



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 10/15/2024
Agenda Section: Consent Agenda

Department Origination: Finance

Agenda Item: Authorize Contract Execution for Employee Dental Insurance Renewal with Delta Dental Pathfinder 6 Plan

Approval Required: Simple Majority Vote

BACKGROUND

The city began providing employer paid dental insurance for employees in 2006. The City is responsible for the employee portion and the remainder for dependent and/or spouse coverage, if any, is paid by the employee. The city works with an insurance representative at A.T. Group to compare the various dental plans. Currently the city utilizes the Pathfinder 2 Plan with Delta Dental for insurance coverage, a plan that was redesigned in 2023. The plan has a \$1,500 annual maximum per insured with a \$100 lifetime deductible per insured and has 100% community pooled rates. With community pooled rates, premiums are based statewide rather than the individual experience of our small group. Absent the statewide pool, a small group pool would subject the city to wide-ranging premium adjustments each year based upon the city's individual experience.

In the past, Delta Dental would underwrite all the plans in one pool, so all the Pathfinder plans had the same renewal. Delta Dental has changed the underwriting now to underwrite each Pathfinder plan separately. The underwriting change has caused an odd outcome with the 2025 renewal rates. Delta Dental's Pathfinder 6 plan is very similar to the city's current Pathfinder 2 plan with a few enhancements; yet the Pathfinder 6 plan has lower premiums than the Pathfinder 2 plan for 2025 (see the tables in the Financial Implications section). Mathematically it does not make sense that the plan with better benefits costs less, but Delta has explained that the Pathfinder 6 plan has better utilization rates than the Pathfinder 2 and therefore the rates are lower.

Specifically, the Pathfinder 6 plan has:

- An increase in endodontic and periodontic coverage to 80% (from current 55%),
- No waiting periods for coverage (compared to 6 months or 1 year, depending upon the procedure), and
- White composite back fillings covered at 80% (compared to coverage at the amalgam rate).

The opportunity, for at least the 2025 renewal, is the premiums are lower for both the city's expenditure as well as any applicable employee contribution. There is no guarantee the Pathfinder 6 rates will always be lower than the Pathfinder 2 premiums, but the city and its employees can take advantage of the savings for now and return to the old Pathfinder 2 plan in the future if warranted. Minnesota Statute § 471.6161, subd. 5 governs aggregate value of benefits provided by group health insurance and does not apply to dental insurance. It is possible, however, in the event the City seeks to modify the dental insurance plan in future years because of premium increases, a bargaining group may request to bargain over the change in fringe benefits. If the Pathfinder 6 plan is selected, it will be explained to employees the city is electing the plan for 2025 because of the lower premiums to the city and the covered employees.

FINANCIAL IMPLICATIONS

For the 2025 renewal, a 9.00% increase in the premiums for the four coverages has been proposed for the existing Pathfinder 2 plan. The increase is a result of higher utilization specifically in the Pathfinder 2 plan and higher inflationary increases in the dental industry.

The city is responsible for the premium related to employee coverage with employee’s electing additional dependent coverage responsible for the difference. The tables below illustrate the current rates and the renewal rates under the Delta Dental group plan for the Pathfinder 2 plan, the current plan for the city (first table), and the proposed Pathfinder 6 plan (second table).

Monthly Dental Premium Rates for January 2025 Renewal - Current Pathfinder 2 Plan				
<u>Coverage</u>	<u>Pathfinder 2 Current Rates</u>	<u>Pathfinder 2 Renewal Rates</u>	<u>Change</u>	
Employee	\$41.76	\$45.52	\$3.76	9.00%
Employee & Spouse	\$80.22	\$87.44	\$7.22	9.00%
Employee & Child(ren)	\$97.18	\$105.93	\$8.75	9.00%
Family	\$151.18	\$164.79	\$13.61	9.00%

Based upon the current employee census and budgeted positions for 2025, the total 2025 city expenditure for dental insurance is **approximately \$27,312 with the current Pathfinder 2 plan**. The city’s cost was included in the proposed 2025 budget adopted in September. For illustrative purposes, the employee contribution for the \$164.79 family premium and coverage would be \$119.27 per month.

The Pathfinder 6 plan, with enhanced benefits, has a lower 1.10% to 1.15% increase on the first two coverages and an actual decrease of 0.28% to 0.59% on coverages with child dependents compared to 2024.

Monthly Dental Premium Rates for January 2025 Renewal - Pathfinder 6 Plan				
<u>Coverage</u>	<u>Pathfinder 2 Current Rates</u>	<u>Pathfinder 6 Renewal Rates</u>	<u>Change</u>	
Employee	\$41.76	\$42.22	\$0.46	1.10%
Employee & Spouse	\$80.22	\$81.14	\$0.92	1.15%
Employee & Child(ren)	\$97.18	\$96.61	(\$0.57)	-0.59%
Family	\$151.18	\$150.76	(\$0.42)	-0.28%

Based upon the current employee census and budgeted positions for 2025, the total 2025 city expenditure for dental insurance is **approximately \$25,332 for the Pathfinder 6 plan**. Selecting the Pathfinder 6 plan results in an approximate \$2,000 reduction in the 2025 budget across the various departments. Of the \$150.76 monthly premium for family coverage, the employee would be responsible for \$108.54 per month, or \$10.73 less than the current Pathfinder 2 plan.

STAFF RECOMMENDATIONS

Based upon the current structure of the Delta Dental Pathfinder plans for 2025 with enhanced benefits and lower premiums, Administration and Finance recommend renewal of the dental insurance contract with Delta Dental and selecting the Pathfinder 6 plan for 2025. Plans will continue to be evaluated with future renewals.

COUNCIL ACTION REQUESTED

Motion to authorize staff to enter into a contract for renewal of the city’s employee dental insurance with Delta Dental Pathfinder 6 plan effective with the January 2025 renewal