplant Travel	Travel and housing expenses for recipient are limited to \$5,000 per transplant. Not covered for donor.		Travel and housing expenses for recipient are limited to \$5,000 per transplant. Not covered for donor.		
Urgent Care	10%	30%	10%	30%	
Wigs	Limited to \$150 per calendar year		Limited to one wig per calendar year		Essential health benefits don't allow Regence to apply a dollar limit.