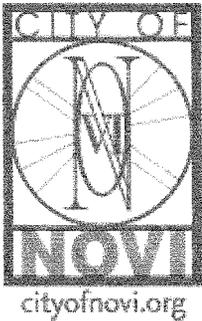


MEMORANDUM



TO: CLAY J. PEARSON, CITY MANAGER
VICTOR CARDENAS, ASSISTANT CITY MANAGER

FROM: TIA GRONLUND-FOX, DIRECTOR OF HUMAN RESOURCES

SUBJECT: 2013 OPEN ENROLLMENT

DATE: NOVEMBER 7, 2012

11/8/12
To = Mayor & City Council Members
File

We have completed our review of the 2013 health care premium renewals and employee options which will be effective January 1, 2013.

2013 Renewal

Premium increases were as follows:

Blue Cross Blue Shield (BCBS)

- Active employees 12.87% with a net city increase of 10.6% (after employee contributions)
- Retirees 15.8%

Health Alliance Plan (HAP)

- Active and retirees 7% with a net city increase of 6.6% (after employee contributions)

Priority

- Active employees 10.6% with a net city increase 9.4% (after employee and Health Savings Account contributions)

The City budgeted for a 7% over-all increase in health care costs for 2012/13. The actual increase for all plans for 2013 is 7.55%. For the period ending October 31, 2012, 30% of the budgeted amount for health care expenditures has been used.

Between employee changes during the open enrollment period and staffing changes (retirements, resignations, etc.) over the next 6 months, we do not believe that a budget amendment will be necessary to cover the small increase in health care costs, over what was projected, for the first 6 months in 2013.

Open Enrollment is scheduled for November 19 – 30.

Possible Future Options

The City did explore another health care option, BCBS, Simply Blue. We currently offer BCBS Community Blue 2 as an option for all union employees and BCBS Community Blue 4 (higher deductible plan option) for all non-union employees. The Simply Blue option is a high deductible plan with a HSA component, similar to the Priority Health Plan current being

offered. In order to move to the Simply Blue health care option all current employees who are insured with BCBS would have to agree to move to this plan.

The level of benefits of the Simply Blue plan are slightly different than those of the current community blue plans being offered in that the number of office visits for specific services (chiropractic, speech and physical therapy) are reduced. The largest difference between the City's current BCBS plans and this plan is the increased deductible and lower premiums overall.

We have looked at the City funding the deductible to current plan levels so there would be no change in the deductible for employees. In doing so, the City savings would be approximately 10% over 2013 BCBS renewal rates and employees would save approximately 5%, depending on their family status and contribution amount. Something to keep in mind, however, is we do offer this plan and employees choose to migrate away from their current plan, whether BCBS, HAP or Priority, the City's costs could ultimately increase if enrollment in BCBS goes up as HAP and Priority continue to be lower cost options for both the City and employees.

We will continue exploring this plan and having those discussions relative to the City funding a portion of the deductible.

Retiree Health Care

We are currently reviewing a health care plan for those retirees age 65 and older. The Medicare Advantage Plan is a fully insured plan that would replace the current coverage for those retirees. Retirees who reach age 65 would continue to sign up and pay for Medicare Part B, however this new plan could combine Medicare, the supplement plan the City currently provides and the prescription drug rider into one plan with one card for the retiree to carry. Additionally, this plan would provide for office visit coverage and preventative care services such as annual physicals, which are currently not included. We have preliminary pricing which is 25-30% lower than current premiums.

This particular Medicare Advantage Plan is through BCBS, one of the few carriers that offer this plan for groups, such as the City of Novi Retirees, as opposed to only offering the plan to individuals.

As the plan is strictly regulated by the Federal Government, there is an eighty (80) day launch period that is required before the plan can become effective. If, after further discussions and examination, this plan proves to provide the level of benefit required (by virtue of the collective bargaining agreement they retired under), as well as the reduction in cost for the retiree and the City, we will be meeting with the retirees to go over this plan.

C: Nevrus Nazarko, Director of Finance

NOVI HAP Renewal
 Eff 1-1-13
 Active Employees

	1-15225 AE			1-15225 AE			1-15225 AE			1-15225 AE			Projected Annual Premium	Change from Current	
	COAM			Police, Fire, Clerks, MAPE, Admin & Library			Dispatch			Dispatch Supervisor				Amount	Percent
	(\$20 office, \$10/\$20/\$40 Rx)			(\$20 office, \$10/\$20/\$40 Rx)			(\$20 office, \$10/\$20/\$40 Rx)			(\$20 office, \$10/\$20/\$40 Rx)					
Single	Couple	Family	Single	Couple	Family	Single	Couple	Family	Single	Couple	Family				
Expiring Terms (1/1/2012-12/31/2012)	10% Contribution			20% Contribution			3.5% of income			3.5% of income					
HAP HMO Premium	\$486.51	\$1,118.96	\$1,264.94	\$486.51	\$1,118.96	\$1,264.94	\$486.51	\$1,118.96	\$1,264.94	\$486.51	\$1,118.96	\$1,264.94	\$1,993,146		
Less Employee Contribution	\$48.65	\$111.90	\$126.49	\$97.30	\$223.79	\$252.99	\$143.86	\$143.86	\$143.86	\$158.25	\$158.25	\$158.25	\$385,443	-	-
Net Monthly Cost	\$437.86	\$1,007.06	\$1,138.45	\$389.21	\$895.17	\$1,011.95	\$342.65	\$975.10	\$1,121.08	\$328.26	\$960.71	\$1,106.69	\$1,607,703	-	-
Renewal Terms (1/1/2013-12/31/2013)	10% Contribution, 20% eff. 7/1/13			20% Contribution			3.5% of income 20% of premium eff. 7/1/13			3.5% of income 20% of premium eff. 7/1/13					
HAP HMO Premium	\$520.57	\$1,197.30	\$1,353.50	\$520.57	\$1,197.30	\$1,353.50	\$520.57	\$1,197.30	\$1,353.50	\$520.57	\$1,197.30	\$1,353.50	\$2,132,688	\$139,542	7.0%
Less Employee Contribution	\$78.09	\$179.60	\$203.03	\$104.11	\$239.46	\$270.70	\$123.99	\$191.66	\$207.28	\$131.18	\$198.86	\$214.48	\$418,800	\$33,357	8.7%
Net Monthly Cost	\$442.48	\$1,017.71	\$1,150.48	\$416.46	\$957.84	\$1,082.80	\$396.58	\$1,005.64	\$1,146.22	\$389.39	\$998.45	\$1,139.03	\$1,713,888	\$106,185	6.6%
Current Headcounts	1	2	3	27	21	89	3	3	2	1	0	2			

NOVI HAP Renewal
 Eff 1-1-13
 Retirees

	Suffix R		Suffix RA	Suffix RB					Suffix RC		Suffix RE		Projected Annual Premium	Change from Current		
	\$2 Rx \$10 Office		\$5/\$10 Rx \$10 Office	\$10/\$20 Rx \$10 Office					\$10/\$20/\$40 Rx \$10 Office		\$10/\$20/\$40 Rx \$20 Office			Amount	Percent	
	One + One	Two Comp	One Comp	Two Person	Family	One + One	One Comp	Two Comp	One Reg	Two Reg	One Reg	Two Reg				
Expiring Terms (1/1/2012-12/31/2012)																
HAP HMO Premium	\$1,551.79	\$1,315.77	\$588.23	\$1,782.41	\$2,014.99	\$1,321.36	\$539.85	\$1,079.70	\$766.81	\$1,763.64	\$744.09	\$1,697.13	\$230,758	-	-	
Less Employee Contribution	\$310.36	\$263.15	\$117.65	\$356.48	\$403.00	\$264.27	\$107.97	\$215.94	\$153.36	\$352.73	\$148.82	\$339.43	\$46,152	-	-	
Net Monthly Cost	\$1,241.43	\$1,052.62	\$470.58	\$1,425.93	\$1,611.99	\$1,057.09	\$431.88	\$863.76	\$613.45	\$1,410.91	\$595.27	\$1,357.70	\$184,606	-	-	
Renewal Terms (1/1/2013-12/31/2013)																
HAP HMO Premium	\$1,660.42	\$1,419.72	\$629.41	\$1,923.22	\$2,174.17	\$1,413.86	\$577.64	\$1,155.28	\$820.49	\$1,887.10	\$796.18	\$1,831.20	\$247,647	\$16,889	7.3%	
Less Employee Contribution	\$332.08	\$283.94	\$125.88	\$384.64	\$434.83	\$282.77	\$115.53	\$231.06	\$164.10	\$377.42	\$159.24	\$366.24	\$49,529	\$3,377	7.3%	
Net Monthly Cost	\$1,328.34	\$1,135.78	\$503.53	\$1,538.58	\$1,739.34	\$1,131.09	\$462.11	\$924.22	\$656.39	\$1,509.68	\$636.94	\$1,464.96	\$198,118	\$13,512	7.3%	
Headcounts	1	1	1	1	1	1	1	1	4	2	1	1				

Expiring and Renewal Rates - Actives

	BCBS CB2 COAM (\$20 office, \$10/\$20/\$40 Rx)			BCBS CB2 Clerks (\$20 office, \$10/\$20/\$40 Rx)			BCBS CB2 MAPE, Fire (\$20 office, \$10/\$20/\$40 Rx)			BCBS CB4 Police, Admin, Library, MAPE (\$20 office, \$15/\$30/\$60 Rx)			Projected Annual Premium	Change from Current	
	Single	Couple	Family	Single	Couple	Family	Single	Couple	Family	Single	Couple	Family		Amount	Percent
Expiring Terms <i>(1/1/2012 - 12/31/2012)</i>	10% contribution			10% Contribution			20% Contribution			20% Contribution					
BCBS Premium	\$704.43	\$1,690.63	\$2,113.29	\$704.43	\$1,690.63	\$2,113.29	\$704.43	\$1,690.63	\$2,113.29	\$525.95	\$1,262.29	\$1,577.86	\$550,642	-	-
Less Employee Contribution	<u>\$70.44</u>	<u>\$169.06</u>	<u>\$211.33</u>	<u>\$70.44</u>	<u>\$169.06</u>	<u>\$211.33</u>	<u>\$140.89</u>	<u>\$338.13</u>	<u>\$422.66</u>	<u>\$105.19</u>	<u>\$252.46</u>	<u>\$315.57</u>	<u>\$97,618</u>	-	-
Net Monthly Cost	\$633.99	\$1,521.57	\$1,901.96	\$633.99	\$1,521.57	\$1,901.96	\$563.54	\$1,352.50	\$1,690.63	\$420.76	\$1,009.83	\$1,262.29	\$453,024	-	-

	BCBS CB2 COAM (\$20 office, \$10/\$20/\$40 Rx)			BCBS CB2 Clerks (\$20 office, \$10/\$20/\$40 Rx)			BCBS CB2 MAPE, Fire (\$20 office, \$10/\$20/\$40 Rx)			BCBS CB4 Police, Admin, Library, MAPE (\$20 office, \$15/\$30/\$60 Rx)			Projected Annual Premium	Change from Current	
	Single	Couple	Family	Single	Couple	Family	Single	Couple	Family	Single	Couple	Family		Amount	Percent
Renewal Terms <i>(1/1/2013 - 12/31/2013)</i>	10% contribution, 20% eff. 7/1/13			20% Contribution			20% Contribution			20% Contribution					
BCBS Premium	\$787.22	\$1,889.32	\$2,361.65	\$787.22	\$1,889.32	\$2,361.65	\$787.22	\$1,889.32	\$2,361.65	\$601.93	\$1,444.65	\$1,805.82	\$620,900	\$70,258	12.8%
Less Employee Contribution	<u>\$118.08</u>	<u>\$283.40</u>	<u>\$354.25</u>	<u>\$157.44</u>	<u>\$377.86</u>	<u>\$472.33</u>	<u>\$157.44</u>	<u>\$377.86</u>	<u>\$472.33</u>	<u>\$120.39</u>	<u>\$288.93</u>	<u>\$361.16</u>	<u>\$119,929</u>	<u>\$22,311</u>	<u>22.9%</u>
Net Monthly Cost	\$669.14	\$1,605.92	\$2,007.40	\$629.78	\$1,511.46	\$1,889.32	\$629.78	\$1,511.46	\$1,889.32	\$481.54	\$1,155.72	\$1,444.66	\$500,971	\$47,947	10.6%

Headcounts 2012	0	0	3	1	2	0	2	5	4	2	4	7
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Headcounts as reported by client October 2012

Projected annual premium figures do not include impact of Michigan claim tax

Expiring and Renewal Rates - Retirees

	008 (\$2 Rx)			009 (\$5/\$10 Rx)			010 (\$10/\$20 Rx)			015 (\$10/\$20 Rx)			011 (\$10/\$20/\$40 Rx)	
	Single	One Comp	Two Comp	One Comp	Two Comp	One + One	Single	Couple	One Comp	Couple	One Comp	Two Comp	One + One	One Comp
Expiring Terms <i>(1/1/2012 - 12/31/2012)</i>														
BCBS Premium	\$1,048.67	\$1,218.92	\$2,437.84	\$1,097.73	\$2,195.46	\$2,104.62	\$944.05	\$2,265.71	\$915.52	\$2,189.08	\$915.52	\$1,831.04	\$1,650.10	\$768.80
Less Retiree Contribution	\$209.73	\$243.78	\$487.57	\$219.55	\$439.09	\$420.92	\$188.81	\$453.14	\$183.10	\$437.82	\$183.10	\$366.21	\$330.02	\$153.76
Net Monthly Cost	\$838.94	\$975.14	\$1,950.27	\$878.18	\$1,756.37	\$1,683.70	\$755.24	\$1,812.57	\$732.42	\$1,751.26	\$732.42	\$1,464.83	\$1,320.08	\$615.04
Renewal Terms <i>(1/1/2013 - 12/31/2013)</i>														
BCBS Premium	\$1,211.17	\$1,440.96	\$2,881.92	\$1,291.30	\$2,582.60	\$2,450.84	\$1,072.68	\$2,574.42	\$1,039.44	\$2,476.96	\$1,039.44	\$2,078.88	\$1,903.77	\$897.73
Less Retiree Contribution	\$242.23	\$288.19	\$576.38	\$258.26	\$516.52	\$490.17	\$214.54	\$514.88	\$207.89	\$495.39	\$207.89	\$415.78	\$380.75	\$179.55
Net Monthly Cost	\$968.94	\$1,152.77	\$2,305.54	\$1,033.04	\$2,066.08	\$1,960.67	\$858.14	\$2,059.54	\$831.55	\$1,981.57	\$831.55	\$1,663.10	\$1,523.02	\$718.18
Headcounts	2	5	1	3	3	1	1	2	2	1	5	1	1	1

	012 (\$10/\$20/\$40 Rx)				013 (\$10/\$20/\$40 Rx)		014 (\$2 Rx)	021 (\$15/\$30/\$60 Rx)	Projected Annual Premium	Change from Current	
	Single	Two Comp	One Comp	One + One	Single	Couple	Single	Couple		Amount	Percent
Expiring Terms <i>(1/1/2012 - 12/31/2012)</i>											
BCBS Premium	\$842.71	\$1,537.60	\$768.80	\$1,611.51	\$704.43	\$1,690.63	\$862.46	\$1,262.29	\$620,289	-	-
Less Retiree Contribution	\$168.54	\$307.52	\$153.76	\$322.30	\$140.89	\$338.13	\$172.49	\$252.46	\$124,058	-	-
Net Monthly Cost	\$674.17	\$1,230.08	\$615.04	\$1,289.21	\$563.54	\$1,352.50	\$689.97	\$1,009.83	\$496,231	-	-
Renewal Terms <i>(1/1/2013 - 12/31/2013)</i>											
BCBS Premium	\$964.95	\$1,795.46	\$897.73	\$1,862.68	\$805.86	\$1,934.06	\$993.26	\$1,444.65	\$718,065	\$97,776	15.8%
Less Retiree Contribution	\$192.99	\$359.09	\$179.55	\$372.54	\$161.17	\$386.81	\$198.65	\$288.93	\$143,613	\$19,555	15.8%
Net Monthly Cost	\$771.96	\$1,436.37	\$718.18	\$1,490.14	\$644.69	\$1,547.25	\$794.61	\$1,155.72	\$574,452	\$78,221	15.8%
Headcounts	1	1	2	1	2	1	1	1			

Headcounts as reported by client October 2012
Assumes maintaining retiree contribution of 20%

Projected annual premium figures do not include impact of Michigan claim tax

Expiring and Renewal Premium Rates

	<i>Single</i>	<i>Couple</i>	<i>Family</i>	Projected Annual Premium	Change from Current	
					<i>Amount</i>	<i>Percent</i>
Expiring Terms (1/1/2012-12/31/2012)	20% Contribution					
Priority Health HMO Premium	\$364.00	\$837.16	\$946.35	\$82,989	-	-
CON HSA Contribution	\$75.00	\$150.00	\$150.00	\$14,400	-	-
Less Employee Contribution	<u>\$72.80</u>	<u>\$167.43</u>	<u>\$189.27</u>	<u>\$16,598</u>	-	-
Net Monthly Cost	\$366.20	\$819.73	\$907.08	\$80,791	-	-
Renewal Terms (1/1/2013-12/31/2013)	20% Contribution					
Priority Health HMO Premium	\$402.51	\$925.75	\$1,046.48	\$91,770	\$8,781	10.6%
CON HSA Contribution	\$78.13	\$156.25	\$156.25	\$15,000	\$600	4.2%
Less Employee Contribution	<u>\$80.50</u>	<u>\$185.15</u>	<u>\$209.30</u>	<u>\$18,354</u>	<u>\$1,756</u>	<u>10.6%</u>
Net Monthly Cost	\$400.14	\$896.85	\$993.43	\$88,416	\$7,625	9.4%
Current Headcounts	4	2	4			

HSA eligible plans increase to \$1,250/\$2,500 deductible in 2013