



City of Sikeston

TENTATIVE AGENDA

COUNCIL STUDY SESSION MEETING
SIKESTON CITY HALL

Thursday, December 18, 2014
7:00 A.M.

- I. CALL TO ORDER
- II. RECORD OF ATTENDANCE
- III. OPENING PRAYER
- IV. ITEMS OF BUSINESS
 - A. Discussion of Current & Future Employee Health Care Benefits
 - B. Other Items As May Be Determined During the Course of the Meeting
- V. ADJOURNMENT INTO EXECUTIVE SESSION

Personnel (RSMo 6.10.021(3))

VI. ADJOURNMENT

Dated this 16th day of December 2014


Carroll Couch, City Clerk

The City of Sikeston complies with ADA guidelines. Notify Linda Lowes at 471-2512 (TDD Available) to notify the City of any reasonable accommodation needed to participate in the City Council's Meeting.



INTEROFFICE MEMORANDUM

TO: MAYOR AND CITY COUNCIL
FROM: KAREN BAILEY, CITY TREASURER/DEPUTY CITY CLERK
SUBJECT: EMPLOYEE HEALTH INSURANCE
DATE: 12/16/2014

In FY2015 the City of Sikeston (City) will spend \$1.4 million on employee health insurance. The employees will spend an additional \$355,000. Aside from salaries it is probably the single most expensive line item in our budget. The City pays 80% of the premium, whether it is employee only or family insurance. A breakdown on the current premiums is as follows:

Coverage	Total Premium	City's Cost	Employee's Cost
Employee Only	\$ 801.27	\$ 641.01	\$ 160.26
Employee/Spouse	\$1,550.65	\$1,240.53	\$ 310.12
Employee/Child(ren)	\$1,377.66	\$1,102.12	\$ 275.54
Family	\$2,306.07	\$1,844.85	\$ 461.22

The City and Board of Municipal Utilities (BMU) have been working together to provide insurance to its employees since the 1980s. By combining our work force we are 'more attractive' to insurers. The larger the group, the more predictable losses and rates become.

The City and BMU currently participate in a self-funded employee health insurance plan. The plan is administered by HealthScope Benefits utilizing the Health Link network and LDI Pharmacy. The City and BMU purchase stop loss coverage and premiums are set aside into a city fund to pay the maximum claims established by actuaries. From that fund we pay a monthly administration fee to HealthScope and reimburse them for claims they have processed.

The worst the City and BMU can do is break even. If claims are less than predicted, the City and BMU can realize a savings. Hopefully, over several years this can build into a sizeable amount and can be used to offset premium increases.

In the past the City has offered a fully-funded health insurance plan with Anthem. We paid a set premium to Anthem. There was no risk to the City and if claims were down, Anthem made more money.

Another option available is a Health Savings Account (HSA) which utilizes a high deductible plan. The office and prescription copays are paid by the employee in full until their deductible is met. Pre-tax money is set aside from payroll deductions. Usually the employer assists the employee in funding the HSA.

Low office copays and affordable prescription plans are important in that they encourage employees to seek early treatment for diseases such as high blood pressure, diabetes, or other chronic conditions to be monitored on a regular basis and avoid complications which are generally more expensive. Illnesses can be diagnosed and treated in the early stages, rather than when they have advanced and treatment is more costly. Low office copays encourage an employee to see a primary care physician – not the emergency room doctor.

That being said, it may be time to increase our copays for both the medical and pharmacy plans. We could also limit our network by removing St. Francis Hospital or we could implement spousal carve-out (require spouses to take coverage where they are employed, if offered).

As stated earlier, combining our labor force with the BMU creates a larger group which should mean more stable premiums. However, when we discuss changes to minimize our premium increases, we cannot include the BMU. They are unable to make benefit changes because of their relationship with the IBEW.

Under our current agreement with HealthScope, if the City increases copays and makes other plan changes, the overall savings is spread between the City and BMU. I believe we should benefit by receiving all of the savings.

The City could change their health insurance relationship with the BMU. This will allow us to obtain quotes based upon the plan design of our choice. Being a smaller group, they may not be willing to rate us alone on our experience.

Deke Lape of Mitchell Insurance, Inc. will be at the work session.