

1 Minutes of the Centerville City Council **work session** held Tuesday, May 3, 2016 at 5:30 p.m. in
2 the Centerville City Council Chambers, 250 North Main Street, Centerville, Utah.

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4 **MEMBERS PRESENT**

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6 Mayor Paul A. Cutler

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8 Council Members Tamilyn Fillmore
9 William Ince
10 Stephanie Ivie (arrived at 5:37 p.m.)
11 George McEwan
12 Robyn Mecham

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14 **STAFF PRESENT**

15 Steve Thacker, City Manager
16 Blaine Lutz, Finance Director/Assistant City Manager
17 Lisa Romney, City Attorney
18 Jolene Jackson, Treasurer
19 Jacob Smith, Assistant to the City Manager
20 Katie Rust, Recording Secretary

21 **VISITORS**

22 Brad Bennett, GBS Benefits, Inc.
23 Marcie Gentry, GBS Benefits, Inc.

24 **EMPLOYEE HEALTH INSURANCE RENEWAL OPTIONS**

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26 Staff met recently with the City's health insurance broker, GBS Benefits, to review the
27 renewal offers for medical, dental, life and disability insurance coverage. The brokers secured
28 renewal offers for life and disability with no increase in premiums. The renewal for dental
29 insurance would be a 3% increase and the renewal for medical insurance would be a 4.54%
30 increase for continuation of the same benefit plan. The brokers represent these as very good
31 renewal rates for the City compared to the trend they are seeing for their other Utah clients.
32 However, in response to interest expressed by several Council members, the brokers have also
33 submitted an option for a Health Savings Account/High Deductible (HSA) medical plan. Brad
34 Bennett with GBS expressed the opinion that the eventual switch to an HSA is inevitable. Mr.
35 Bennett commented that the City offers a comparatively rich benefits package when compared
36 with the private sector. He emphasized the need to educate employees and their spouses to
37 avoid confusion. Mayor Cutler and Council members Fillmore and Ivie indicated they are in
38 favor of adding an HSA option now, based on their personal experience. Councilman McEwan
39 commented that the first big difference for employees will be at the pharmacy. Mayor Cutler
40 asked Mr. Bennett how to make the switch less painful. Mr. Bennett responded that employees
41 with HSA experience will jump on the opportunity. He recommended the City offer both
42 traditional and HSA options, and expressed confidence that more employees will choose the
43 HSA option as they become more familiar with it. To offer both HSA and traditional plans,
44 however, the deductible for the traditional plan should be increased from \$750 (single) to
45 \$1,000. He presented to the Council a traditional plan proposal with the \$1,000 single
46 deductible (\$3,000 family), which would cost 2.47% more than the current traditional plan
47 premium. The Council discussed the options presented – i.e. \$750 deductible plan, \$1,000
48 deductible plan, and an HSA plan. The City has the option of contributing to individual
49 employee HSA accounts. Marcie Gentry with GBS commented that the City could contribute a
50 little more for employees with multiple dependents than for employees with no dependents,
51 considering the difference in individual and family deductibles. The City has traditionally paid
52 90% of the medical insurance premium.

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54 Mayor Cutler asked staff how they think employees will react to the HSA option. Jolene
55 Jackson and Jake Smith responded that many employees are fearful, especially those with high

1 pharmacy costs. Mr. Smith agreed that education will be helpful. Mr. Bennett stated that, on
2 average, 20% of employees will reach their deductible in a year. He explained HSA eligibility
3 restrictions, including the fact that employees over the age of 65 are not eligible for an HSA.
4 Ms. Gentry expressed confidence in their ability to educate and explain the options to
5 employees. She suggested employee spouses be encouraged to attend the enrollment
6 meeting.

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8 Mayor Cutler said he believes the City should provide significant incentive, and
9 suggested reallocating all of the savings from changing plans this year (\$72,000) to incentivize
10 HSA participation. Councilman McEwan agreed that the City should not expect to save
11 anything in year one. Councilwoman Fillmore stated she is fine with a significant incentive in
12 year one, but would hate to set up the expectation that similar contributions will continue.
13 Councilwoman Mecham expressed concern that if the HSA is funded too heavily in year one,
14 employees will make the switch expecting it to continue. Councilman Ince suggested the City
15 make it clear that the significant contribution would only occur in year one. Mr. Bennett
16 suggested always reinvesting savings into employee accounts. Councilman McEwan stated he
17 does not see a reason to put off offering the HSA option.

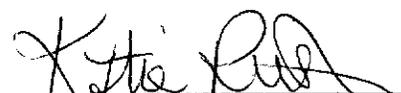
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19 At this point in the discussion, Jolene Jackson, the City's employee benefits
20 administrator, asked if an HSA plan could be implemented in the middle of the Flex Spending
21 Account (FSA) period, which is currently on a calendar year basis. Mr. Bennett acknowledged
22 that since the City's health insurance plan is on a fiscal year basis, an HSA plan cannot be
23 implemented until the end of the FSA period. The Council and staff discussed options for
24 bringing employees with FSAs into alignment with HSA enrollment. Mr. Thacker suggested the
25 City could go with an increased deductible (\$1,000) plan as of July 1, 2016, then renew the FSA
26 plan for only six months in January 2017, thereby allowing the HSA plan to be offered in July
27 2017. Mr. Bennett agreed it would be most effective to wait until everyone is eligible in July
28 2017. Mr. Bennett agreed to verify whether the "out-of-pocket" maximum limits showing in the
29 \$1,000 deductible plan are correct. [Note: GBS subsequently informed staff these limits were
30 not correct.]

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32 **ADJOURNMENT**

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34 Mayor Cutler thanked Mr. Bennett and Ms. Gentry, and adjourned the work session at
35 6:55 p.m.

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41 Marsha L. Morrow, City Recorder

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47 5-17-2016
Date Approved

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Katie Rust, Recording Secretary

