

Crossville High Deductible Partial Self Funding Options

Year	2014	2015	2016	2017	
Claim Range					
\$2,500-4,999	\$ 100,644	\$ 115,120	\$ 113,347	\$ 105,118	
\$5,000-6,849	\$ 87,575	\$ 62,519	\$ 83,005	\$ 56,788	
Yearly Total	\$ 188,219	\$ 177,639	\$ 196,352	\$ 161,905	Average \$ 181,029

	Flex Spending	Yearly Exposure	Yearly Exposure	Yearly Exposure	Yearly Exposure
City \$100	\$ 16,800	\$ 205,019	\$ 194,439	\$ 213,152	\$ 178,705
City \$200	\$ 33,600	\$ 221,819	\$ 211,239	\$ 229,952	\$ 195,505
City \$300	\$ 50,400	\$ 238,619	\$ 228,039	\$ 246,752	\$ 212,305
City \$400	\$ 67,200	\$ 255,419	\$ 244,839	\$ 263,552	\$ 229,105
City \$500	\$ 84,000	\$ 272,219	\$ 261,639	\$ 280,352	\$ 245,905

Savings going to a high deductible plan (\$6,850) is \$317,051. The worst case exposure in the last four years for funding the difference between \$2,500 and \$6,850 has been in 2016 at \$196,352 and a four year average of \$181,029

Using the worst case we would save \$120,000 by absorbing that risk. Presented above are the exposures totals that would occur with the City either providing or matching a Flex Spending plan to help offset deductible costs for employee. Below are the numbers for using the worst case (2016) at the various funding levels and the City cost savings at that level.

Match Amount	Savings	FICA & Medicare Adjusted
\$100	\$ 103,899	\$ 103,899
\$200	\$ 87,099	\$ 89,669
\$300	\$ 70,299	\$ 74,155
\$400	\$ 53,499	\$ 58,640
\$500	\$ 36,699	\$ 43,425

My recommendation is to provide all employees a baseline \$100 Flex Savings Medical Account, effectively reducing their deductible to \$2,400. Then matching on a dollar for dollar amount up to a City total of no more than \$500. Obviously all employees would not take the maximum since you can only roll \$500 forward to the next year. This plan has advantages over having the employees pay something towards their coverage (which many do anyway with family coverage) and giving an offsetting pay raise since the City's money does not incur FICA & Medicare and any money the employees match is pretax which saves the City FICA costs and the employee FICA and Federal Tax. One additional advantage of Flex Spending it does not increase with COLA raises, therefore is fixed and predictable.