



Legislation Text

File #: 170070., **Version:** 1

Employee Health Insurance Internal Service Fund Replenishment (B)

This item involves a request for the City Commission to approve transferring \$1,167,000 from the General Insurance Internal Service Fund and \$833,000 from GRU funds to replenish the fund balance of the Employee Health Insurance Internal Service Fund.

The City maintains an internal service fund to provide employee health benefits which receives premium payments from the employer and employees of all City departments, including GRU, as well as the CRA. It pays out based on actual claims expenses for health care costs, including hospitalization, physician and specialist care, and prescription medications.

The City's Risk Management department constantly monitors this fund and the benefits provided and over the past few years several modifications to the plan were made to help control the growth in claims cost experience, such as raising deductibles and instituting a separate prescription drug deductible.

As part of the five-year financial forecast, staff evaluated the rates required over the next few years to maintain the fiscal health of this fund and determined that, without a replenishment of fund balance, the premiums would need to increase by an amount which could reach 20% per year. This would result in increases to employees' premiums between \$40 and \$147 per month depending on the plan selected (single to family). A \$147 per month rate change for family coverage would reduce take home pay (assuming a 2% raise) for all employees making below \$71,000 per year.

A one-time cash infusion of \$2 million will allow this fund to maintain a reasonable reserve without requiring premium increases in excess of 10% per year.

So far this fiscal year, the plan's costs have moderated, however the nature of health care claims is such that they are difficult to project and will vary significantly from month to month. If the fund experiences a similar loss in FY2017 as it experienced in FY2016, the unrestricted net assets will be fully depleted.

The General Insurance fund has an excess fund balance of \$3 million (above reserves of \$8.6 million) due to positive trends in workers compensation experience. This fund balance was generated from General Government savings, while GRU does not add to or deduct from this fund's equity position. Transferring \$1,167,000 from the General Insurance fund to the Employee Health Insurance fund would leave sufficient excess fund balance in the fund while moderating required premium increases.

GRU staff has indicated that a transfer of \$833,000 from the utility funds to the Employee Health Insurance fund could be absorbed within their FY17 budget.

The City Commission approve a one-time cash infusion of \$2 million to the Health Insurance fund shared between General Government and GRU based on pro rata premiums paid in FY 2016. This is composed of \$833,000 to be paid from GRU's FY 2017 budget and \$1,167,000 to be transferred from the General Insurance

fund. Staff should continue to monitor both funds for fiscal health and trends and adjust rates and benefits annually as necessary to maintain the health of the funds.