

**CITY OF KERRVILLE EMPLOYEE BENEFITS TRUST AGENDA**

**TUESDAY, JULY 24, 2012, 7:00 P.M. (approximately)**

**CITY HALL COUNCIL CHAMBERS, 800 JUNCTION HIGHWAY**

**KERRVILLE, TEXAS**

**1. CALL TO ORDER**

**2. CONSIDERATION AND POSSIBLE ACTION:**

2A. Authorize the city manager to execute contracts for fiscal year 2013 medical and dental with United Health Care.

**3. ADJOURNMENT**

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The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time: July 20, 2012 at 3:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Brenda Craig  
City Secretary, City of Kerrville, Texas

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**TO BE CONSIDERED BY THE TRUSTEES OF THE EMPLOYEE BENEFIT TRUST  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Authorize City Manager to accept and sign contracts for FY 2013 medical and dental with United Healthcare.

**FOR AGENDA OF:** July 24, 2012

**DATE SUBMITTED:** July 18, 2012

**SUBMITTED BY:** Kimberly Meisner   
Director of General Operations

**CLEARANCES:** Todd Parton  
City Manager

**EXHIBITS:** Benefits comparison spreadsheets - FY12 current to FY13 proposed.

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

**Expenditure  
Required:**

**Current Balance  
in Account:**

**Amount  
Budgeted:**

**Account  
Number:**

*(Fees are a part of the Group Insurance line item and are spread among all divisions.)*

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE FINANCE DIRECTOR:**

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**SUMMARY STATEMENT**

The City of Kerrville Employee Benefits Trust shall consider awarding the FY 2013 employee benefits. The City sent out an Invitation to Bid on June 14, 2012. We advertised in the Kerrville Daily Times on June 14, 2012 and June 21, 2012. All bids were to be delivered net of any and all broker commissions. Below shows a six (6) year history of our benefits budget:

| <b>Fiscal Year</b> | <b>\$ Per Employee Per Year</b> |
|--------------------|---------------------------------|
| FY 2008            | \$8,920                         |
| FY 2009            | \$8,950                         |
| FY 2010            | \$8,950                         |
| FY 2011            | \$7,800                         |
| FY 2012            | \$6,800                         |
| FY 2013            | \$7,100                         |

We continue to provide a comprehensive benefits package for City employees. Claims this year have been extremely high therefore a few modifications had to be made to the plans being offered to bring the cost within our budget. The City will be contributing 26% less than in FY 2009 to the cost of employee benefits for FY 2013, and our employees still have great plans available to them and their families.

## **Medical**

The chart below shows the initial proposals and best and final offers from the carriers who responded to our Invitation to Bid:

| <b>Provider</b>             | <b>Initial Bid</b> |
|-----------------------------|--------------------|
| United Healthcare "Renewal" | 19% above current  |
| BCBSTX                      | 13% above current  |
| CIGNA                       | 34% above current  |
| Humana                      | 25% above current  |
| Aetna                       | 24% above current  |

Due to plan design differences with BCBSTX and United Healthcare and United Healthcare being our current provider, we decided it would be in our best interest to negotiate and try to stay with United Healthcare.

We ended being able to continue to offer an HRA plan and a PPO plan but will offer an additional PPO plan as well. The plans will have some design modifications but employee contributions will remain the same as they are currently on the HRA and "Budget" PPO plan. The "Buy Up" PPO plan will have a little higher employee contributions but the plan design will be a little richer.

On the HRA plan, the City will contribute **up to \$1,000** for employee only coverage and **up to \$2,000** for employee plus dependent coverage to the HRA fund for employees on that plan. In the past, we have contributed an additional \$1,000 for employee only coverage and an additional \$2,000 for employee plus dependent coverage to the HRA fund.

The plan design changes are shown on the attached spreadsheet.

## **Dental**

We received seven (7) proposals for the FY 2013 dental plan. Guardian's renewal came in at 10% above current. United Healthcare's proposal came in at 16%-40% above current dependent upon the tier of coverage selected by the employee.

We ended up receiving a package discount savings of \$17,000 from United Healthcare on our medical plan by switching the dental from Guardian to United Healthcare. The dental rates end up being more but the overall package rate is cheaper for the combined medical and dental. In order to keep the employee rate the same, the City will contribute a small amount toward the dental dependent coverage. The plan design with UHC for dental mirrors the plan design with Guardian. We will have a one year rate guarantee with United Healthcare for the dental coverage.

### **Group Life & AD&D and Other Ancillary Benefits**

We have a two (2) year rate guarantee on the Group Life and AD&D, Voluntary Life & AD&D, and Voluntary Short Term Disability with Lincoln. We also have a two year rate guarantee with VSP for the Voluntary Vision plan. These two year rate guarantees are through the FY 2013 plan year.

### **RECOMMENDATION**

Staff recommends Council authorize the City Manager to accept and sign contracts for FY 2013 medical and dental with United Healthcare.

## FY 2012 MEDICAL (24 Pay Periods)

| United Healthcare |       | FY 2012 PPO Plan - \$1,000 Deductible                                 |                       |                      |            |                |                        |  |
|-------------------|-------|-----------------------------------------------------------------------|-----------------------|----------------------|------------|----------------|------------------------|--|
|                   |       | Office Visit Copay \$35/\$50, RX Copay \$10/\$30/\$50, ER Copay \$200 |                       |                      |            |                |                        |  |
| Tier of Coverage  | Count | Employee Bi-Weekly Cost                                               | Employee Monthly Cost | CITY Cost Per EE/Mo. | Total PEPM | % Paid by CITY | CITY Total Annual Cost |  |
| Emp Only          | 252   | 0.00                                                                  | 0.00                  | 354.72               | 354.72     | 100%           | \$ 1,072,673           |  |
| Spouse            | 24    | 99.81                                                                 | 199.62                | 261.52               | 461.14     | 57%            | \$ 75,318              |  |
| Child(ren)        | 63    | 85.66                                                                 | 171.32                | 225.97               | 397.29     | 57%            | \$ 170,833             |  |
| Family            | 77    | 167.61                                                                | 335.22                | 441.62               | 776.84     | 57%            | \$ 408,057             |  |
|                   | 252   |                                                                       |                       |                      |            |                | \$ 1,726,881           |  |
|                   |       |                                                                       |                       |                      |            |                |                        |  |
| United Healthcare |       | FY 2012 HRA Plan - \$2,000 Deductible                                 |                       |                      |            |                |                        |  |
|                   |       | RX Copay \$10/\$30/\$50                                               |                       |                      |            |                |                        |  |
| Tier of Coverage  | Count | Employee Bi-Weekly Cost                                               | Employee Monthly Cost | CITY Cost Per EE/Mo. | Total PEPM | % Paid by CITY | CITY Total Annual Cost |  |
| Emp Only          | 50    | 0.00                                                                  | 0.00                  | 290.70               | 290.70     | 100%           | \$ 174,420             |  |
| Spouse            | 4     | 82.13                                                                 | 164.26                | 213.66               | 377.92     | 57%            | \$ 10,256              |  |
| Child(ren)        | 10    | 70.48                                                                 | 140.96                | 184.63               | 325.59     | 57%            | \$ 22,156              |  |
| Family            | 8     | 137.91                                                                | 275.82                | 360.83               | 636.65     | 57%            | \$ 34,640              |  |
|                   | 50    |                                                                       |                       |                      |            |                | \$ 241,471             |  |
|                   |       |                                                                       |                       |                      |            |                |                        |  |
|                   | 302   |                                                                       | PEPY                  | \$6,518              |            |                | \$ 1,968,352           |  |
|                   |       |                                                                       |                       |                      |            |                |                        |  |

| Total EE + CITY Rates | Total EE + CITY Burden |
|-----------------------|------------------------|
| 354.72                | \$374,584              |
| 815.86                | \$234,968              |
| 752.01                | \$568,520              |
| 1131.56               | \$1,045,561            |
|                       | \$2,223,633            |

  

| Total EE + CITY Rates | Total EE + CITY Burden |
|-----------------------|------------------------|
| 290.70                | \$97,675               |
| 668.62                | \$32,094               |
| 616.29                | \$73,955               |
| 927.35                | \$89,026               |
|                       | \$292,749              |
|                       |                        |
|                       | \$2,516,382            |

## FY 2013 MEDICAL (24 Pay Periods)

| United Healthcare |       | FY 2013 "BUDGET" PPO Plan - \$2,000 Deductible                        |                       |                            |            |                |                        |  |
|-------------------|-------|-----------------------------------------------------------------------|-----------------------|----------------------------|------------|----------------|------------------------|--|
|                   |       | Office Visit \$35/\$50, RX \$100 Ded + \$15/\$30/\$65, ER \$300 + 20% |                       |                            |            |                |                        |  |
| Tier of Coverage  | Count | Employee Bi-Weekly Cost                                               | Employee Monthly Cost | CITY Cost Per EE/Mo.       | Total PEPM | % Paid by CITY | CITY Total Annual Cost |  |
| Emp Only (77)     | 230   | 0.00                                                                  | 0.00                  | 369.54                     | 369.54     | 100%           | \$ 1,019,930           |  |
| Spouse            | 24    | 99.81                                                                 | 199.62                | 280.79                     | 480.41     | 58%            | \$ 80,868              |  |
| Child(ren)        | 55    | 85.66                                                                 | 171.32                | 242.57                     | 413.89     | 59%            | \$ 160,096             |  |
| Family            | 74    | 167.61                                                                | 335.22                | 474.09                     | 809.31     | 59%            | \$ 420,992             |  |
|                   | 230   |                                                                       |                       |                            |            |                | \$ 1,681,886           |  |
| United Healthcare |       | FY 2013 HRA Plan - \$2,000 Deductible                                 |                       |                            |            |                |                        |  |
|                   |       | RX \$100 Ded + \$15/\$30/\$65                                         |                       |                            |            |                |                        |  |
| Tier of Coverage  | Count | Employee Bi-Weekly Cost                                               | Employee Monthly Cost | CITY Cost Per EE/Mo.       | Total PEPM | % Paid by CITY | CITY Total Annual Cost |  |
| Emp Only (31)     | 57    | 0.00                                                                  | 0.00                  | 322.50                     | 322.50     | 100%           | \$ 220,590             |  |
| Spouse            | 3     | 82.13                                                                 | 164.26                | 255.00                     | 419.26     | 61%            | \$ 9,180               |  |
| Child(ren)        | 13    | 70.48                                                                 | 140.96                | 220.25                     | 361.21     | 61%            | \$ 34,359              |  |
| Family            | 10    | 137.91                                                                | 275.82                | 430.47                     | 706.29     | 61%            | \$ 51,656              |  |
|                   | 57    |                                                                       |                       |                            |            |                | \$ 315,785             |  |
|                   |       |                                                                       |                       | Affordable Care Act Refund |            |                | \$ 38,185              |  |
|                   |       |                                                                       |                       | Dental Package Savings     |            |                | \$ 17,220              |  |
|                   | 287   |                                                                       | PEPY                  | \$6,767                    |            |                | \$ 1,942,266           |  |
| United Healthcare |       | FY 2013 "BUY UP" PPO Plan - \$1,500 Deductible                        |                       |                            |            |                |                        |  |
|                   |       | Office Visit \$35/\$50, RX \$15/\$30/\$65, ER \$300                   |                       |                            |            |                |                        |  |
| Tier of Coverage  |       | Employee Bi-Weekly Cost                                               | Employee Monthly Cost | CITY Cost Per EE/Mo.       | Total PEPM | % Paid by CITY |                        |  |
| Emp Only          |       | 21.17                                                                 | 42.34                 | 369.54                     | 411.88     | 90%            |                        |  |
| Spouse            |       | 127.34                                                                | 254.67                | 280.79                     | 535.46     | 52%            |                        |  |
| Child(ren)        |       | 109.37                                                                | 218.74                | 242.57                     | 461.31     | 53%            |                        |  |
| Family            |       | 213.98                                                                | 427.95                | 474.09                     | 902.04     | 53%            |                        |  |

| Total EE + CITY Rates | Total EE + CITY Burden |
|-----------------------|------------------------|
| 369.54                | \$341,455              |
| 849.95                | \$244,786              |
| 783.43                | \$517,064              |
| 1178.85               | \$1,046,819            |
|                       | \$2,150,123            |

| Total EE + CITY Rates                  | Total EE + CITY Burden |
|----------------------------------------|------------------------|
| 322.50                                 | \$119,970              |
| 741.76                                 | \$26,703               |
| 683.71                                 | \$106,659              |
| 1028.79                                | \$123,455              |
|                                        | \$376,787              |
| Premium tax excluded from rates above. |                        |
|                                        | \$2,526,910            |

| Total EE + CITY Rates |
|-----------------------|
| 411.88                |
| 947.34                |
| 873.19                |
| 1313.92               |

| FY 2013 Medical Plan Design Offerings |                  |                  |                            |                  |                            |
|---------------------------------------|------------------|------------------|----------------------------|------------------|----------------------------|
|                                       | PPO Current      | PPO "Buy Up"     | PPO Budget                 | HRA Current      | HRA Renewal                |
| Plan Year Deductible                  | \$1,000 (3X)     | \$1,500 (3X)     | \$2,000 (2X)               | \$2,000 (2X)     | \$2,000 (2X)               |
| Co-insurance/Out of Pocket            | 20%/\$3,000 (3X) | 20%/\$4,500 (3X) | 20%/\$6,000 (2X)           | 20%/\$2,000 (2X) | 20%/\$4,000 (2X)           |
| Total Ann OOP Ded + Co-Ins            | \$4,000          | \$6,000          | \$8,000                    | \$4,000          | \$6,000                    |
| PCP Visit Copay                       | \$35             | \$35             | \$35                       | Ded - Co-Ins     | Ded - Co-Ins               |
| Specialist Visit Copay                | \$50             | \$50             | \$50 (PDN=\$35)            | Ded - Co-Ins     | Ded - Co-Ins               |
| Routine Lab/Imaging                   |                  |                  |                            |                  |                            |
| *Billed by Physician                  | \$35/\$50        | \$35/\$50        | \$35/\$50                  | Ded - Co-Ins     | Ded - Co-Ins               |
| *Free Standing                        | 100%             | 100%             | 100%                       | Ded - Co-Ins     | Ded - Co-Ins               |
| *Outpatient Hospital Facility         | 100%             | 100%             | 100%                       | Ded - Co-Ins     | Ded - Co-Ins               |
| Emergency Room                        |                  |                  |                            |                  |                            |
| *Facility                             | \$200 Copay      | \$300 Copay      | \$300 Copay + 20%          | Ded - Co-Ins     | Ded - Co-Ins               |
| *Physician                            | Included         | Included         | Included                   | Ded - Co-Ins     | Ded - Co-Ins               |
| RX Card                               |                  |                  |                            |                  |                            |
| *Copays                               | \$10/\$30/\$50   | No Deductible    | \$100 Ded + \$15/\$30/\$65 | \$10/\$30/\$50   | \$100 Ded + \$15/\$30/\$65 |
| *Mail Order                           | 2X               | 2.5X             | 2.5X                       | 2X               | 2.5X                       |
| Allergy Testing                       | Physician Copay  | Ded - Co-Ins     | Ded - Co-Ins               | Ded - Co-Ins     | Ded - Co-Ins               |
| Depo-Provera Injections               | Physician Copay  | Ded - Co-Ins     | Ded - Co-Ins               | Ded - Co-Ins     | Ded - Co-Ins               |
| Routine Injections                    | Physician Copay  | Ded - Co-Ins     | Ded - Co-Ins               | Ded - Co-Ins     | Ded - Co-Ins               |
| Physical Therapy                      | Copay/30 Visits  | Copay/30 Visits  | Copay/30 Visits            | Ded - Co-Ins     | Ded - Co-Ins               |
| Manipulative Therapy (Chiro)          | Copay/25 Visits  | Copay/25 Visits  | Copay/25 Visits            | Ded - Co-Ins     | Ded - Co-Ins               |
|                                       | Monthly Premium  | Monthly Premium  | Monthly Premium            | Monthly Premium  | Monthly Premium            |
| Employee Only                         | \$354.72         | \$411.88         | \$369.54                   | \$290.70         | \$322.50                   |
| Employee + Spouse                     | \$815.86         | \$947.34         | \$849.95                   | \$668.62         | \$741.76                   |
| Employee + Child(ren)                 | \$752.01         | \$873.19         | \$783.43                   | \$616.29         | \$683.71                   |
| Employee + Family                     | \$1,131.56       | \$1,313.92       | \$1,178.85                 | \$927.35         | \$1,028.79                 |

| FY 2013 DENTAL - 24 Pay Periods |       |                                                                 |                       |                      |            |                |                        |                       |                        |  |
|---------------------------------|-------|-----------------------------------------------------------------|-----------------------|----------------------|------------|----------------|------------------------|-----------------------|------------------------|--|
| HUMANA                          |       | FY 2011 Dental - Annual Maximum \$1,500 - Orthodontics Included |                       |                      |            |                |                        |                       |                        |  |
| Tier of Coverage                | Count | Employee Bi-Weekly Cost                                         | Employee Monthly Cost | CITY Cost Per EE/Mo. | Total PEPM | % Paid by CITY | CITY Total Annual Cost | Total EE + CITY Rates | Total EE + CITY Burden |  |
| Emp Only                        | 299   | 0.00                                                            | 0.00                  | 18.97                | 18.97      | 100%           | \$ 68,064              | 18.97                 | \$24,130               |  |
| Spouse                          | 42    | 4.63                                                            | 9.26                  | 9.21                 | 18.47      | 50%            | \$ 4,642               | 37.44                 | \$18,870               |  |
| Child(ren)                      | 45    | 8.75                                                            | 17.50                 | 17.71                | 35.21      | 50%            | \$ 9,563               | 54.18                 | \$29,257               |  |
| Family                          | 103   | 13.50                                                           | 27.00                 | 26.67                | 53.67      | 50%            | \$ 32,964              | 72.64                 | \$89,783               |  |
|                                 | 299   |                                                                 | PEPY                  | \$385                |            |                | \$ 115,234             |                       | \$162,040              |  |
| Guardian                        |       | FY 2012 Dental - Annual Maximum \$1,500 - Orthodontics Included |                       |                      |            |                |                        |                       |                        |  |
| Tier of Coverage                | Count | Employee Bi-Weekly Cost                                         | Employee Monthly Cost | CITY Cost Per EE/Mo. | Total PEPM | % Paid by CITY | CITY Total Annual Cost | Total EE + CITY Rates | Total EE + CITY Burden |  |
| Emp Only                        | 299   | 0.00                                                            | 0.00                  | 17.24                | 17.24      | 100%           | \$ 61,857              | 17.24                 | \$21,929               |  |
| Spouse                          | 42    | 8.29                                                            | 16.58                 | 0.00                 | 16.58      | 0%             | \$ -                   | 33.82                 | \$17,045               |  |
| Child(ren)                      | 45    | 15.89                                                           | 31.77                 | 0.00                 | 31.77      | 0%             | \$ -                   | 49.01                 | \$26,465               |  |
| Family                          | 106   | 24.76                                                           | 49.52                 | 0.00                 | 49.52      | 0%             | \$ -                   | 66.76                 | \$84,919               |  |
|                                 | 299   |                                                                 | PEPY                  | \$207                |            |                | \$ 61,857              |                       | \$150,359              |  |
| United Healthcare               |       | FY 2013 Dental - Annual Maximum \$1,500 - Orthodontics Included |                       |                      |            |                |                        |                       |                        |  |
| Tier of Coverage                | Count | Employee Bi-Weekly Cost                                         | Employee Monthly Cost | CITY Cost Per EE/Mo. | Total PEPM | % Paid by CITY | CITY Total Annual Cost | Total EE + CITY Rates | Total EE + CITY Burden |  |
| Emp Only (105)                  | 289   | 0.00                                                            | 0.00                  | 19.48                | 19.48      | 100%           | \$ 67,557              | 19.48                 | \$24,779               |  |
| Spouse                          | 43    | 8.29                                                            | 16.58                 | 2.14                 | 18.72      | 11%            | \$ 1,104               | 38.20                 | \$19,711               |  |
| Child(ren)                      | 44    | 15.89                                                           | 31.77                 | 4.11                 | 35.88      | 11%            | \$ 2,170               | 55.36                 | \$29,230               |  |
| Family                          | 97    | 24.76                                                           | 49.52                 | 6.41                 | 55.93      | 11%            | \$ 7,461               | 75.41                 | \$87,777               |  |
|                                 | 289   |                                                                 | PEPY                  | \$271                |            |                | \$ 78,292              |                       | \$161,497              |  |

## BUDGET ANALYSIS CITY CONTRIBUTION (PEPY)

|                | Medical | Dental | Life/ADD | LTD   | Total   | Budgeted |
|----------------|---------|--------|----------|-------|---------|----------|
| <b>FY 2013</b> | \$6,767 | \$271  | \$60     | N/A   | \$7,098 | \$7,100  |
| <b>FY 2012</b> | \$6,518 | \$207  | \$60     | N/A   | \$6,785 | \$6,800  |
| <b>FY 2011</b> | \$7,117 | \$385  | \$106    | \$152 | \$7,760 | \$7,800  |
| <b>FY 2010</b> | \$7,666 | \$504  | \$106    | \$152 | \$8,428 | \$8,950  |
| <b>FY 2009</b> | \$7,686 | \$408  | \$118    | N/A   | \$8,212 | \$8,950  |
| <b>FY 2008</b> | \$7,770 | \$408  | \$118    | N/A   | \$8,296 | \$8,920  |