



Legislation Text

---

File #: 17-0171, Version: 1

---

**ITEM TITLE:**

Approval of Renewal of Employee Health Care Plan and Insurance Broker Contract for Twelve Months Beginning April 1, 2017, and the Business Associate Agreement (*Postponed from Regular Meeting of March 21, 2017*)

**SUBMITTED BY:** Brian Carlson, Finance Director

**FISCAL NOTES:**

Expenditure Required: \$3,025,059

Unencumbered Balance: \$3,187,500

Funding Source: Distributed among all departments with personnel in "benefits" code 41300

**RECOMMENDATION:**

Approve the annual plan renewal and broker contract for twelve months beginning April 1, 2017, and the Business Associate Agreement.

**SUMMARY STATEMENT:**

*Council postponed action on this item during their regular meeting of March 21, 2017*

The 2017-2018 plan renewal contains a **4.38% increase** in *total expected cost*, which is the basis of the City's payroll deductions and monthly premiums. The bulk of this increase (65%) is driven by increased prescription drug costs and utilization. The rest of the increase is split evenly between stop-loss premiums, dental coverage, and plan administration.

The Broker's fee is unchanged from 2016-2017, and is articulated in a separate attached contract.

The 2017 City Budget assumed a 7.5% annual increase, which is effectively a 10% increase when pro-rated for a partial year, as the plan renews in April. Staff anticipates a \$162k surplus *carry-forward* in calendar 2018 resulting from this variance. Any variance between the *total expected cost* and *total actual cost* will be reflected in changes to the *health insurance reserve* balance.

The **Valdez City Schools renewal contains a 1.14% increase**, driven primarily by increases to dental coverage and stop-loss premiums, roughly equally.

The *Business Associate Agreement* articulates the City's and Broker's obligations under the Health Insurance Portability and Accountability Act of 1996. This is an update to a preexisting contract which is revised to reflect the broker's relationship with *One Digital*.

The broker contract and the Business Associate Agreement have been reviewed by the City Attorney.  
Craig Kestran will join the meeting by telephone to answer council questions.