



City of Venice
Administrative Services

Interoffice Memorandum

DATE: October 17, 2016

FROM: Alan Bullock, Director of Administrative Services

THROUGH: Ed Lavallee, City Manager

TO: City Council

SUBJECT: Healthcare Costs for Employees, Retirees and Dependents

During the budget workshops leading up to FY17, there was Council discussion regarding the city's healthcare costs. Specifically the Mayor requested a 10-year history and has since requested information on the possibility of charging smokers more for health insurance. Recognizing this as an opportunity to address Council broadly on this complex topic, I will make a presentation at the October 25 Council meeting, along with Kathleen Meola, Executive Consultant of the city's insurance agent/broker, Ascension Benefits & Insurance Solutions.

Key underlying facts are as follows:

- We are self-insured for healthcare.
- We carry 'stop-loss' insurance to guard against large claims (above \$85,000).
- We use the FL Blue network to access steep provider discounts.
- We use FL Blue to administer our claims.
- We have about 780 people on our healthcare plan, consisting:
 - 255 employees
 - 334 dependents of employees
 - 109 retirees and
 - 77 dependents of retirees
 - 3 COBRA participants
- Our total annual healthcare cost in 2015 was \$4,731,726.
- Our employees and retirees pay varying proportions of healthcare costs, on a percentage basis.
- In 2011, Council directed the following major changes, since all implemented:
 - Employees retiring on or after January 1, 2016 to receive no healthcare subsidy.

- Employees who retired before that to be capped at a 50:50 contribution split.
- Participating Councilmembers to receive no healthcare subsidy.
- Retired Councilmembers and Charter Officers to receive no healthcare subsidy.
- City to stop hiring smokers.
- Employees to pay a percentage of healthcare costs rather than a fixed amount, with a target of 80:20 contribution split (80% for city; 20% for employee).
- Change to 'BlueOptions' provider network.
- Alteration of contribution tiers for retirees and employees.
- Introduction of a Medicare Advantage plan for eligible retirees.

As we will discuss at the Council meeting, efforts made in the past five years have been instrumental in containing healthcare costs. Furthermore, looking forward, the following plan design changes are being implemented for 2017, with the aim of avoiding costs of around \$120,000:

- Changing out of network coinsurance from 60% to 50%. This change is designed to encourage use of in-network providers, which is more cost-effective.
- Changing in-network out of pocket maximums from \$1,500 to \$2,000 and from \$3,000 to \$6,000 for single and family coverage, respectively. Changing out of network out of pocket maximums from \$3,000 to \$4,000 and from \$6,000 to \$12,000 for single and family coverage, respectively. These changes are designed to encourage judicious overall use of the health plan and to encourage use of in-network providers, which is more cost-effective.
- Adding a \$250 ER copay, which is waived if the patient is admitted. This change is designed to discourage non-emergent use of the ER, which is not cost-effective.

Underpinning our ongoing cost saving efforts is a very active Wellness Program, consisting of the following elements:

- Quarterly gym attendance reimbursement program
- Annual health risk assessment and health fair
- Annual healthy lunch
- Numerous educational workshop opportunities
- 'Stall talk' educational information strategically placed in city restrooms

We look forward to the discussion and welcome questions/further direction.

Attachments: Healthcare Plan cost summary for employees, retirees & dependents 2007 – 2016
 Healthcare Plan cost summary for employees & dependents 2013 – 2016
 Medical trend analysis 2007 – 2015
 Smokers and health insurance premiums – peer review