



# MEMORANDUM

## CITY COUNCIL WORKSHOP

May 1, 2023 at 5:30 PM

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**TO:** Rich LaBombard, City Manager

**FROM:** Matt Smith, Treasurer

**DATE:** May 1, 2023

**SUBJECT:** Employee Health Insurance

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As an employer of 18 full-time employees, the City of the Village of Douglas currently provides employees with health and dental benefits through Lighthouse Group. They provided 17 proposed health options for consideration. The Options were from Priority health, Blue Care Network, and Priority Health – West MI Partners. Additionally, we received quotes from MESSA and the West Michigan Health Insurance Pool.

As the City considers healthcare coverage for its employees it needs to balance the financial benefits and constraints to the City, the benefit needs of the employees, and regulatory requirements such as Public Act 152.

In 2011 the State Legislature passed Public Act 152 which limits the amount a public employer can contribute towards employee health care. The Act limits local units of government to three options: 1) paying for 80 percent of employee health insurance, 2) a hard cap-based amount, or 3) to exempt itself (opt-out) from these requirements and determine on its own the appropriate amount to contribute. Annually the City must select one of these options. The option selected is valid for one year. The City has historically elected the opt-out option.

Going over these options, option 1 is straightforward. The City would pay no more than 80 percent of an employee's premium. With option 2, the State sets a dollar amount threshold based on the type of plan. For plans beginning in 2023 the annual premium limits are \$7,399.47 for single coverage, \$15,474.60 for individual plus one coverage, and \$20,180.43 for family coverage. Finally, option 3 allows the City to make its own determination on what is appropriate.

The hard cap number for the City is subject to change based on new hires, employee departures, marriages, divorces, new dependents, and/or dependents coming off the plan. In June 2021 when Council approved the health insurance plan, the City was projected to be \$2,000 over the hard cap. At the end of the fiscal year the City ended up \$3,200 over the cap. At the beginning of the current fiscal year in June 2022, initial projections were \$4,800 over the cap. With one month's premium to finish out the updated projection is \$200 under the cap. For fiscal year 2023-2024 following the recommended plan and taking into account pending retirement and employee changes the City is projected to be \$410 under the hard cap.

Based on review of the options, and considering the plan that best meets the financial and benefit needs of the City and its employees, renewing the current plan is being recommended. Renewing the City's current Delta Dental plan will not result in any change in premiums.

City Council has expressed interest in shifting some of the costs for healthcare coverage to the employee. The attached table represents the current plan and two alternative options:

	Current Plan Renewal	West Michigan Partners	West Michigan Health Insurance Pool
Deductible (Single/Family)	\$475/950	\$200/ 400 tier 1 \$600/1,200 tier 2	\$475/950
Out of Pocket Maximum (single/Family)	\$2,000/4,000	\$3,500/7,000	\$2,000/4,000
PCP Visit copay	\$15	\$10/30 (tier1/2)	\$15
Specialist copay	\$40	\$30/90 (tier1/2)	\$40
Urgent care copay	\$75	\$75/150 (tier1/2)	\$75
Emergency room/ ambulance	\$250 after deductible	\$250 after deductible	\$250 after deductible
Lab copay	\$20	\$10/30 (tier1/2)	\$20
Xray Copay	\$45	\$40/120 (tier1/2)	\$45
Prescriptions tier 1a/b	\$5/15	\$5/15	\$5/15
Prescriptions tier 2	\$40	\$40	\$40
Prescriptions tier 3	20% (max \$200)	20% (max \$200)	20% (max \$200)
Prescriptions tier 3	20% (max \$300)	20% (max \$300)	20% (max \$300)
Amount below the hard cap	\$410	\$23,164	12,853 over the hard cap
Premium increase	7.2%	(1.9)%	
Annual Premiums	\$252,605	\$229,441	265,458

West Michigan Health partners offers a less expensive alternative to the City overall and a decreased deductible depending on the tier used; however, it does require a fairly dramatic increase in out-of-pocket expenses to the employee. For that reason, it's not an attractive option for employees earning a lower wage. The tier system is for preferred network providers for tier 1 versus non-preferred providers for tier 2. Based on the last year, 80 percent of the visits were to tier 1 participating hospitals

The next table represents scenarios that can be considered for cost cutting / cost sharing options.

<u>Options</u>	<u>Approx Savings</u>	<u>Total Premium</u>	<u>Over(Under) Hard Cap</u>
No Vision reimburse	\$ 5,400		
No Dental coverage	16,600		
No Life/Short term Disability	6,800		
Renewal of current plans	-	252,605	(410)
health insurance H.S.A. Only - current plan *	7,798	244,807	(7,798)
health insurance H.S.A. Only - option 9 **	15,479	237,126	(15,480)
All employees \$20/month	4,320.00		(4,730)
All employees \$50/month	10,800.00		(11,210)
All employees \$80/month	17,280.00		(17,690)
All employees \$100/month	2,160.00		(2,570)
All employees 2.5% of premium - renewal	6,305.00		(6,715)
All employees 5% of premium - renewal	12,610.00		(13,020)
All employees 10% of premium - renewal	25,220.00		(25,630)
\$20/ Dependent / month	6,000.00		(6,410)
\$50/ Dependent / month	15,000.00		(15,410)
\$80/ Dependent / month	24,000.00		(24,410)
\$100/ Dependent / month	30,000.00		(30,410)

\* Assumes has contribution \$500 less than deductible for single or family and average of single/family contribution for 1+1

\*\* Assumes has contribution \$500 less than tier 1 deductible for single or family and average of single/family contribution for 1+1

City of the Village of Douglas  
Renew Current Plans  
FY 23-24

Org	Opt out Full Premium Health	80%		20%		hard cap	
		employer	employee	employer	employee	employer	employee
Employee 1	14,302.44	\$11,441.95	2,860.49	7,737.30	6,565.14	1+1	
Employee 2	2,912.94	\$2,330.35	582.59	3,699.74	(786.80)	single	
Employee 3	15,105.78	\$12,084.62	3,021.16	10,090.22	5,015.57	family	
Employee 4	2,912.94	\$2,330.35	582.59	3,699.74	(786.80)	single	
Employee 5	15,565.92	\$12,452.74	3,113.18	20,180.43	(4,614.51)	family	
Employee 6	24,760.60	\$19,808.48	4,952.12	20,180.43	4,580.17	family	
Employee 7	13,110.60	\$10,488.48	2,622.12	15,474.60	(2,364.00)	1+1	
Employee 8	4,881.84	\$3,905.47	976.37	7,399.47	(2,517.63)	single	
Employee 9	9,854.40	\$7,883.52	1,970.88	15,474.60	(5,620.20)	1+1	
Employee 10	15,527.76	\$12,422.21	3,105.55	20,180.43	(4,652.67)	family	
Employee 11	19,551.48	\$15,641.18	3,910.30	20,180.43	(628.95)	family	
Employee 12	11,842.44	\$9,473.95	2,368.49	15,474.60	(3,632.16)	1+1	
Employee 13	20,924.52	\$16,739.62	4,184.90	15,474.60	5,449.92	1+1	
Employee 14	9,306.12	\$7,444.90	1,861.22	7,399.47	1,906.65	single	
Employee 15	23,990.04	\$19,192.03	4,798.01	20,180.43	3,809.61	family	
Employee 16	19,572.88	\$15,658.30	3,914.58	20,180.43	(607.55)	family	
Employee 17	11,122.56	\$8,898.05	2,224.51	7,399.47	3,723.09	single	
Employee 18	5,825.88	\$4,660.70	1,165.18	7,399.47	(1,573.59)	single	
Employee 19	5,825.88	\$4,660.70	1,165.18	7,399.47	(1,573.59)	single	
Employee 20	5,298.12	\$4,238.50	1,059.62	7,399.47	(2,101.35)	single	
Totals	<u>\$252,195.14</u>	<u>\$201,756.11</u>	<u>\$50,439.03</u>	<u>\$252,604.79</u>	<u>-\$409.65</u>		

employees  
dependents

Plus 2 for potential retirement

Hard Cap Numbers  
Plan starting in  
2023

Employee premium	140,842.34	family	20,180.43
Dependent premium	111,352.80	1+1	15,474.60
		single	7,399.47