



## COUNCIL MINUTES

September 15, 2016

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on September 15, 2016 at 7:32 a.m.

### COUNCIL PRESENT

John Giles  
Alex Finter  
Dennis Kavanaugh  
David Luna  
Dave Richins  
Kevin Thompson

### COUNCIL ABSENT

Christopher Glover

### OFFICERS PRESENT

Christopher Brady  
Jim Smith

Mayor Giles excused Councilmember Glover from the entire meeting.

### 1-a. Hear a presentation and discuss an update on the 2017 Employee Benefits Program.

Human Resources Director Gary Manning introduced Employee Benefits Administrator Jan Ashley and displayed a PowerPoint presentation related to the 2017 Employee Benefits Program. **(See Attachment 1)**

Mr. Manning provided a brief overview of the current benefit plan offered by the City of Mesa to include medical, dental, vision, term life insurance and short term disability, all of which are funded through the Employee Benefit Trust Fund. He noted that the trust fund primarily receives its funding from three sources; contributions from the City, employee and retiree premiums, and state retirement system subsidies.

Mr. Manning reported that, as a result of significant increases in medical costs in 2015 and 2016, staff recommends an 8% contribution increase. (See Page 3 of Attachment 1) He explained that active employee premium increases will be between \$8 to \$38 per month, depending on the type of plan selected by the employee. He added that retiree premium increases will be between \$13 to \$67 per month, with the average being \$31/month for the choice plan and \$54/month for those on the copay plan.

In response to a question from Councilmember Finter, Mr. Manning indicated that only one retiree will incur an increase of \$67 per month.

Mr. Manning continued by explaining the cost drivers behind the need for additional revenue, beginning with the 6-10% national inflation for medical and drug costs. He stated that since the passage of the Affordable Care Act, Mesa has contributed about \$900,000 in fees and taxes

toward that program. He pointed out that Mesa has experienced a significant increase in both the number and severity of catastrophic insurance claims as follows:

- 2013 – 14 claims over \$100,000
- 2014 – 14 claims over \$100,000
- 2015 – 29 claims over \$100,000+
- 2016 – 16 claims over \$100,000+ and rising

Mr. Manning indicated that staff also recommends copay increases for 2017, which are comparable to other cities and industry standards. (See Page 4 of Attachment 1) He added that Mesa has not increased copays in over ten years and doing so shifts some of the burden to only those who are actually using the plan, rather than a higher premium increase.

Mr. Manning, in addition, reviewed other benefit plan updates such as out-of-pocket maximum increases. (See Page 5 of Attachment 1) He announced that a new retiree Medicare Part D prescription drug program will enable the City to get back almost double the subsidies from the federal government, which is typically \$400,000.

Mr. Manning displayed a chart of the contribution increases in 2017 for the City and the employee and the difference in premium costs for both. (See Page 6 of Attachment 1) He clarified that the City contributions are increasing along with the employees' contributions.

In response to a question from Mayor Giles, Employee Benefits Administrator Jan Ashley stated that the City's increase is approximately 8%, which is equal to that of the employee.

City Manager Christopher Brady noted that the City's increased contribution will be reflected in the budget.

In response to a question from Vice Mayor Kavanaugh regarding when employees will be notified of the increases, Mr. Manning explained that the information was presented at the mid-managers meeting, was shared with the Employee Benefits Task Force, and will be posted on InsideMesa. He added that the retirees will receive a personalized letter on the 22<sup>nd</sup> informing them of their plan and expected changes.

Mr. Manning announced that a passive open enrollment will occur between October 10 – 24, 2016. He clarified that only employees making plan changes will need to enroll, with the exception of those with Flexible Spending Accounts who will need to reload their election amounts for the new year. (See Page 7 of Attachment 1) He also informed the Council that the annual Health and Wellness Fair would be held on October 13<sup>th</sup> offering flu shots and multiple demonstrations. He reported that almost 500 flu shots were administered last year.

In response to a question from Mayor Giles, Mr. Manning confirmed that the Employee Benefits Trust Fund balance is healthy. He noted that the additional medical costs between 2015 – 2016 have resulted in a \$10 million draw-down on the fund balance and advised that the additional City contributions and premiums was not an effort to recoup that money.

Mr. Brady clarified that the trust fund remains padded in order to cover unexpected expenses. He indicated that the fund balance has absorbed the added costs over the past few years without the need for additional increases. He explained that the consistent rise in costs has proved to be a trend that now needs to be addressed and has led to these recommended increases for 2017.

In response to a question from Mayor Giles regarding the effect of the proposed increases to the trust fund balance, Office of Management and Budget Director Candace Cannistraro explained that the fund balance is reviewed annually during the budget process and the claims were anticipated for fiscal year 2016/17. She pointed out that the benefits are based on calendar year which causes the cycle to be six-months off; however, the increased City contribution for January through June was included in the budget. She confirmed that the trust fund balance is sufficient to carry them through the year.

Mayor Giles inquired about the Mesa Health and Wellness Clinic and how well it is doing.

Mr. Manning replied that the Mesa Health and Wellness Clinic is being well utilized, receiving approximately 80 new patients each month. He highlighted a number of classes such as tobacco cessation and diabetes awareness that are now being offered due to the claim trends tracked by the clinic.

Mr. Brady clarified that the value of the Mesa Health and Wellness Clinic is the feedback available regarding the types of issues and trends, which enables them to take a proactive approach in developing programs to assist the employees. He added that employees appreciate the convenience of the clinic as well.

Councilmember Finter commented that he uses the clinic and recognized its staff for doing such a great job. He noted that he heard a few anecdotal examples of issues the staff was able to catch early on, saving costs down the road. He asked about the \$900,000 impact that Obamacare had on the City of Mesa and its cost challenges.

Ms. Ashley outlined the fees and taxes assigned to all employers under Obamacare as follows:

- Transitional Reinsurance Fee – paid on a per head basis each year and comprises the bulk of the \$900,000 spent so far.
- Patient-Centered Outcomes Research Institute (PCORI) Fee – ascribed to large employers on a per head basis (approximately \$1.00-1.50 per head) and totals about \$25,000 per year.
- Fees will abate over time but anticipated to total \$450,000 for the next year.

In response to a question from Councilmember Finter, Ms. Ashley confirmed that Mesa discontinued one Cadillac Plan but still offers a rich copay plan that has the potential of being impacted as a Cadillac Plan in 2020.

Councilmember Finter commented that he has spoken to many employees and retirees who have expressed how grateful they are for this insurance and they understand what is happening in the marketplace. He added that he appreciates the good work staff does to keep these programs available to City employees.

Councilmember Richins stated that he has served on the Employee Benefits Advisory Committee for several years and they review the employee appeals for lack of coverage. He announced that this was the first year that the Committee had no appeals to review and attributed that to the Employee Benefits staff for clarifying the plan document and educating the employees on what is covered and what is not. He thanked the staff for those efforts as well as their efforts to control costs. He commented that he and his family will miss the use of the Mesa Health and Wellness Clinic after his term ends and encouraged all employees to utilize the clinic where they will receive very personal care from the attentive medical staff.

Mayor Giles thanked the staff for the presentation.

2. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

3. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, September 22, 2016, 6:30 p.m. – Building Stronger Neighborhoods Event for District 5

Thursday, September 22, 2016, 7:30 a.m. – Study Session

4. Adjournment.

Without objection, the Study Session adjourned at 7:33 a.m.

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JOHN GILES, MAYOR

ATTEST:

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DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 15<sup>th</sup> day of September, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

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(Attachment – 1)

# 2017 EMPLOYEE BENEFITS PROGRAM

CITY COUNCIL PRESENTATION  
September 15, 2016

## Current Benefit Plan Overview

- ❑ **Five main insurance related employee benefits**
  - ❑ Medical (3 plans)
  - ❑ Dental (3 plans)
  - ❑ Vision (2 plans)
  - ❑ Term Life Insurance (basic/supplemental)
  - ❑ Short Term Disability (voluntary)
- ❑ **Benefits funded through Employee Benefit Trust Fund**
  - ❑ Contributions from the City
  - ❑ Employee and retiree premiums
  - ❑ State retirement system subsidies

# Benefit Plan Updates for 2017

## Medical Plan Contributions/Costs

- ❑ Employee/Retiree/City 8% contribution increases (both 2017 and 2018)
  - ❑ Active employee premium increases - \$8 to \$38 per month
  - ❑ Retiree premium increases - \$13 to \$67 per month
- ❑ Cost Drivers
  - ❑ National increases in medical and drug costs
  - ❑ Affordable Care Act fees/taxes - \$900,000
  - ❑ Increased number and severity of claims
    - ❑ 29 claims in 2015 over \$100,000
    - ❑ 14 claims in 2013/2014 over \$100,000
- ❑ \$10 million fund balance drawdown

# Copay Plan Changes for 2017

## Copay Plan *Increases*

- ❑ PCP office visit – from \$20 to \$25
- ❑ Specialist office visit – from \$20 to \$40 (includes Chiropractor and Rehab Therapists)
- ❑ Urgent care – from \$50 to \$55
- ❑ Emergency Room – from \$100 to \$150
- ❑ Outpatient facility – from \$100 to \$200
- ❑ Inpatient facility – from \$200 to \$300
- ❑ Prescriptions:
  - ❑ Retail – from \$10/\$40/\$75 to \$15/\$50/\$85
  - ❑ Mail Order – from \$20/\$80/\$150 to \$25/\$90/\$160

## Other Benefit Plan Updates for 2017

### Other Updates

- ❑ Medical/RX Out-of-pocket maximum increases - \$100 to \$350
- ❑ New! Retiree Medicare Part D Prescription Drug program
- ❑ Health FSA annual election increase - \$2,500 to \$2,600
- ❑ Other Plan Document Changes Summary included in materials
  - ❑ ACA compliance changes
  - ❑ Cost savings or enhancements
  - ❑ Language updates/corrections

# Active Medical Plan Rates for 2017

## ACTIVE F/T MEDICAL PLAN RATES – MONTHLY

BASIC 50% PLAN		2017		
		City Contribution	EE Contribution	EE Difference vs 2016
Single		\$456	\$0	\$0
Family		\$1,015	\$0	\$0

CHOICE 80% PLAN		2017		
		City Contribution	EE Contribution	EE Difference vs 2016
Single		\$456	\$114	+\$8
Family		\$1,015	\$254	+\$19

COPAY PLAN		2017		
		City Contribution	EE Contribution	EE Difference vs 2016
Single		\$456	\$171	+\$12
Family		\$1,015	\$516	+\$38

## Open Enrollment/Health & Wellness Fair 2016

- ❑ **Open Enrollment (passive)**
  - ▣ Online eBenMesa October 10 - October 24, 2016
- ❑ **Health and Wellness Benefits Fair – October 13**  
9:00 am to 2:00 pm – Mesa Convention Center
  - ▣ Flu Shots – Mesa Fire Department and Health and Wellness Center administered
  - ▣ Multiple wellness events, demonstrations and all benefit plan vendors

# Questions?