

JOINT MEETING
Greenville City Council/Greenville Utilities Commission

Monday, September 19, 2016
6:00 p.m.
Greenville Utilities Board Room
401 South Greene Street

1. Call Meeting to Order: Mayor Thomas
Chairman Mills
2. Approval of Agenda: City Council
Greenville Utilities Commission
3. Public Comment Period - For issues that are germane to both the City Council and Greenville Utilities Commission.

The Public Comment Period is a period reserved for comments by the public. Items that were or are scheduled to be the subject of public hearings conducted at the same meeting or another meeting during the same week shall not be discussed. A total of 30 minutes is allocated with each individual being allowed no more than 3 minutes. Individuals who registered with the City Clerk to speak will speak in the order registered until the allocated 30 minutes expires. If time remains after all persons who registered have spoken, individuals who did not register will have an opportunity to speak until the allocated 30 minutes expires.

4. Approval of Proposed Minutes – April 25, 2016
5. Consideration of Joint Pay and Benefits Committee Recommendation on Plan Year 2017 Medical and Dental Benefits
6. Consideration of Joint Pay and Benefits Committee Recommendation on Proposed Three-Year Strategy for Medical and Dental Benefits for Plan Years 2017-2019
7. Adjournment: Greenville Utilities Commission
Recess and Reconvene: City Council*

***City Council will reconvene for Closed Session in City Hall
Conference Room 337, 200 West Fifth Street**

8. Closed Session: City Council – To consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee
9. Adjournment: City Council

MEMORANDUM

TO: Mayor and City Council
Greenville Utilities Board of Commissioners

FROM: Barbara Lipscomb, City Manager *HL*
Anthony C. Cannon, General Manager/CEO *ACC*

DATE: September 14, 2016

SUBJECT: Joint City/GUC Pay and Benefits Committee
Recommendations for Plan Year 2017

The Joint City/GUC Pay and Benefits Committee, comprised of City Council Members Rose Glover and Rick Smiley and GUC Commissioners Joel Butler and Toya Jacobs, met on August 23, 2016 to develop recommendations for Plan Year 2017 Health and Dental benefits. The following recommendations will be considered by City Council and GUC Board of Commissioners at their upcoming Joint Meeting scheduled for Monday, September 19, 2016 at 6:00 p.m. in the Greenville Utilities Board Room.

Joint Committee Recommendation on Plan Year 2017 Health/Dental Insurance Benefits:

On September 22, 2014, City Council and the GUC Board of Commissioners adopted a Health Benefits Strategic Plan. The plan was intended to guide the provision of said benefits over a three-year period (2015-2017). One component of the strategy was the elimination of the Enhanced plan in 2017, due in large part to the looming Excise Tax expected to be effective January 1, 2018. With the postponement of the Excise Tax until January 1, 2020, projected unfavorable financial impacts due to Plan migration, and the continued desire to systematically move towards an 80% / 20% employer / employee cost share, the Joint City/GUC Pay and Benefits Committee unanimously recommend adopting an updated three-year strategy for 2017-2019.

In accordance with the proposed three-year strategy, the recommendations for 2017 are as follows:

- Maintain current plan options (HSA, Core, and Enhanced);
- Increase employee only cost share to 50% of the dependent tier cost share percentages for Core and Enhanced plans, and to 25% for HSA;
- Increase dependent tier contributions by 11.2% (expected trend plus 3%);

- Continue the “first-year incentive” HSA seed bonus for new HSA enrollees (\$250 for individual coverage and \$500 for family coverage) to encourage migration to the HSA; and
- Introduce a buy-up dental option so that employees can choose the level of coverage that best addresses their needs, with the employee paying the price difference.

The Joint City/GUC Pay and Benefits Committee unanimously recommend adoption of the proposed changes for Plan Year 2017.

We look forward to seeing you at the upcoming Joint Meeting on September 19, 2016 at 6:00 p.m. in the GUC Board Room. A light meal will be served at 5:30 p.m.

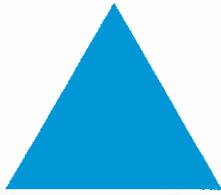
cc: Michael Cowin, COG Assistant City Manager
Merrill Flood, COG Assistant City Manager
Chris Padgett, GUC Chief Administrative Officer
Leah Futrell, COG Director of Human Resources
Richie Shreves, GUC Director of Human Resources

HEALTH WEALTH CAREER

CITY OF GREENVILLE & GREENVILLE UTILITIES COMMISSION

HEALTH CARE BENEFITS

September 19, 2016



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TODAY'S DISCUSSION

- 2017 Strategy Update
- 2017 Medical Projections and Recommendation
- 2017 Dental Projections and Recommendation
- Strategy for Next Three Years

2017 STRATEGY UPDATE

	Original 2017 Strategy	Updated 2017 Strategy
Design	<ul style="list-style-type: none"> • Eliminate Enhanced plan (contingent upon migration to Core and HSA plans and overall cost of plan) • Offer Core plan as "PPO" option along with HSA plan. Lean plan designs will provide avoidance of 2018 Excise Tax 	<ul style="list-style-type: none"> • Maintain current plan offering as Excise Tax has been postponed • Introduce Core/Buy-Up dental option • Include year 1 HSA seed bonus for new enrollees into the HSA plan
Cost	<ul style="list-style-type: none"> • Target employer subsidy: 80.0% • Modify contributions to further drive migration to HSA by increasing PPO plan contributions • Lower employer subsidy on dental plans to be more in line with benchmarks 	<ul style="list-style-type: none"> • Target employer subsidy: 83.4% • Increase employee only cost share percentages to 50% of dependent tier cost share percentages for Core and Enhanced, 25% for HSA • Increase dependent tier contributions by needed increase +3% • Employer dental plan subsidy same regardless of plan, employee pays difference • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements

- Positive migration to lower cost plans resulted in higher employer subsidy as a percentage of total cost. However, current strategy has been effective in managing overall cost.

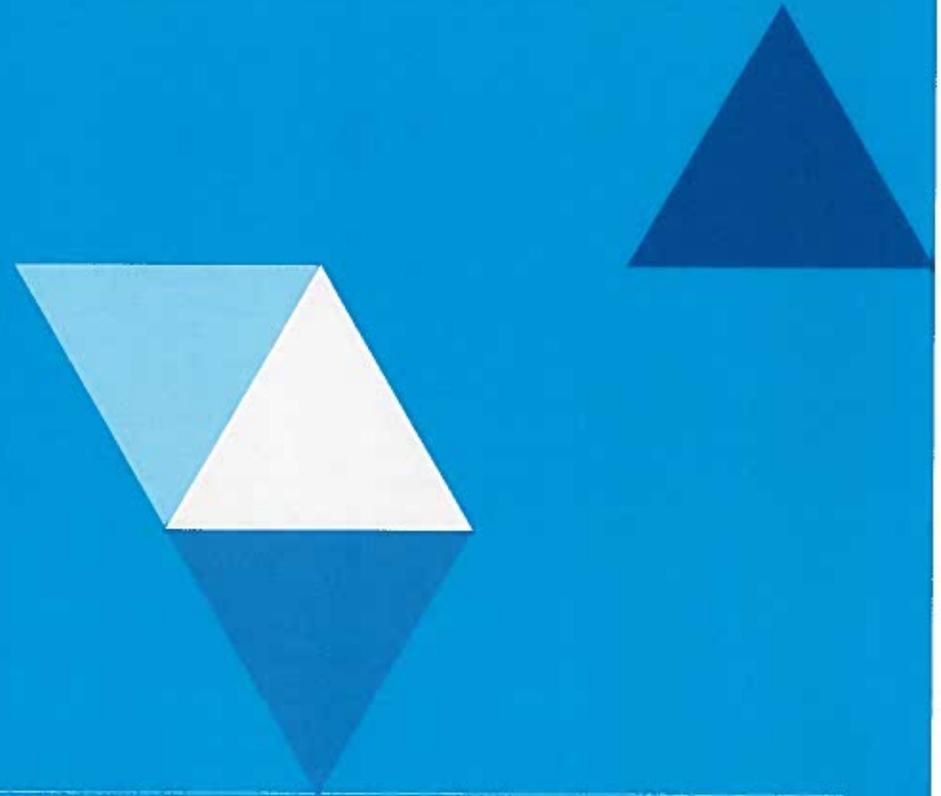
YEAR-OVER-YEAR PLAN COST INCREASE

Year	PEPY Cost	Year-Over-Year Change
2011	\$10,798	
2012	\$11,859	9.8%
2013	\$10,517	(11.3%)
2014	\$11,481	9.2%
2015	\$12,382	7.8%

Average
annual cost
increase of
3.9%

- Costs include paid claims (medical, Rx, vision), administrative fees, and stop loss premium.
- Claims have been adjusted for stop loss reimbursements.

MEDICAL



2016 AND 2017 MEDICAL UNDERWRITING

COG/GUC Financials	2016	2017	2017
	Updated Projection	Projection	Projection***
	Actual data through June	Status Quo*	Recommendation
Paid Claims (Medical/Rx/Vison)	\$16,598,000	\$17,758,000	\$17,758,000
Fixed Cost (ASO and stop loss premiums)	\$1,444,000	\$1,604,000	\$1,604,000
HCR Reinsurance Fee	\$81,000	N/A	N/A
Total Projected Cost	\$18,123,000	\$19,362,000	\$19,362,000
2016 Current Budgeted Premiums	\$17,911,000	\$17,905,000	\$17,905,000
<i>Projected Surplus/(Deficit) \$</i>	<i>(\$212,000)</i>	<i>(\$1,457,000)</i>	<i>(\$1,457,000)</i>
<i>Projected Surplus/(Deficit) %</i>	<i>-1.2%</i>	<i>-8.2%</i>	<i>-8.2%</i>
HSA Seed Money Contributions **	\$60,000	\$61,000	\$61,000
HSA Seed Money Year 1 Bonus **	\$30,000	\$15,000	\$15,000
Employee Contributions	(\$2,722,000)	(\$2,714,000)	(\$3,073,000)
Tobacco Surcharge Contributions	(\$98,000)	(\$98,000)	(\$98,000)
Spousal Surcharge Contributions	(\$119,000)	(\$119,000)	(\$119,000)
COG/GUC Total Net Cost	\$15,274,000	\$16,507,000	\$16,148,000
COG/GUC Cost Share	84.3%	85.3%	83.4%

* Status quo represents no plan design changes or employee contributions changes from 2016, but does include 2017 trend.

** Assumes all health savings accounts are opened and activated by participants.

*** No migration assumed.

2017 Recommendation

- No plan design changes.
- Increase all dependent tier contributions by 11.2% (needed increase + 3%).
- Increase employee only tiers:
 - HSA: 25% of dependent tier cost share percentage.
 - Core: 50% of dependent tier cost share percentage.
 - Enhanced: 50% of dependent tier cost share percentage.

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2017 COST SHARE

2017 (Bi-Weekly)	Premium- Equivalent Rates	% Increase to Rates	Bi-Weekly Employee Contributions by Salary Band											
			< \$32,278			\$32,278 - \$46,950			\$46,951 - \$61,623			> \$61,623		
			EE Contrib	EEs	Cost Share	EE Contrib	EEs	Cost Share	EE Contrib	EEs	Cost Share	EE Contrib	EEs	Cost Share
HSA														
EE	\$254.93	8.2%	\$5.24	4	2.1%	\$6.22	11	2.4%	\$7.20	14	2.8%	\$8.19	4	3.2%
EE+SP	\$535.33	8.2%	\$44.02	0	8.2%	\$52.26	0	9.8%	\$60.52	0	11.3%	\$68.78	3	12.8%
EE+CHILD(REN) FAMILY	\$522.60	8.2%	\$42.97	0	8.2%	\$51.02	3	9.8%	\$59.08	10	11.3%	\$67.13	2	12.8%
	\$764.30	8.2%	\$62.84	0	8.2%	\$74.63	2	9.8%	\$86.40	8	11.3%	\$98.19	16	12.8%
CORE														
EE	\$294.36	8.2%	\$16.20	63	5.5%	\$17.78	126	6.0%	\$21.05	45	7.2%	\$24.30	31	8.3%
EE+SP	\$618.16	8.2%	\$68.04	11	11.0%	\$74.70	20	12.1%	\$88.39	5	14.3%	\$102.07	10	16.5%
EE+CHILD(REN) FAMILY	\$603.44	8.2%	\$66.43	22	11.0%	\$72.91	61	12.1%	\$86.29	64	14.3%	\$99.65	48	16.5%
	\$882.54	8.2%	\$97.15	9	11.0%	\$106.64	46	12.1%	\$126.19	43	14.3%	\$145.73	39	16.5%
ENHANCED														
EE	\$313.31	8.2%	\$29.48	16	9.4%	\$31.43	77	10.0%	\$35.45	49	11.3%	\$39.46	46	12.6%
EE+SP	\$657.92	8.2%	\$123.80	5	18.8%	\$131.99	15	20.1%	\$148.86	17	22.6%	\$165.72	13	25.2%
EE+CHILD(REN) FAMILY	\$642.25	8.2%	\$120.85	5	18.8%	\$128.82	42	20.1%	\$145.32	55	22.6%	\$161.79	28	25.2%
	\$939.32	8.2%	\$176.78	3	18.8%	\$188.46	36	20.1%	\$212.54	48	22.6%	\$236.63	25	25.2%

MEDICAL ACTIVE EMPLOYEE CONTRIBUTIONS 2016 VS. 2017 INCREASE

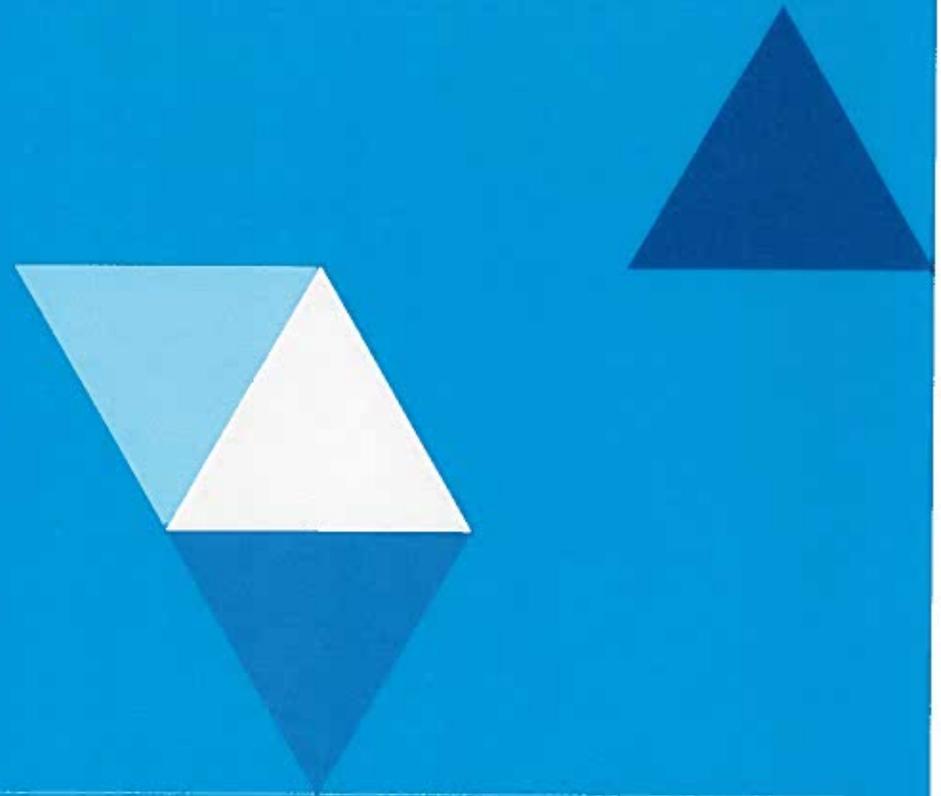
	Bi-Weekly Active Contributions											
	2016	2017	Change	2016	2017	Change	2016	2017	Change	2016	2017	Change
Salary Bands	< \$32,278			\$32,278 - \$46,951			\$46,952 - \$61,623			> \$61,623		
HSA												
EE	\$2.50	\$5.24	\$2.74	\$3.68	\$6.22	\$2.54	\$4.86	\$7.20	\$2.34	\$6.03	\$8.19	\$2.16
EE+SP	\$39.58	\$44.02	\$4.44	\$47.00	\$52.26	\$5.26	\$54.42	\$60.52	\$6.10	\$61.85	\$68.78	\$6.93
EE+CHILD(REN)	\$38.64	\$42.97	\$4.33	\$45.88	\$51.02	\$5.14	\$53.13	\$59.08	\$5.95	\$60.37	\$67.13	\$6.76
FAMILY	\$56.51	\$62.84	\$6.33	\$67.11	\$74.63	\$7.52	\$77.70	\$86.40	\$8.70	\$88.30	\$98.19	\$9.89
CORE												
EE	\$7.37	\$16.20	\$8.83	\$8.10	\$17.78	\$9.68	\$9.58	\$21.05	\$11.47	\$11.06	\$24.30	\$13.24
EE+SP	\$61.19	\$68.04	\$6.85	\$67.17	\$74.70	\$7.53	\$79.49	\$88.39	\$8.90	\$91.79	\$102.07	\$10.28
EE+CHILD(REN)	\$59.74	\$66.43	\$6.69	\$65.57	\$72.91	\$7.34	\$77.60	\$86.29	\$8.69	\$89.61	\$99.65	\$10.04
FAMILY	\$87.37	\$97.15	\$9.78	\$95.90	\$106.64	\$10.74	\$113.48	\$126.19	\$12.71	\$131.05	\$145.73	\$14.68
ENHANCED												
EE	\$26.21	\$29.48	\$3.27	\$27.94	\$31.43	\$3.49	\$31.52	\$35.45	\$3.93	\$35.09	\$39.46	\$4.37
EE+SP	\$111.33	\$123.80	\$12.47	\$118.70	\$131.99	\$13.29	\$133.87	\$148.86	\$14.99	\$149.03	\$165.72	\$16.69
EE+CHILD(REN)	\$108.68	\$120.85	\$12.17	\$115.85	\$128.82	\$12.97	\$130.69	\$145.32	\$14.63	\$145.49	\$161.79	\$16.30
FAMILY	\$158.97	\$176.78	\$17.81	\$169.47	\$188.46	\$18.99	\$191.13	\$212.54	\$21.41	\$212.79	\$236.63	\$23.84

MEDICAL RETIREE EMPLOYEE CONTRIBUTIONS 2017 COST SHARE

2017 Monthly	Premium-Equivalent Rates	Retirees	Retiree Contributions	Cost Share	Increase from 2016
CORE					
REE	\$637.77	75	\$31.89	5%	\$2.42
REE+SP	\$1,339.34	8	\$733.46	55%	\$55.61
REE+CHILD(REN)	\$1,307.46	1	\$701.58	54%	\$53.19
FAMILY	\$1,912.18	1	\$1,306.30	68%	\$99.01
ENHANCED					
REE	\$678.83	129	\$72.95	11%	\$5.56
REE+SP	\$1,425.49	13	\$819.61	57%	\$62.12
REE+CHILD(REN)	\$1,391.55	1	\$785.67	56%	\$59.55
FAMILY	\$2,035.19	4	\$1,429.31	70%	\$108.34

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DENTAL



2016 AND 2017 DENTAL UNDERWRITING

Dental	2016 Updated Projection Actual Data Through June	2017 Projection Status Quo*	2017 Projection Recommendation Dual Option
Dental Claims	\$898,000	\$920,000	\$841,000
Admin Fees	\$41,000	\$42,000	\$42,000
Total Projected Cost	\$939,000	\$962,000	\$883,000
Average Enrollment	1,158	1,160	1,160
Budget (Based on 2016 premium equivalent rates)	\$953,000	\$952,000	\$883,000
Surplus/(Deficit)	\$14,000		
Surplus/(Deficit) % Change	1.5%	-1.0%	
Employee Contributions	\$335,000	\$334,000	\$368,000
Employer Net Cost	\$604,000	\$628,000	\$515,000
Employer Cost Share %	64.3%	65.3%	58.3%

* Status quo represents no plan design changes or employee contributions changes from 2016, but does include 2017 trend.

• Recommendation is to move to a dual option plan design in 2017. Employees pay the difference for the higher cost plan.

2017 DENTAL ALTERNATIVE – DUAL OPTION

Plan Design	Status Quo	Proposed Dual Option*	
		Dental	Dental Plus
Projected 2016 Cost PEPY	\$793	\$651	\$896
Deductible - Individual	\$25	\$50	\$25
Deductible - Family	\$75	\$100	\$50
Annual Maximum	\$1,000	\$1,000	\$2,000
Class I	100%	100%	100%
Class II	80%	70%	80%
Class III	50%	50%	50%
Class IV (Orthodontia)	50%	N/A	50%
Ortho Lifetime Max	\$2,000	N/A	\$3,000
Total Impact to Claims		-18%	13%
Total Projected Enrollment	1,160	812	348
Projected Annual Claims Cost	\$920,000	\$529,000	\$312,000
Projected Annual Admin Fees	\$42,000	\$42,000	
Total Gross Cost	\$962,000	\$883,000	
<i>Estimated Savings</i>		<i>\$79,000</i>	

* Assumes 70% enrollment into the Dental plan, 30% into the Dental Plus plan.

2017 DENTAL – PREMIUM EQUIVALENT RATES & CONTRIBUTIONS

2017 Dental Rates				
Bi-Weekly	2017 Premium Equivalent Rates	2017 Employee Contributions	Cost Share	Difference from 2016
Dental				
EE	\$13.81	\$2.95	21.3%	(\$0.59)
EE+SP	\$29.01	\$11.23	38.7%	(\$2.26)
EE+CHILD(REN)	\$25.56	\$9.89	38.7%	(\$1.99)
FAMILY	\$41.45	\$16.05	38.7%	(\$3.22)
Dental Plus				
EE	\$19.04	\$8.17	42.9%	\$4.63
EE+SP	\$39.98	\$22.20	55.5%	\$8.71
EE+CHILD(REN)	\$35.22	\$19.56	55.5%	\$7.68
FAMILY	\$57.12	\$31.72	55.5%	\$12.45

JOINT PAY AND BENEFITS COMMITTEE RECOMMENDATION



JOINT PAY AND BENEFITS COMMITTEE RECOMMENDATION

The Joint City/GUC Pay and Benefits Committee met on August 23, 2016, and recommended that the City Council and GUC Board of Commissioners approve the following for Plan Year 2017 Health and Dental Benefits:

- Maintain current plan options (HSA, Core, Enhanced);
- Include year 1 HSA seed bonus for new HSA enrollees;
- Increase employee only cost share to 50% of the dependent tier cost share percentages for Core and Enhanced, and to 25% for HSA;
- Increase dependent tier contributions by 11.2%; and
- Introduce Core/Buy-Up dental option;

STRATEGY FOR NEXT THREE YEARS



COG/GUC THREE-YEAR STRATEGY

	2017	2018	2019
Design	<ul style="list-style-type: none"> • Maintain current plan offering as Excise Tax has been postponed • Introduce Core/Buy Up dental option • Include year 1 HSA seed bonus for new enrollees into the HSA plan 	<ul style="list-style-type: none"> • Index deductibles and out-of-pocket maximums • Modify Core and HSA plan designs to reduce overall benefit value to offset increased cost and create greater differential between plan values • Include year 1 HSA seed bonus for new enrollees into the HSA plan and consider increase to annual HSA seed amount 	<ul style="list-style-type: none"> • Prepare current medical plan offering for transition to dual option program (i.e., HSA and single PPO) • Include year 1 HSA seed bonus for new enrollees into the HSA plan and consider increase to annual HSA seed amount
Cost	<ul style="list-style-type: none"> • Target employer subsidy: 83.4% • Increase employee only cost share percentages to 50% of dependent tier cost share percentages for Core and Enhanced, 25% for HSA • Increase dependent tier contributions by needed increase +3% • Employer dental plan subsidy same regardless of plan, employee pays difference • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements 	<ul style="list-style-type: none"> • Target employer subsidy: 82% • Increase employee cost share across all tiers to achieve target subsidy • Monitor first year results of dual option dental plan • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements 	<ul style="list-style-type: none"> • Target employer subsidy: 81% • Increase employee cost share across all tiers to achieve target subsidy • Continue to reinforce employer subsidy • Ongoing monitoring of plan cost to maintain appropriate actuarial balance to minimize selection risk • Monitor plan cost to Excise Tax requirements

JOINT PAY AND BENEFITS COMMITTEE RECOMMENDATION



JOINT PAY AND BENEFITS COMMITTEE RECOMMENDATION

The Joint City/GUC Pay and Benefits Committee met on August 23, 2016, and recommended that the City Council and GUC Board of Commissioners approve the proposed Three-Year Strategy for Medical and Dental Benefits for Plan Years 2017 – 2019.



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All estimates are based upon the information available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.