



CITY OF DUBLIN.

Office of the City Manager

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Memo

To: Members of Administrative Committee of Council
From: Terry Foegler, City Manager *TF/Sj*
Date: May 6, 2010
Initiated By: Michael Epperson, Deputy City Manager
Marsha Grigsby, Deputy City Manager
David L. Harding, Director of Human Resources
Michele Hoyle, Budget Manager
Mary Kay Ruwette, Human Resources Manager
Re: Administrative Committee Meeting – Consumer Driven Health Plan Health Savings Account Funding

Summary

As Council is aware, in previous meetings of the Administrative Committee of City Council, it was determined the City would implement a Consumer Driven Health Plan (the Plan) with Health Savings Accounts (HSAs). In an effort to provide employees adequate time to understand the Plan and how HSAs work, it was determined the Plan will be implemented January 1, 2011. Numerous employee workshops have been held over the past several months to provide employees with information on their health care utilization and how the implementation of the Plan would affect them. The key element of the Plan that has not yet been finalized is the level of funding the City will contribute to the HSAs and the timing of those deposits. The following discussion and the presentation planned for the May 10th Administrative Committee meeting will provide information to address the funding of HSAs.

As you will recall, a Consumer Driven Health Plan/HSA combines the features of a high deductible health insurance plan with a separate savings account (HSA) owned by the individual employee, out of which he/she pays for health care expenses up to the particular deductible. This employee-owned account can be funded by the employee and the employer up to a given annual limit set by the IRS. Funds contributed to these accounts can be on a pre-tax or after-tax basis and the interest earnings are tax-exempt, provided the funds are used for qualified medical expenses. Once the employee satisfies a plan's deductible, the plan covers claims at a given percentage up to a maximum out of pocket amount. Funds in the employee's HSA at year end carry over to the following year. Since the employee is responsible for paying non-preventive medical expenses out of an account partially funded with their own money, employees tend to make better consumer choices, leading to lower health care costs.

The City's Consumer Driven Health Plan/HSA strategy will focus on providing participation-based and results-based contributions to help offset the employee deductible amounts. A key element of the City's strategy is to provide each employee the opportunity to earn results-based contributions based on four key health factors (blood pressure, cholesterol, body mass index/waist circumference, non-tobacco use). It is important to note that preventive care is covered by the City's Plan at 100% on a first dollar basis.

The Administration consulted with a panel of experts in the medical and health management fields, including the Clinical Director of United Healthcare, regarding the importance of the four key health

factors selected for our program. There is widespread agreement that these four health factors are leading indicators for the development of future disease. The strategic goal of providing such results-based contributions is to encourage our employees to develop healthier lifestyle behaviors, thereby reducing health care costs on a long-term basis.

To determine the City's contributions to each employee's HSA, several factors were considered:

- Employee out-of-pocket expenses as estimated under the current plan.
- Employee annual contribution rates to family insurance coverage among other cities and the Dublin City Schools, who currently offer CDHP/HSA plans.
- The budget impact of various levels of City contributions to each employee's HSA.

Attachment A reflects the Administration's proposed level of funding for the City's contribution to each employee's HSA. As previously stated, the level of City funding is comprised of two components: participation-based contributions and results-based contributions, given each employee's coverage level of either single or family. The participation-based contributions of \$1,125 and \$2,250 represent 45% of both the \$2,500 deductible for single coverage and the \$5,000 deductible for family coverage, respectively.

In addition, each employee and covered spouse will have the opportunity to earn an additional \$150 contribution for each key health factor met at the time of open enrollment. Two additional testing opportunities will be provided during the year to allow employees and spouses who did not meet key health factors at open enrollment, but make progress during the year, to earn partial contributions. The opportunity to earn partial results-based contributions was added to reward gradual but measurable progress toward making important lifestyle changes.

As reflected on Attachment B, it is estimated the City will provide approximately \$895,000 annually in total contributions to employees' HSAs for the years 2011 through 2013 based on the proposed contributions reflected in Attachment A. As discussed at the earlier meeting, the Plan will be implemented for non-union employees and it is the City's intention to incorporate the plan into the United Steelworkers and the Fraternal Order of Police Capital City Lodge collective bargaining agreements that will be in effect in 2011. The collective bargaining unit agreement for Dispatchers (Communications Technicians) does not expire until December 31, 2011. However, the projections shown in Attachment B include all City employees.

The assumptions used to develop the projections for Attachment B were based on the results of the Health Risk Assessments completed by employees last fall. Based on the data obtained, it is estimated that approximately 22% of employees and spouses will participate in Healthy by Choice and receive contributions covering 45% of their deductible, 65% of employees and spouses will meet two of the four key health factors and receive two of the four risk-based contributions or 57 % of their deductible, while approximately 10% of employees and spouses will receive all four risk-based contributions or 69% of their deductible.

Attachment B also reflects proposed estimates for the timing of deposits to the employees' HSAs. One-third of the participation-based contribution and 100% of the results-based contributions are provided at the first installment on January 1, 2011. This funding strategy enables each employee to begin the plan year with a balance in his/her HSA.

As a result of the contributions deposited in January and the continued payment of claims incurred under the current health care plan, we may need to advance funding from the General Fund to the Employee Benefits Self-Insurance Fund in January to cover the increased expenditures that will occur in January. The advance will be repaid during the year.

As in the past, we continue to closely monitor our health care costs in 2010. The first quarter 2010 claims were up significantly as compared to the first quarter of 2009; however, April 2010 claims were down compared to April 2009, resulting in year-to-date claims being up slightly over 4%. The 2010 budget projected that claims would be up approximately 2.8 %. As we progress through the year we will continue to evaluate if there is a need to increase our monthly "premium-equivalent."

The goals of a Consumer Driven Health Plan are to encourage employees to become more informed about their health care and the related costs, encourage and incent healthy behavior and to contain the City's health care costs.

Recommendation

This information is provided for the Administrative Committee's review and discussion on Monday, May 10th.

Attachment A

2011-2013 City of Dublin Consumer Driven Health Plan

Contributions to HSA			
	Single	Family	
Participation -based			
Requirements			
Completion of Health Risk Assessment	\$1,125	\$2,250	45%
Age/Gender Preventive Care Sign-off			
Education			
Results-based			
Key Health Factors			
Tobacco-free	\$150	\$150/employee \$150/ spouse*	51%
BMI/Waist within standard limits	\$150	\$150/employee \$150/ spouse*	57%
Cholesterol within standard limits	\$150	\$150/employee \$150/ spouse*	63%
Blood Pressure within standard limits	\$150	\$150/employee \$150/ spouse*	69%
Maximum Results-based Contributions	\$600	\$1,200	
Total Potential HSA Dollars	\$1,725	\$3,450	

* An employee without a covered spouse but with covered dependents can earn \$300 per measure

Benefit Plan Design

Annual Deductible	\$2,500	\$5,000
Coverage After Deductible is Met	85%/15%	85%/15%
Out of Pocket Maximum	\$4,000	\$8,000
Preventive care continues to be covered at 100%.		
No changes to Dental, Vision coverages.		

Attachment B

Estimated 2011 Funding To Be Allocated to Employee HSA's

Number of Employees Currently Enrolled by Coverage Type

Coverage Types	Employee		Total
	(Single)	Family*	
Non-Union	51	175	226
USW	17	57	74
FOP	11	49	60
Dispatchers	4	8	12
Total	83	289	372

* Includes any employee currently covering dependents or spouse.

Estimated Number of Employees By Level of HSA Funding Earned*

Group	Do Not Participate in HBC (3%)	Participate Only (22%)	Achieve 2	Achieve 4 key	Total
			key health factors (65%)	health factors (10%)	
Non-Union	2	54	147	23	226
USW	4	14	48	8	74
FOP	3	12	39	6	60
Dispatchers	1	2	8	1	12
Total	10	82	242	38	372

* Based on most recent health risk assessment data available (2009)

Estimated Total City HSA Deposits by Level of HSA Funding Earned*

	Do Not Participate in HBC (3%)	Participate Only (22%)	Achieve 2	Achieve 4 key	Total
			key health factors (65%)	health factors (10%)	
1st Quarter Deposit	\$0	\$55,575	\$290,100	\$40,100	\$385,775
2nd Quarter Deposits	0	37,050	108,000	24,800	169,850
3rd Quarter Deposits	0	37,050	107,600	24,800	169,450
4th Quarter Deposits	0	37,050	107,500	24,800	169,350
Total City HSA Deposits	\$0	\$166,725	\$613,200	\$114,500	\$894,425

* City HSA deposit calculations assume 1/3 of participation-based HSA amount is deposited 1/1/11.
 HSA deposits for results-based contributions are made when earned and are not pro-rated.
 Therefore, the first total amount of the 1st quarter deposits will be larger than subsequent deposits.

NOTE: All calculations include all City employees regardless of union representation but are for illustrative purposes only.