



NOTICE OF WORK SESSION AGENDA
LANCASTER CITY COUNCIL



James R. Williams Pump Station
Training Room, 1999 Jefferson

Monday, August 6, 2012 – 7:00 P.M.

DEFINITIONS:

Written Briefing: Items that generally do not require a presentation or discussion by the staff or Council. On these items, the staff is seeking consent from the Council or providing information in a written format.

Verbal Briefing: These items do not require extensive written background information or are an update on items previously discussed by the Council.

Regular Item: These items generally require discussion between the Council and staff, boards, commissions, or consultants. These items may be accompanied by a formal presentation followed by discussion and direction to the staff.

[Public comment will not be accepted during Work Session
unless Council determines otherwise.]

Item	Key Person
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Regular Items:

1. Receive a presentation on Fiscal Year 2012/2013 employee insurance and discuss Bid No. 2012-42 for employee health insurance administration.
Mauldin Robertson / Lee
2. Receive a presentation and discuss the City's proposed Fiscal Year 2012/2013 budget for all funds.
Mauldin Robertson

EXECUTIVE SESSION: The Council reserves the right to convene into executive session on any posted agenda item pursuant to Section 551.071(2) of the TEXAS GOVERNMENT CODE to seek legal advice concerning such subject.

ACCESSIBILITY STATEMENT: The Municipal Center is wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-218-1311, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

Certificate

I hereby certify the above Notice of Meeting was posted at the Lancaster City Hall on August 2, 2012 @ 5:00pm and copies thereof were hand delivered to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.



Dolle K. Downe, TRMC
City Secretary

LANCASTER CITY COUNCIL
Work Session Agenda Communication for
August 6, 2012

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WS12-01

Receive a presentation on Fiscal Year 2012/2013 employee insurance and discuss Bid No. 2012-42 for employee health insurance administration.

This request supports the City Council 2012-2013 Policy Agenda.

Goal 1: Financially Sound City Government
Goal 4: Professional & Committed Workforce

Background

The City of Lancaster is in its first renewal period with Aetna and has experienced significant claims cost since the start of the 2011/2012 plan year. At mid year, the City's loss ratio (paid claims ÷ paid premium) was above 200%. In preparation for a large renewal rate increase and to leverage negotiations for the 2012/2013 renewal, IPS Advisors assisted the City in releasing a request for proposal for health insurance.

Health Insurance

The City of Lancaster received bids from Aetna and United Healthcare. Although United Healthcare quoted, their proposed plans substantially deviated from our current plan of benefits and were uncompetitive with the Aetna offer. Aetna submitted a +19.6% increase which was renegotiated by IPS Advisors to +15.0%. This represents a \$310,884 total cost increase to the City.

The Human Resources Department, City Administration, Wellness Committee and insurance consultant (IPS Advisors, Inc.) have all evaluated the plan and contribution options in an effort to not only align the City with benchmarks, but to also identify strategies to shift greater responsibility and accountability to employees and family members when purchasing health care.

A Health Savings Account (HSA) is an option many municipalities are using to achieve these goals and is recommended for Council consideration for 2012/2013. The HSA plan combines a high deductible health plan to cover serious illness with a tax preferred savings account to cover routine medical expenses. This is a fundamentally different strategy from the City's co-pay driven approach and will serve as a tool to uncover the true cost of health care, encourage efficient purchasing behaviors, mitigate costly/unnecessary health care expenses and promote health and wellness.

The recommended changes to the health plan for 2012/2013 plan year include:

- Implement a Health Savings Account (HSA) plan option alongside the current HMO and PPO plans. This HSA option contains a consumer directed plan design with a \$3,000 individual / \$6,000 family deductible. The plan has no medical or prescription co-pays, but would cover preventive services at 100% before the deductible is met. The City would utilize plan design savings to fund a total \$1,350 for employee only and \$2,700 for employee + dependent(s) annually to utilize for deductible expenses. Funding to the account would be divided into two installments during the year.
- It is also recommended to shift dependent subsidy for all health plans to a flat 50% subsidy level to better align with benchmarks. Additionally, a \$25 monthly premium cost increase is recommended to the employee only HMO coverage to encourage enrollment in the HSA.
- To help employees in the HSA navigate the health care system and locate high quality / low cost services, it is recommended to implement Compass Professional Health Services. The estimated cost of this service is \$5 per HSA enrolled employee per month.
- For the 2012/2013 plan year, it is recommended to continue the physician surcharge of \$25 a month to employees who do not have an annual physical by December 31, 2012. Over 90% of eligible employees participated in this program for the 2011/2012 plan year. Wellness visits are covered 100% and there is no cost to the employee.
- It is also recommended to continue the tobacco user surcharge of \$25 a month for employees who elect to use tobacco products. Human Resources assists employees on tobacco cessation options on a voluntary basis.

Dental Insurance

The City is currently in a two year rate guarantee for dental coverage with Aetna and the policy does not renew until October 1, 2013. No changes are recommended to benefits or rates at this time.

COBRA

The Consolidated Omnibus Budget Reconciliation Act (COBRA) federally mandates that employers provide certain former employees the right to temporary continuation of health benefits coverage at group rates. The City's COBRA services through Conexis renewed at no increase for the 2012/2013 fiscal year.

Flexible Spending Account (FSA)

A Flexible Spending Account (FSA) allows an employee to set aside a portion of his or her earnings to pay for qualified expenses as established in the cafeteria plan, most commonly for medical expenses, but often for dependent care or other expenses. Money deducted from an employee's pay into an FSA is not subject to payroll taxes, resulting in a substantial payroll tax savings. The City is currently in a three year rate guarantee with Discovery Benefits until October 1, 2014. No changes are recommended to the FSA at this time.

Ancillary Insurance

The City's Life and Disability Insurance programs are currently in a three year rate guarantee with Cigna until October 1, 2014. No changes are recommended to the plan at this time.

Employee Assistance Program

Employee Assistance Programs (EAPs) are employee benefit programs offered by many employers, typically in conjunction with a health insurance plan. EAPs are intended to help employees deal with problems that might adversely impact their work performance, health, and well-being. It is recommended to contract with Alliance Work Partners for the 2012/2013 plan year. Rates will be guaranteed for two years and results in a net increase of \$1,375.92 annually.

Considerations

- **Operational** – The HSA Plan option will require additional communication and administration efforts for employee education. Mandatory attendance at enrollment meetings would help ensure all employees eligible for benefits received a thorough benefits presentation and understanding of plan options.
- **Legal** - Current contracts will be amended to comply with provisions of the Patient Protection and Affordability Care Act of 2010. These contracts must be reviewed by IPS Advisors, the City Attorney and Human Resources. If authorized by the City Council, the City Manager will execute appropriate contracts following legal review.
- **Financial** - The total increase in employer cost for implementing the recommended changes is \$188,878.
- **Public Information**
 - Bids were advertised on June 5 and 12, 2012 in the Focus Daily News.
 - Bids were posted nationwide on the City's e-procurement system and the State of Texas website.
 - Bids were opened on July 2, 2012 at 2:00 PM.
 - Bids were reviewed by IPS Advisors July 3 - 24, 2012.

Options/Alternatives

1. Continue the Aetna program as is with no benefit changes and utilize the same employer premium subsidy percentages as the 2011/2012 plan year. The total cost of option 1 to the City of Lancaster is approximately \$254,752 and would be funding 81.9% of total premium costs.
2. Continue the program with Aetna, implement a third Health Savings Account plan option and fund \$1,184 for employee coverage and \$2,369 for family coverage. The City would switch its employer premium subsidy to fund 100% of the HSA employee only rate and apply a \$25 monthly employee only cost increase to the HMO and PPO plans. The dependent premium subsidy would also be adjusted to a flat 50% subsidy across all plans. The total cost of option 2 would be \$188,878.

Recommendation

Staff recommends implementation of Option 2 for the 2012/2013 plan year.

Prepared and submitted by:
Dori Lee, Director of Human Resources

Date: July 24, 2012

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August 6, 2012

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 WS12-002

Receive a presentation and discuss the City's proposed Fiscal Year 2012/2013 budget for all funds.

This request supports the City Council 2012-2013 Policy Agenda.

Goal: Financially Sound City Government

Background

The City Manager will present an overview of the proposed FY 2012/2013 municipal budget for all funds. A detailed budget notebook will be provided to Council at the meeting.

The national economy has impacted local governments for the past few years. This is a challenging new era; cities are charged with governing and providing quality core services to residents with limited resources. This fiscal year's proposed budget presents new challenges and opportunities to continue the course of realizing Lancaster Vision 2027.

In an attempt to provide information and receive comments from the public, there will be town hall meetings as noted below.

August 9, 2012; 6:30 p.m. at the Recreation Center
 August 14, 2012; 7:00 p.m. at the Recreation Center
 August 18, 2012; 9:00 a.m. at the Recreation Center

Following is the budget work session and meeting schedule.

August 13, 2012	City Council Meeting and Public Hearing on PIDs	7:00 p.m.	Council Chambers
August 20, 2012	City Council Work Session	7:00 p.m.	Pump Station
August 27, 2012	City Council Meeting and Public Hearing on Budget; Adoption of PID service plans	7:00 p.m.	Council Chambers
August 28, 2012	City Council Work Session	If necessary	Pump Station
September 10, 2012	City Council Meeting	7:00 p.m.	Council Chambers
September 17, 2012	City Council Special Meeting	7:00 p.m., if necessary	Council Chambers

Prepared and submitted by:
 Opal Mauldin Robertson, City Manager

Date: August 1, 2012