



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

Date: September 17, 2008
To: Ways & Means/Budget Committee
Referral to: City Council

Subject: City of Minneapolis Medical, HRA/VEBA and Dental Plans

Recommendation: Approve changes to City of Minneapolis medical, HRA/VEBA and dental plans.

Previous Directives: N/A

Prepared by:	Joyce Traver, Benefits Manager	
Approved by:	_____	_____
	Pamela French Director, Human Resources	Steven Bosacker City Coordinator
Presenters in Committee:	Joyce Traver, Benefits Manager	

Reviews

- Permanent Review Committee (PRC): Approval _N/A_ Date _____
- Civil Rights Approval Approval _N/A_ Date _____
- Policy Review Group (PRG): Approval _N/A_ Date _____

Financial Impact

- Action is within the Business Plan

Supporting Information

Medical Plan and HRA/VEBA Changes

Earlier this year Medica presented the City with the medical renewal for 2009. Medica's renewal analysis indicated a required premium increase of 16%. The premium increase was subsequently reduced to 15.75% as a result of participation in the 2008 health assessment.

The Benefits Sub-Committee of the Citywide Labor Management Committee (the BLMC) met with Medica representatives to explore options to further reduce premiums. A BLMC study group spent several months analyzing various plan design options and ultimately agreed that modifications to our medical plan design were appropriate.

Recommended medical plan changes are outlined below and are highlighted on the attachment titled "2009 City of Minneapolis Medical Plan Options":

- Eliminate Plan 3
- Increase annual out-of-pocket maximums that apply to services received from in-network providers by \$500 per member and \$1,000 per family.
- Change the prescription drug benefit to create incentives for using generic and other drugs on Medica's formulary

The recommended changes will reduce the 2009 premium increase to 11.4% for a total savings of approximately \$1.5 million. The City's share of the premium savings would be approximately \$1.3 million.

As the premium reduction is due to a shift in risk from the City to covered employees, we are also recommending that the City pass on to employees all but approximately \$100,000 in City premium savings. Specifically, HRA/VEBA contributions for employees who elect Plan 1 or Plan 4 would be increased by \$20 per month for those who elect single coverage and \$35 per month for those who elect family coverage.

The requested changes are the first modifications to the medical or HRA/VEBA plans since 2004. Assuming 15% premium increases in 2010 and 2011, the combination of changes to the medical and HRA/VEBA plans is projected result in cost avoidance for the City of approximately \$900,000 over the next three years. These changes will reduce the medical premium base and shelter an additional \$1.2 million per year from medical inflation. Starting in 2009, \$6.2 million per year will be sheltered from future medical premium increases. Again, assuming future premium increases of 15%, this will result in cost avoidance to the City of approximately \$1 million per year.

Dental Plan

The City's dental plan is provided to employees on a non-contributory basis. The changes outlined below will result in a plan design that increases annual benefit maximums and is more in-line with the dental plans provided by other public sector employers without increasing claim costs.

Recommended dental plan changes are outlined below and are highlighted on the attachment titled "2009 City of Minneapolis Dental Plan":

- Increase the annual family deductible from \$100 to \$150
- Decrease the employer-paid portion of major and prosthetic dental services from 60% to 50%
- Increase the annual benefit maximum from \$1,000 to \$1,500 for services provided by dentists in the Delta Dental PPO network and from \$750 to \$1,000 for services provided by dentists in the Delta Dental Premier network.

Union Approval

As previously stated, the requested changes to the medical, HRA/VEBA and dental plans were developed and recommended by the BLMC. Bargaining units representing over 95% of the City's union represented employees have approved the recommended changes.

2009 City of Minneapolis Medical Plan Options

	Plan 1 - Elect/Essential		Plan 2 – Elect/Essential		Plan 4 – Medica Choice	
Plan Provision	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network
Calendar Year Deductible	\$250/person \$500/family	\$1000/person \$2000/family	\$750/person \$1500/family	\$1000/person \$2000/family	\$1000/person \$2000/family	\$1500/person \$3000/family
2008 Out-of-Pocket Max	\$1000/person \$2000/family	\$2000/person \$4000/family	\$1000/person \$2000/family	\$2000/person \$4000/family	\$1500/person \$3000/family	\$2000/person \$4000/family
2009 Out-of-Pocket Max	\$1500/person \$3000/family	\$3000/person \$6000/family	\$1500/person \$3000/family	\$3000/person \$6000/family	\$2000/person \$4000/family	\$3000/person \$6000/family
Lifetime Max	Unlimited	\$2 million	Unlimited	\$2 million	Unlimited	\$2 million
Preventive	100% (deductible does not apply to these services)					
	Member Responsibility		Member Responsibility		Member Responsibility	
Office Visits	10% after annual deductible	40% after annual deductible	20%, deductible does not apply	40% after annual deductible	20% after annual deductible	40% after annual deductible
Hospital Services	10% after annual deductible	40% after annual deductible	20% after annual deductible	40% after annual deductible	20% after annual deductible	40% after annual deductible
Lab, Pathology, X-Ray, Other Imaging	10% after annual deductible	40% after annual deductible	20%, deductible does not apply	40% after annual deductible	20% after annual deductible	40% after annual deductible
Emergency Urgent Care/ Hospital ER	10% after annual deductible	20% after in-network deductible	20% (deductible applies to hospital ER)	20% after in-network deductible	20% after annual deductible	Covered as in-network benefit
2008 Prescription Drugs (retail)	\$12 co-pay (formulary only)	No coverage	20%; \$10 minimum - \$30 maximum	Deductible, then greater of 40% or \$30	20%; \$10 minimum - \$40 maximum	Deductible, then greater of 40% or \$40
2009 Prescription Drug (retail)	\$12 generic \$25 brand (formulary only)	No coverage	\$10 generic \$25 brand \$50 non-formulary	Deductible, then greater of 40% or \$50	\$10 generic \$25 brand \$50 non-formulary	Deductible, then greater of 40% or \$50
2008 Prescription Drug (mail)	\$24 co-pay (formulary only)	No coverage	\$40 co-pay	No coverage	\$50 co-pay	No coverage
2009 Prescription Drug (mail)	\$24 generic \$50 brand (formulary only)	No coverage	\$20 generic \$50 brand \$100 non-formulary	No coverage	\$20 generic \$50 brand \$100 non-formulary	No coverage
2008 VEBA Contribution	Single: \$41.67 / month Family: \$62.50 / month		Single: \$50.00 / month Family: \$75.00 / month		Single: \$70.00 / month Family: \$155.00 / month	
2009 VEBA Contribution	Single: \$61.67 / month Family: \$97.50 / month		Single: \$50.00 / month Family: \$75.00 / month		Single: \$90.00 / month Family: \$190.00 / month	

2009 City of Minneapolis Dental Plan

Deductibles and benefit maximums	Current Plan		2009 Plan	
	PPO Network	Premier Network	PPO Network	Premier Network
Annual deductible*: Single	\$50		\$50	
Annual deductible*: Family	\$100		\$150	
Annual benefit maximum	\$1,000	\$750	\$1,500	\$1,000

*Deductible does not apply to diagnostic, preventive or orthodontics.

Plan payment for following dental services:	Current Plan		2009 Plan	
	PPO Network	Premier Network	PPO Network	Premier Network
Diagnostic and preventive	100%	100%	100%	100%
Basic	80%	80%	80%	80%
Endodontics	80%	80%	80%	80%
Periodontics	80%	80%	80%	80%
Oral surgery	80%	80%	80%	80%
Major restorative	60%	60%	50%	50%
Prosthetics	60%	60%	50%	50%
Prosthetic repair & adjustment	60%	60%	50%	50%
Orthodontics	50%	50%	50%	50%
Lifetime orthodontic maximum	\$1,000	\$1,000	\$1,000	\$1,000