

BOARD OF ALDERMEN

ITEM NO. B(4)

**AGENDA ITEM ABSTRACT
MEETING DATE: May 17, 2005**

SUBJECT: Recommendation for Health Insurance Coverage for Fiscal Year July 1, 2005 – June 30, 2006

DEPARTMENT: Personnel	PUBLIC HEARING: NO
ATTACHMENTS: A. Resolution B. Health Insurance Rates	FOR INFORMATION CONTACT: Desiree White – 918-7321

PURPOSE

The purpose of this item is to present the staff’s recommendation for health insurance coverage for the 2005-2006 fiscal year.

INFORMATION

In preparing for the new year, staff considered several objectives that are important in selecting the town’s health insurance providers:

- providing excellent coverage at affordable costs
- providing coverage for domestic partners, retirees, and Board members
- continuing employee satisfaction.

Currently, the Town provides health insurance to employees through WellPath Community Health Plans which has been offered as a provider for the past seven years. The company offers HMO benefits with a great network of physicians and hospital choices. Employee satisfaction with WellPath has remained consistent.

However, based upon the town’s claims experience and continued coverage of retirees, WellPath quoted the Town a renewal rate that reflected a 27.1% increase in premiums, the highest renewal quote that the Town has received in many years. Retaining the coverage at this rate would increase the employee’s cost of family coverage by \$65.00 per month (before pre-tax savings), an amount that many employees would not be able to comfortably afford.

Given the increase, staff requested that the town’s insurance broker, Hill, Chesson, and Woody, meet with WellPath in an attempt to negotiate a lower premium increase. The meeting resulted in WellPath reducing the renewal quote to 17.5%. However, still hoping to obtain comparable benefits at a lower cost, the broker was instructed to send a health insurance request for proposal to the market.

We received quotes from Blue Cross/Blue Shield of North Carolina, United Healthcare, Cigna, and Unicare. United Healthcare, a well-known and reputable company with a large network of physicians and hospital choices, offered the lowest premium increase at 9.7% with benefits that are comparable to those being offered by WellPath. In addition, this percentage would increase family coverage by only \$24.00 per month as opposed to the \$65.00 per month increase with WellPath.

FISCAL IMPACT

Insurance costs increased by 9.7% for the 2005-06 fiscal year. Funds have been set aside in the budget for this increase.

STAFF RECOMMENDATION

The staff recommends that the Mayor and Board of Aldermen offer United Healthcare of North Carolina as the town's health insurance provider for fiscal year 05-06. Staff further recommends that the Town continues to contribute 50% toward the cost of dependent health care. In addition, the Board is requested to hold in reserve the amount originally budgeted for health insurance this year to offset possible increases in the 06 – 07 budget year.

With this recommendation, staff would like to inform the Board that a review of retiree health insurance benefits is warranted and will be conducted by staff next year with the assistance of Hill, Chesson, and Woody and the Town Attorney. Given that the claims experience for retirees was the reason for the large renewal increase under WellPath, staff will review options for providing more cost effective health benefits to retirees.