



Request for City Council Committee Action from the Department of Human Resources

Date: November 4, 2014

To: The Honorable City Council Vice President Elizabeth Glidden
Chair, Committee of the Whole

Referral to: City Council

Subject: Amendment to the City of Minneapolis Health Reimbursement Arrangement Plan ("City HRA")

Recommendation:

Authorize the proper City officials to execute an amendment to the City HRA to establish a separate retiree-only plan.

Previous Directives:

Adoption of the City of Minneapolis Health Reimbursement Arrangement Plan, as Amended and Restated Plan Effective January 1, 2006. Adoption of First Amendment effective January 1, 2009, adoption of Second Amendment effective January 1, 2010, adoption of Third Amendment effective January 1, 2011, adoption of Fourth Amendment effective May 1, 2011, adoption of Fifth Amendment effective January 1, 2013, and adoption of Sixth Amendment effective January 1, 2014.

Department Information

Prepared by: Joyce Traver and Susan Trammell

Approved by: _____

Patience Ferguson
Chief Human Resource Officer

Spencer Cronk
City Coordinator

Presenters in Committee: Joyce Traver and Susan Trammell

Financial Impact

- No financial impact

Supporting Information

The Affordable Care Act ("ACA") includes a number of provisions that reform the health insurance market. Market reforms that apply to health reimbursement arrangements ("HRA") include:

- A prohibition on annual or lifetime benefit limits. The IRS and DOL have issued guidance stating that as long as an HRA is properly integrated with another health plan, the HRA can limit benefit payments to amounts available in participant accounts. The HRA is properly integrated if contributions are made only to individuals enrolled in a group health plan that complies with ACA market reforms.

- Except in the case where an HRA covers retirees only, a prohibition on the use of funds to pay for individual insurance policies (including Medicare premiums and coverage purchased through an “exchange”).

Contributions to the City HRA are made only for employees enrolled in the City’s medical plan and is a properly integrated HRA. However, the City HRA allows former employees to use funds in their accounts to pay for individual insurance policies; a practice not in compliance with ACA market reforms.

ACA market reform violations can result in penalties of \$100 per violation per affected individual per day up to a statutory maximum of \$500,000 per year.

Human Resources and City Attorney staff has explored several options that will allow the City HRA to comply with ACA market reforms. Based on this review of available options Human Resources and City Attorney are recommending that, effective January 1, 2015, the City HRA be amended to create a separate plan for retired participants.

- Participants that separate from service due to retirement would be transferred to a retiree-only plan and would be allowed to use existing account balances to pay for eligible health care expenses including individual insurance premiums.
- Individuals who did not qualify as “retirees” at the time of separation from service could spend down existing account balances but could not use funds for individual insurance premiums.

Eligibility for the retiree-only plan would be based on the Minnesota Statute 471.61, Subd. 2A. definition of “[re]tired officers/employees” as former employees “...entitled to benefits under any public employees retirement act.” Generally, a PERA Coordinated Plan member age 55 or older with 3 years of service (5 if hired after June 30,2010) and a PERA Police and Fire member age 50 or older with 3 to 10 years of service (service requirement varies by date of hire) will meet the definition of a retired participant.

The Amendment to the City HRA will:

- Establish a second plan for retired employees/participants/members.
- Clarify that non-retirees cannot receive reimbursements for premium payments.
- Outline a participant’s transition from the active employee plan to the retiree-only plan.