



## Legislation Text

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**File #:** 17-0328, **Version:** 3

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Discussion and action on health insurance program

### SUMMARY:

#### High Deductible Health Insurance Savings

After re-evaluating the numbers and some of the comments during the work session, we have done some homework and, hopefully, have an alternative that saves the City at least \$43,425 and gives every employee at least a \$100 break on deductibles, while at the same time potentially lowering the City's FICA obligation and avoiding the increased FICA and Retirement liabilities that would come with a pay raise to offset health insurance costs. This would be accomplished by providing a \$100 deposit in a medical flex spending account already in place as part of the City's insurance options. Then, like we do for retirement, match employees contributions to the flex spending account up to a total of \$500. The attached spreadsheet provides more information on costs and savings envisioned by going to this option.

For Example: If an employee chooses to have \$200 put in their Flex Spending account, the City's match would also be \$200, but the net cost would be \$184.70 when considering the reduced cost of matching FICA and Medicare (7.65% of \$200). The employee would also benefit from reduced taxes of a minimum of 10% since the medical flex spending account is pretax.

Ultimately the goal of the program is threefold. First, to save the City and therefore the taxpayers' money. Second, to help the employees with their health care deductible. Third, to encourage the employees to consider their health care needs and make use of available tools provided by the City to manage those needs and costs. There is also the potential that this may make it more advantageous for employees that may have other insurance options, to opt out of the City plan, but that is an unknown factor not a component of the cost analysis.

If the Council wishes to fully evaluate the costs and potential savings of going to the self-insurance route, staff recommends going out for bid in June of 2018 so that you have the time to evaluate the option and will be able to compare apples to apples on proposals.

### BUDGET ACCOUNT:

**NECESSARY COUNCIL ACTION:** Approve proposed health insurance program.