

## **PROPOSAL TO AMEND EMPLOYEE BENEFITS: SPECIFICALLY, ENHANCE HEALTH PREMIUMS CONTRIBUTION**

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### Background:

As a part of CMP's compensation package for full-time, benefits eligible staff, CMP has historically offered access to comprehensive group medical, dental and vision plans. In conjunction with these plan offerings, CMP has provided an employer-contribution toward the total cost of employee's elected group benefits options. Currently, this premium contribution is \$400 per month.

In the event that the employee chooses to maintain coverage outside of the employer offerings, an employee may show proof of alternative coverage, sign waivers of employer-sponsored group coverage, and receive a \$300 monthly stipend to help the employee off-set the cost of the alternate coverage.

Theoretically, an employee chooses to waive employer-sponsored coverage when the employee can obtain comparable coverage elsewhere, at a lower cost. Further, health insurance companies quote annual premiums based on several factors, to include participation percentages (in other words, based on the number of benefits-eligible employees who participate in the plan versus those who waive benefits). It is in the plan's best interest to have the highest number of participants possible, thus providing the best plan available, in the most cost effective manner. Accordingly, the employer should not offer an "in-lieu of" stipend that creates an incentive for benefits-eligible staff to opt out of the employer-sponsored plan. Based on these two factors, a dollar-for-dollar match of stipend vs. premium contribution is not justified.

### Current Considerations:

Annually, health insurance premiums continue to rise across the board. This consideration is not unique to CMP or to employer-sponsored plans in general. Fortunately, CMP has been able to keep pace with these changes by offering plan options and combinations which allow a single participant to elect coverage without additional out-of-pocket premium expense (i.e. stay below the \$400 monthly employer-contribution). Participants electing coverage for family members have been able to do so with a reasonable out-of-pocket obligation, as compared to other independent coverage options.

Most recently, after reviewing quotes with all the major medical carriers, CMP received the renewal rates for its employee plan effective December 1, 2012. In summary, employees have access to two plan providers: Kaiser and Western Health Advantage. Based on the quotes received, CMP continues to enjoy the best rate structure available in the local market for our employee demographics. However, employees are still experiencing an annual rate increase with all plans offered by both carriers, making it more difficult for single participants to remain within the \$400 employer contribution. Even harder hit, are employees who do not have access to alternative coverage outside of CMP and are electing to cover both the employee and family member(s).

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In a time of uncertain budgets and on-going fiscal constraints experienced by employees state-wide, the Executive Director is focused on the financial burden that is created by yet another significant annual health premium increase. Effective December 1, 2012, CMP medical plans will experience average increases in premiums as follows:

	Employee Only	Employee/spouse	Employee/child	Employee/family
WHA average increase	\$480 per year	\$945 per year	\$850 per year	\$1418 per year
WHA Total <i>monthly</i> premium before employer contribution	Plan A: \$477.77/mo  Plan B: \$348.24/mo	Plan A: \$955.55/mo  Plan B: \$696.49/mo	Plan A: \$860.01/mo  Plan B: \$626.85/mo	Plan A: \$1433.33/mo  Plan B: \$1044.74/mo
WHA/HSA increase	\$356 per year	\$712 per year	\$641 per year	\$1069 per year
WHA/HSA Total <i>monthly</i> premium before employer contribution	\$306.51/mo	\$613.03/mo	\$551.74/mo	\$919.55/mo
Kaiser average increase	\$264 per year	\$600 per year	\$540 per year	\$790 per year
Kaiser Total <i>monthly</i> premium before employer contribution	Plan A: \$449.48/mo  Plan B: \$408.45/mo	Plan A: \$988.86/mo  Plan B: \$898.58/mo	Plan A: \$898.96/mo  Plan B: \$816.89/mo	Plan A: \$1348.45/mo  Plan B: \$1225.35/mo

While there have been no premium increases in CMP's dental and vision converges, premiums for these two health benefits are in addition to the medical premiums charted above. Also noted above, CMP most recent benefit option has featured a high deductible plan with Health Savings Account as a cost-containment alternative for employees to more actively manage their health care costs. The premium increases reflected above are on top of an already large personal budgetary expense for employees with dependent coverage, mitigating any premium savings that were previously being deposited in the Health Savings Account for potential self-managed medical expenses.

### Recommendation:

Health insurance is a family necessity and a major component in any employee compensation plan. Staying competitive to attract and retain valued staff requires an employer's commitment to keep pace with ever-increasing costs of any employer-sponsored health insurance plan. The last time CMP enhanced its employer-contribution was in 2007-08, reflecting a \$50 per month enhancement to the monthly premium allowance. Since that time, health insurance premiums have continued to rise each year at record levels, making family health insurance coverage almost non-attainable for a great percentage of working families, and forcing single participants

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to seek out benefit adjustments each year to keep their coverage below the employer-contribution “cap”.

In light of the most recent news of scheduled premium increases for CMP employees this year, I am hereby recommending an increase to CMP’s health insurance premium contribution to reflect the following:

- Single Participants → \$100 per month premium contribution increase (maximum benefit)
- Participants covering one or more family members → \$200 per month premium contribution increase (maximum benefit)
- Employees waiving benefits → \$ 50 per month stipend increase to help off-set continued increases with alternative coverages outside of CMP plans that employees are participating in.

It is important to note that there is no “refund” to employees if a portion of the employer-contribution is unused. Increasing the employer-contribution as presented above, provides some lee-way in future years for additional anticipated annual premium increases.

I am recommending that this benefit enhancement be effective December 1, 2012, in conjunction with the most current scheduled premium renewal for the 2012-2013 plan year (December 1, 2012 to November 30, 2013).

In approving this proposal, we honor those CMP employees who are using the group plan, while also addressing the annual health premium increase and its fiscal impact to our staff.

### Fiscal Impact

Currently, our Human Resources team reports 151 benefits-eligible employees. Out of this number, the following data is provided:

- 63 employees waiving coverage (42%)
- 56 employees electing single-participant coverage (37%)
- 32 employees electing coverage for themselves plus at least one family member (21%)

Out of the 56 employees electing single-participant coverage,

- 3 employees will continue to fall under the current \$400 monthly premium contribution cap, resulting in ***no additional cost to CMP***
- 1 employee is participating in a plan that will exceed the cap by approximately \$58 per month, resulting in a total ***increased cost of \$696 per year*** to CMP
- 18 employees are participating in a plan that will exceed the cap by approximately \$100 per month, resulting in a total ***increased cost of \$ 21,600 per year*** to CMP

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- 12 employees are participating in the “premier” plan that will exceed the cap by approximately \$128 per month, resulting in a total ***increased cost of \$14,400 per year*** to CMP
- 22 employees are participating in the WHA/HSA plan and continue to fall under the current premium contribution cap. My recommendation for these employees is that CMP provide a \$50 per month contribution to the employee’s Health Savings Account, resulting in a \$600 deposit per year for single participants electing this coverage option. The combined premium expense plus HSA deposit equals \$406.74 per month, or ***\$1,779.36 total increased cost per year*** to CMP.

Out of the 32 employees electing dependent coverage, all would benefit from the full \$200 per month dependent enhancement, at a ***total increased cost of \$76,800 per year*** to CMP.

Out of the 63 employees waiving coverage, all would benefit from the full \$50 per month alternative coverage enhancement, at a ***total increased cost of \$37,800 per year*** to CMP.

**Total estimated immediate fiscal impact equals \$ 153,075.36 over 12 months.**

Potential future cost is unknown as employees who are currently waiving may choose to elect benefits under the enhanced contribution structure for both individuals and dependents if their current alternative coverage costs begin to exceed the stipend issued in lieu of coverage participation.