

# | Agenda Item | cover sheet

for consideration by the Apex Town Council

Item Type: CONSENT AGENDA

Meeting Date: January 25, 2022

## Item Details

Presenter(s): Mary Beth Manville, Human Resources Director

Department(s): Human Resources

### Requested Motion

Motion to approve a revision to the Town's Retiree Health Insurance Policy to allow new spouses to be added on to the Town's Retiree Health insurance plan if the retiree's spouse, who was covered at the time the retiree retired from the Town, passes away or drops coverage due to divorce.

### Approval Recommended?

Yes

### Item Details

A question regarding the coverage of spouses on the Town's retiree health insurance plan was recently brought to the attention of Town staff through the Personnel Committee. Specifically, the question was regarding the ability for a retiree to add a new dependent spouse if a Town retiree, who was covering a spouse at the time of retirement, loses their spouse through divorce or from the spouse passing, and then remarries. In response to the question, Town Staff met with the Personnel Committee to discuss the current policy and reasons behind it. As a result of the conversation, the Personnel Committee recommended modifying the retiree health insurance policy to allow retirees to add a spouse back on to the plan if the retiree was covering a spouse on the retiree health plan, and lost their spouse due to their spouse's passing or divorce. While typically, any changes to the retiree health insurance policy would not be recommended given that the retiree health insurance program ended in 2020, Town staff believe that the small change to allow a retiree to add a new spouse back onto the plan (if retiree spouse coverage was previously in place), would not have substantial impacts to the group health insurance plan. That being said, staff will monitor any impacts to this change and notify Council should the policy need to be reverted.

Background information shared with the Personnel Committee:

The Town's pre-65 retiree health insurance policy allows dependents (including spouses) to be covered on the Town's group health insurance plan if the retiree is on the group health plan and the dependents are

covered at the time the employee retires. Should the retiree drop dependent coverage for any reason (including spouse divorce or passing), the coverage drops to retiree only coverage and the retiree is unable to add dependents back on the plan at a later date. This is a Town policy that exists for risk/liability purposes, in an effort to manage the group plan's health claims costs. The Town's health insurance plan is self-funded, meaning that the Town is responsible for paying all medical costs for retirees and employees, up to a stop-loss limit of \$150,000. The Town also pays the premiums for the fully-insured stop-loss plan, in which the health insurance company pays for any claims over \$150,000, and adjusts the Town's premiums accordingly based off the amount of stop-loss claims paid. The costs needed to cover the medical claims as well as the stop-loss premiums are used to determine the overall premium that the Town, employees, and retirees are required to pay each month in order to fund the health plan.

Ideally, the amount of premiums received from the Town and employees would be enough to cover the cost of the plan (medical claims), otherwise an increase in premiums is required or the benefits covered must be reduced so that the person using the plan (employee/retiree/dependents) pays more for the cost of care. The Town makes efforts to maintain this balance of premiums-to-costs through a variety of measures such as employee wellness requirements, wellness incentives, condition management programs, etc., all designed to keep the health of the members well managed so that the cost of the plan doesn't outweigh the premiums received. When it comes to drivers of health plan costs, spouses, in general, tend to use the plan more, and this past year's health claims (Sept 2020 - Aug 2021) showed that covered spouses represented 20% of our high cost claimants (claims exceeding \$75,000), and were our main utilizers of hospital admissions, ER visits, avoidable ER visits (could have gone to urgent care but went to the ER instead), and specialist visits. Similarly, when looking at the per member per month cost for the year, our retiree population averages \$120 more per month than our employee population. This is the reason that the existing retiree health insurance policy regarding dependent/spouse coverage is in place, as an effort to reduce the risk to the group health insurance plan.

As of the month of December, there are 25 retirees on the pre-65 group health insurance plan. Of those retirees, only 3 are covering spouses on the plan.

If Council would like to proceed with changing the policy to allow new spouses to be added back to the plan, Town staff do not anticipate significant impact to costs given the small number of spouses covered; however, staff would monitor any impacts if the situation were to change, and notify Council should the policy need to be reverted.

For informational purposes, neighboring jurisdictions were asked about their retiree health insurance policy regarding dependents, and the results are below. They were also asked about an exception for deceased spouses that were on the plan, and the same responses were given that are listed below.

<b>Agency</b>	<b>Allow dependents to be added after retirement?</b>
Raleigh	Yes
Wake County	No
Cary	No
Wake Forest	No
Garner	No
Holly Springs	No
Morrisville	No
Fuquay-Varina	No

Attachments

