

Memorandum



CITY OF DALLAS

DATE August 31, 2018

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee
TO M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Employee Health Benefits**

On Tuesday, September 4, 2018, you will be briefed on the proposed employee benefits for FY 2018-219. The briefing materials are attached for your review.

Please feel free to contact me if you have any questions or concerns, or contact Nina Arias, Director of Human Resources, at (214) 671-9050.

A handwritten signature in black ink, reading 'Kimberly B. Tolbert'.

Kimberly B. Tolbert
Chief of Staff to the City Manager

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary
Judge Preston Robinson, Administrative Judge
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Raquel Favela, Chief of Economic Development & Neighborhood Services
Directors and Assistant Directors

2018/2019 Benefits Budget

**Government Performance & Financial
Management Committee
September 4, 2018**

**Nina Arias, (SHRM-CP)
Director, Human Resources
City of Dallas**

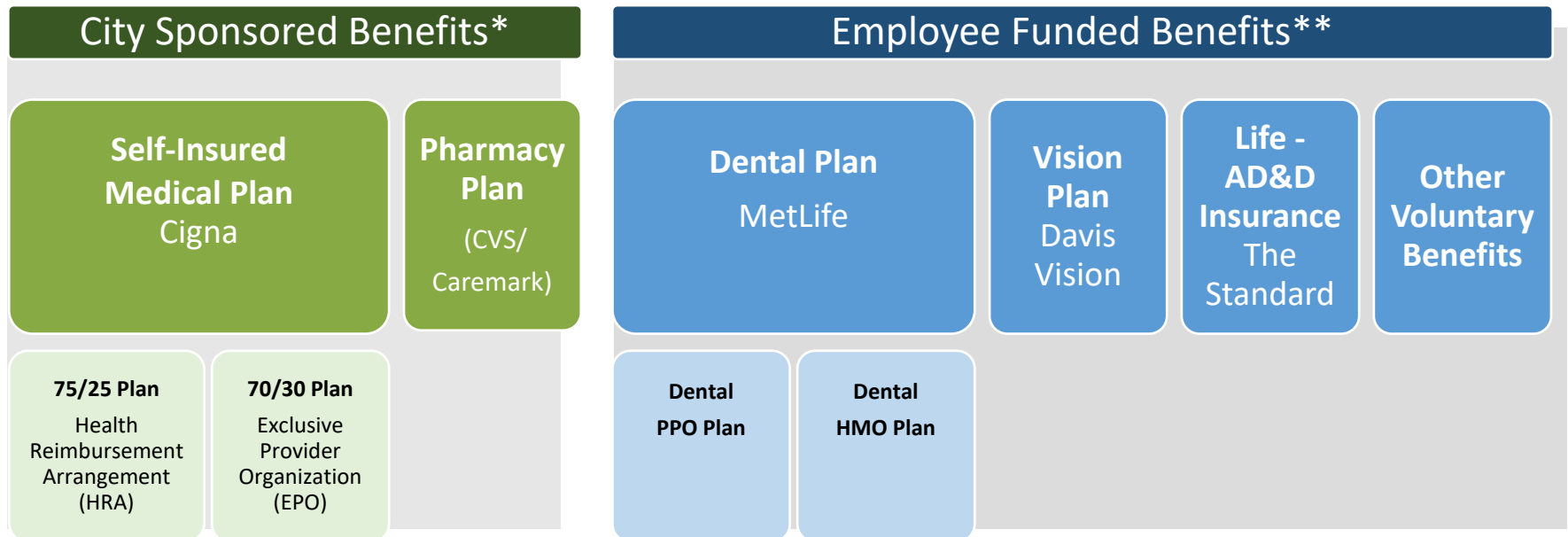


Overview

- Provide an overview of current employee benefits
- Review the proposed enhancements to FY 2018-2019 Medical Coverage



Background - Current Benefits



*City Contribution: 76.3%, Employee/Retiree Contribution: 23.7%
**No City Contributions - Employee/Retiree Pay 100% of Benefit Cost

Fully-Insured Vs. Self-Insured Healthcare Coverage

Fully-Insured

- Purchased “in-full” from an insurance company - Compare prices and select the product/price to fit needs
- Claims are paid by insurance company
- Risk/rewards belong to insurance company

Self-Insured

- Budget is set aside to pay for healthcare claims based on previous experience, actuarial estimates and medical trends
- Claims are paid by the employer
- Risk/rewards belong to the employer

Why Self-Insured Healthcare?

- Great flexibility in plan design as compared with the regulatory boundary conditions placed on fully-insured plans
- Potential net cost-savings (beneficiary claims, taxes, vendor costs, cash flow, and risk charges) in exchange for taking greater responsibility
- Great flexibility in choosing the vendors, service providers, and risk partners to fulfill those responsibilities



Healthcare Strategic Focus

MANAGE COST LONG-
TERM THROUGH
TARGETED PROGRAMS
AND WELLNESS
(EMPLOYEE
INVOLVEMENT)

IMPROVE HEALTHCARE
CONSUMERISM
(CIGNA LOCAL PLUS)

PROMOTE PREVENTIVE
CARE
(COPAY PLAN)

GIVE CHOICE AND
OPTIONS FOR
PERSONAL
ACCOUNTABILITY
(HSA PLAN)



Medical and Pharmacy Cost Drivers

ACCOUNTS FOR 55% OF TOTAL MEDICAL SPEND

MUSKULO-
SKELETAL

14.9%

CANCERS

12.8%

CIRCULATORY

11.3%

ROUTINE/
UNKNOWN

8.5%

GASTRO-
INTESTINAL

7.4%

ACCOUNTS FOR 42% OF TOTAL PHARMACY SPEND

ANTIDIABETICS

13.1%

ANTI-
INFLAMMATORIES

15.2%

DERMATOLOGICALS

13.3%

ANTIVIRALS

7.6%

* 2017 Data

2018/2019 Plans

Plan ONE:

Health Reimbursement Arrangement (HRA)



- 78% of employees currently enrolled
- HRA or health reimbursement account is an IRS-approved, employer-funded, tax-advantaged employer health benefit

Plan TWO:

Modified Exclusive Provider Organization (EPO)



- EPO network – no outside network services
- \$25 copays for Primary Office Visits and \$50 copays for Specialist visits
- Providing predictability and cost control for employees

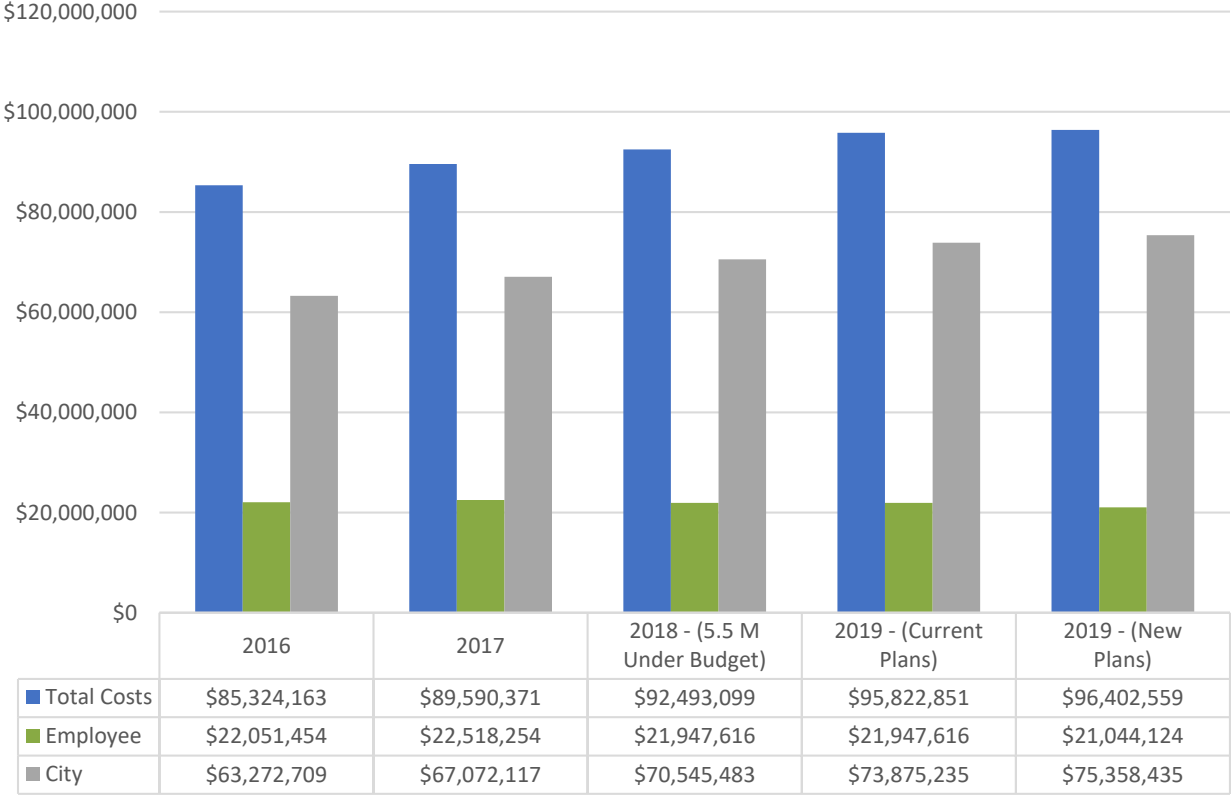
Plan THREE:

Health Savings Account (HSA)



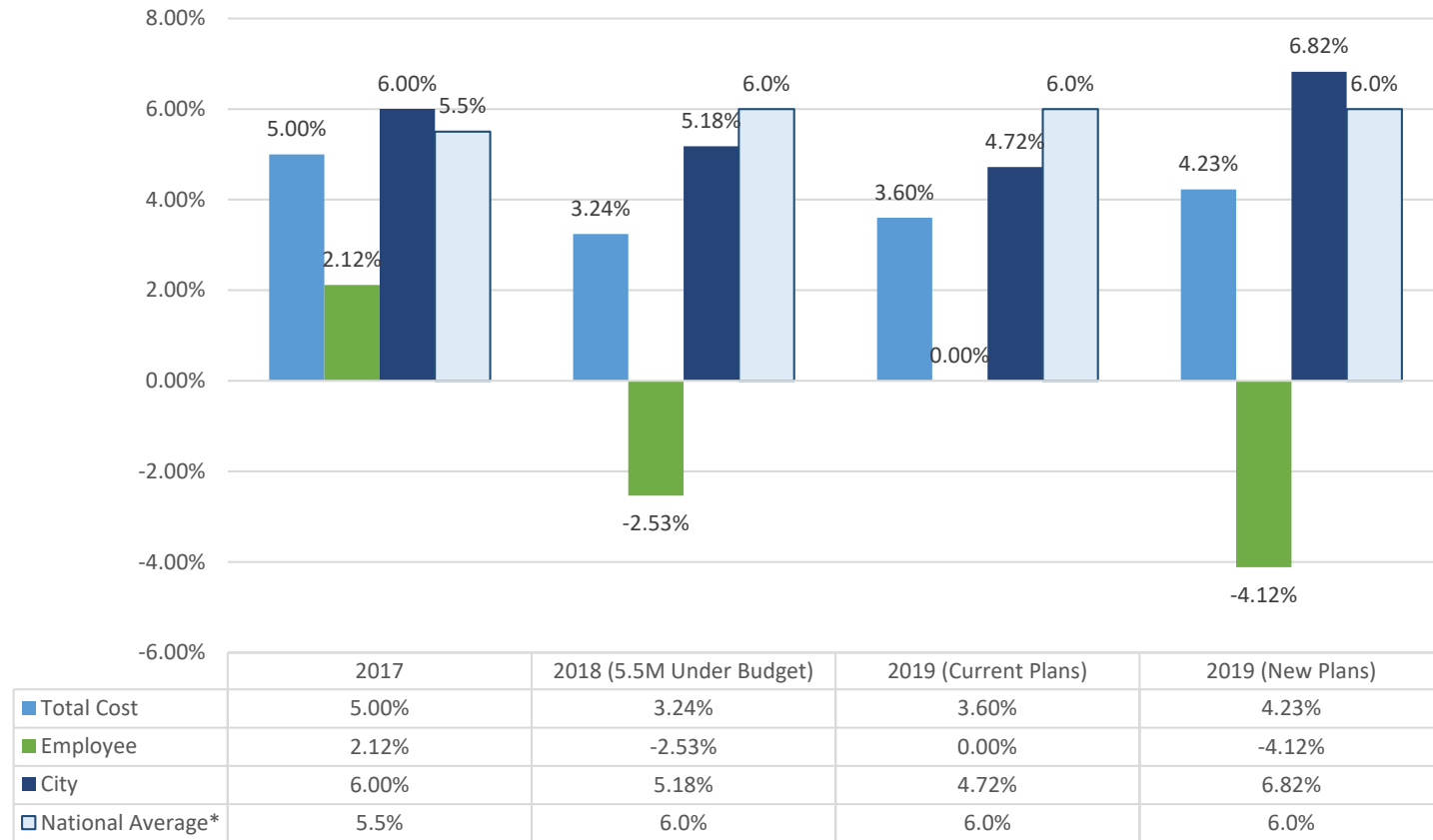
- Tax-advantaged medical savings account - funds contributed are not subject to federal income tax at the time of deposit
- Participants typically respond to the opportunity to generate real savings with a focus on wellness

Healthcare Cost-Share Allocation



Assumptions: Total Costs based on needed funding rate, claims experience by year – Active employees with wellness incentives, non-tobacco
 Total covered employees of 10,607 held constant for cost-share comparison.

City of Dallas Cost % Variance



*PwC's Health Research Institute projects employer medical cost trend will be 6 percent for 2019, the same as 2018.

Next Steps

- Seek Council's feedback on proposed enhancements
- Conduct Open Enrollment
 - Active Employees: 9/24 to 12/12
 - Retirees: 10/15 to 10/26
- Implement 2018/2019 healthcare enhancements
- Finalize targeted wellness initiatives and bring back recommendations to Council in six months

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