



## STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Heidi Heller, City Clerk/HR Manager

DATE: January 12, 2022

RE: Approve 2022 Employee Benefits – Health Insurance Plan and Opt-Out and Add Opt-Out for Health Insurance Eligible Part-time Employees

### ACTION TO BE CONSIDERED:

Approve PEIP, Public Employees Insurance Program, as the City's health insurance provider, and Opt-Out payments of \$575/month for family coverage and \$250/month for single, under age 26, coverage for full-time employees. Add a pro-rated Opt-Out option for part-time employees that are eligible for health insurance.

### BACKGROUND:

In March 2019, the City changed from Health Partners to PEIP, Public Employees Insurance Program, and was able to substantially reduce health insurance premium costs. The City and staff have been happy with PEIP, and while their rate increases have been higher than what was initially expected, they still remain lower than what we would otherwise be getting. The pandemic has played a large role in these higher increases. The City's health insurance provider will remain as PEIP for 2022, and the base employee contribution for family coverage will remain the same at \$355/month in 2022.

As the Council is aware, the City provides an Opt-Out benefit for those full-time employees eligible for family health insurance coverage and who have coverage through a spouse's health insurance plan, or employees that are under age 26 and remain on a parent's insurance plan. When an employee opts out of the city's health insurance plan, the result is a cost savings to the City even though the Opt-Out benefit is paid to the employee.

2022 Opt-Out payments for health insurance have remained at \$575/month for family coverage and \$250/month for single, under age 26, coverage for many years, and no changes to these amounts are proposed for 2022.

In 2021, the Personnel Policy was amended to offer health insurance benefits to part-time regular employees who work at least 30 hours per week. Previously only full-time employees were eligible. The part-time employee's cost of the health insurance is pro-rated based on the average number of hours they work. Staff is requesting the Council consider offering Opt-Out to all employees that are eligible for health insurance. Part-time employees working at least 30 hours per week would receive an Opt-Out amount that is pro-rated based on the number of hours they work. For example, an employee working 32 hours per week works 80% of 40 hours (full-time), therefore they would receive 80% of the full Opt-Out amount (\$187.50 under age 26 or \$431.25 family).

There is currently one part-time employee that works at least 30 hours per week, and also eligible for family health insurance benefits, and therefore would also qualify for Opt-Out if approved. It is unlikely the employee will be able to utilize this benefit for 2022. Part-time employees help to create operational efficiency, one of the City's Strategic Plan initiatives.

Staff is also proposing to remove some unnecessary language from this section, along with removing the specific opt-out amount from the Personnel Policy (shown in red below). The City Council approves the specific Opt-Out amounts each year, and by eliminating the dollar amount from the Personnel Policy, the policy does not need to be amended if those numbers change.

## PROPOSED PERSONNEL POLICY AMENDMENT

### **SECTION 12 - INSURANCE BENEFITS**

#### Health Insurance Availability

Health insurance coverage for regular full-time employees and part-time employees approved to work 30 or more hours per week is provided and paid for by the City. The City offers dependent coverage to employees to a maximum contribution as established by the City Council. For part-time employees approved to work at least 30 hours per week, the City contributes a percentage towards the single coverage cost or the commensurate percentage of the employee cost for family coverage based on the number of hours allocated to that position. The employee's share of dependent coverage is paid through payroll deduction.

HCFA regulations will allow the City's insurance carrier to enroll members that sign an application up to the requested plan effective date. For example, an application signed June 10, 2021 would be able to be enrolled July 1, 2021. We would not be able to backdate the coverage for a June 1, 2021 effective date since the signature was after June 1, 2021.

Retroactive terminations are not allowed. A termination request received by the end of the month will be accepted for the first of the next month. For example, a termination request received on or before June 30, 2021 will be processed for a June 30, 2021 termination date.

#### Opt-Out Program

Full-time employees [and part-time employees approved to work 30 or more hours per week](#) who are eligible for participation in the City's Health Insurance Program for family coverage, or full-time single employees who are under age 26 and remain on a parent's health insurance plan, are eligible for the Opt-Out choice. [For part-time employees approved to work at least 30 hours per week, the City contributes a percentage towards the single coverage cost or the commensurate percentage of the employee cost for family coverage based on the number of hours allocated to that position.](#) The City offers Opt-Out in order to recognize the needs of our diverse workforce by providing maximum flexibility in health care choices available to employees and their families. Employees are responsible for evaluating the feasibility of this option in terms of their family's health insurance needs.

To be eligible for Opt-Out payment, an employee would opt-out for themselves and their eligible dependents. This option applies to medical coverage only and is not available to employees with single-coverage, except when an employee is covered under a parent's medical policy. Medical benefits through the City of Little Canada will be available to Opt-Out participants should they lose their coverage provided by another source subject to the City's insurance carrier's regulations. Open enrollment in the City's Insurance Program is available only as designated by the City's insurance carrier.

This alternative allows employees who are covered under another medical plan to "opt-out" of coverage and receive a cash payment in lieu of medical benefits. ~~Single employees who are covered under a parent's medical plan and choose Opt-Out will receive \$250 per month, and all other employees choosing Opt-Out will receive approximately the equivalent of the average cost of single employee health insurance provided by metro cities per month for each full month;~~ Payment will be made on a bi-weekly basis and will be subject to ordinary income taxes.

Participants in the Opt-Out Program must sign a release and show proof of medical benefits through another source. The City will have the right to refuse the Opt-Out option for an employee should the City's participation in its Health Insurance Program be jeopardized.

Employees choosing to discontinue the Opt-Out program and enroll in the City's Health Insurance Program must do so during enrollment periods as authorized by the City's Health Insurance Carrier. Enrollment may be subject to pre-qualification.

**RECOMMENDATION:**

Staff recommends the base 2022 Opt-Out payments remain at \$575/month for family coverage and \$250/month for single, under age 26, coverage, and amend the Personnel Policy as presented to add the Opt-Out option for all regular employees that are eligible for health insurance.