



**CITY OF KIRKLAND**  
Human Resources Department  
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www.ci.kirkland.wa.us

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## MEMORANDUM

**To:** City Council  
**From:** William R. Kenny, Human Resources Director  
**Date:** September 23, 2010  
**Subject:** CITY OF KIRKLAND MEDICAL BENEFITS PROGRAM

Over the past couple of years the City's medical benefits have been under review by the Human Resources Department, as well as our Medical Benefits Committee. During this time we have completed a due diligence assessment or study of options, while closely watching the changes that are occurring with our current provider of medical benefits, the Association of Washington Cities (AWC).

### RECOMMENDATION:

It is recommended that the City Manager be authorized by Council to execute the agreements necessary to accomplish a City of Kirkland Self Funded medical benefits program. Specifically, it is our recommendation to move the City from the AWC medical benefit plans to self-insuring our medical and directly contracting our ancillary benefits (vision, dental, EAP, etc.) effective January 1, 2011. This move will help to maintain the City's benefits goals by allowing us to "control our destiny," abide by our collective bargaining agreements in providing "substantially equivalent" benefits, as well as place the City in a better position to increase consumer awareness and manage benefits costs.

### BACKGROUND DISCUSSION:

Through discussion with the benefits committee, negotiations with our unions, and working closely with our broker, we have developed the "PRIME" medical plan. This plan is a self-insured plan that offers our employees "substantially equivalent" benefits, complies with the Affordable Care Act (Health Care Reform) requirements and will allow the City to more effectively control costs and benefit levels in future years. Commitments from carriers to accomplish this have been secured.

Attached is a copy of the Study Session Presentation with the following:

- Discussion of due diligence study
- What options are available and were examined in the market
- Explanation of self-funding, how it works and the components
- Comparable other surrounding cities who are self-funded
- Discussion of "PRIME" medical plan
- Discussion of dental, vision, and EAP coverage
- Recommendation justification and associated costs

Additionally, at the Study Session, several questions were asked by Council members. These questions, respective answers and supportive materials will also be added to the Agenda packet.

FINAL DUE DILIGENCE REVIEW:

As was also highlighted at the Study Session, we are conducting a final due diligence assessment of the actuarial and finance work that formed the basis of our recommendation to move to self-funded medical insurance and our implementation plan. Kirkland will be contracting with Milliman, a widely respected actuarial consulting firm to review our assumptions regarding liability limits assumptions and stop loss amounts. The City Manager will not execute any contracts until that review has been completed.



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**MEMORANDUM**

**To:** City Council  
**From:** William R. Kenny, Human Resources Director  
**Date:** September 27, 2010  
**Subject:** CITY OF KIRKLAND MEDICAL BENEFITS PROGRAM

This memo will address questions that were asked by Council during the Council Study Session of September 21, 2010. The format of this memo is in a question and answer format so as to easily address all questions asked.

**Q:** What health care reform regulations are we implementing ahead of the timeline, and if we do what the costs are?

**A:** There are no discretionary elements that are being implemented earlier than required that would result in additional cost to the City.

The plan design of the PRIME Medical Plan includes all of the regulations that are mandatory for January 1, 2011. The other regulations will be added as they become mandatory. Some changes are already in place at this time (i.e. FSA limit on employee contributions, Dependent coverage to age 26, etc.) and others will be addressed as they are required (i.e. Form W-2 reporting, Medicare, etc.) The self-funded plan allows us to make these changes and keep in compliance with federal regulations. (*Please see Attachment #1 - for an overview and timeline of Health Care Reform Key Elements.*)

**Q:** What type of cost sharing do other surrounding City's have in their medical plans?

**A:** Below is a chart that outlines some of our surrounding self-funded City's cost sharing within the plan designs as well as premium cost sharing:

	Kirkland	Bellevue	Everett	Redmond	Kent	Renton	Tukwila
Individual Deductible	\$100	\$0	\$300	\$100	\$0	\$0	\$100
Office Visit Co-pay	\$10	\$10	NA	NA	\$15	\$35	\$25
Out-Of-Pocket Max.	\$475	NA	\$750	\$600	NA	\$700	\$475
Premium (Employee)	\$0*	7.7%**	\$0	\$0	6%**	\$46	\$0
Premium (Family)	\$0*	17.1%**	\$0	15.6%	11.3%**	\$46	\$0

\*Part-time employees pay a portion of the premium prorated by their FTE, i.e. a .5 FTE would pay 50% of their premium.

\*\*These percentages are in reference to the Cities' base plan. For example, at the City of Bellevue, a high-deductible plan is offered and if an employee elects this plan, it is the employee that is paid a monthly amount for that election. Alternatively, there are also a variety of optional plans which have varying levels of "buy-up" for coverage. Public Safety may also not be in the base plan at various Cities that have multiple plans.

Q: What is the current enrollment of our employee group in our medical plans?

A: Below is a chart that shows how enrollment is divided at the City:

Group Health	Employees
Employee Only	3
Employee + Spouse	13
Employee +1 Dependent	2
Employee & 2+ Dependents	3
Employee, Spouse + 1 Dependent	6
Employee, Spouse & 2+ Dependents	14
Total	41

Regence	Employees
Employee Only	109
Employee + Spouse	66
Employee +1 Dependent	20
Employee & 2+ Dependents	18
Employee, Spouse + 1 Dependent	51
Employee, Spouse & 2+ Dependents	132
Total	396

The enrollment would result in at least 116 bodies in Group Health and 1016 bodies in Prime medical, for a total of over 1132 insured at the point of time of this enrollment.

Q: Self-insurance has an element of financial exposure, how are we dealing with it?

A: The City has taken a very conservative approach to self-insuring. As stated in the Council Study Session, the recommendation put forward includes two types of stop-loss coverage: Specific (individual) stop-loss, as well as Aggregate stop-loss. Specific stop-loss insurance kicks in when a single covered person's claims go above a certain amount; aggregate stop-loss protects the employer if the total health care bill goes over a certain set ceiling.

Stop-loss insurance takes some of the gamble out of self-insuring because it pays any claim that is more than the "deductible"--in other words, the amount that the company chooses to pay out-of-pocket. The risk with stop-loss insurance is that a company will very likely end up paying for a service it doesn't use. In fact, industry sources say, the insurance pays out any claims for only 10 percent of firms that use it; the other 90 percent of firms never reach the "deductible."

The specific stop-loss plan that we have recommended is also at a conservative level. Again, to provide some context, in comparison to the other self-insured Cities that surround Kirkland, we are purchasing stop-loss at a level that more greatly limits our risk:

<u>City</u>	<u>Specific Stop-loss Level</u>
Bellevue	\$200,000
Everett	\$200,000
Redmond	\$120,000
Kent	\$140,000
Renton	\$150,000
Tukwila	\$110,000
AVERAGE	\$153,000
KIRKLAND	\$100,000

As a further means of limiting financial exposure, Human Resources and Finance wanted to assure that money set aside in the budget was more than ample to cover any unexpected claims or costs. This was critically important for two reasons:

- 1) It is clearly understood that the program must be self-sustaining and, once established, cannot come back to the City for additional funding, and
- 2) As we don't have claims history, the potential claims liability was extrapolated by the best actuarial analysis possible and set at an above-industry standard "maximum liability level." (*Please see Attachment # 2*)

To further mitigate these factors, a "rate stabilization" fund will be an inherent part of the program. This fund will assure that sufficient reserves are available for any unexpected cost and to reduce future costs. This will further reduce any uncertainty for the early years, especially as we build a clear understanding of our claims data and utilization.

Additional due diligence is also being exercised. As was also highlighted at the Council Study Session on September 21<sup>st</sup>, we are conducting a final due diligence assessment of the actuarial and finance work that formed the basis of our recommendation to move to self-funded medical insurance and our implementation plan. Kirkland will be contracting with Milliman, a widely respected actuarial consulting firm, to review our assumptions regarding liability limits and the attachment points for the stop-loss coverage. The City Manager will not execute any contracts until that review has been completed.

Q: If the City chooses to go with the self-insurance program and it is not successful, what are the costs of going back?

A: There are two parts to this answer, the first dealing with actual costs and the second dealing with what options are available.

Costs: The true cost of "going back" would typically be the "run out period." This is generally a period of approximately three months after the plan has ended when claims continue to be paid by the city. In order to handle this issue, the recommended stop-loss contract would consist of what is referred to as a 12/15 contract. This means that the claims that we incur in a 12 month period would be paid in a 15 month period to account for the "lag time" or run-out that may occur during claim adjudication. While the City is still responsible for these claims, this means that the stop-loss limits are also in place for the run-out period, including both specific and aggregate stop-loss coverage. Therefore, if during the 15 month period, the aggregate limit is exceeded; all claims above this level would be paid in full by the stop-loss carrier, up to an additional one million dollars.

Options: The City will have the same options that exist today. We could look at any of the Multi-employer trusts, for example, PEBB, AWC, Teamsters Trust, etc. Additionally at that point we will have claims data and be able to go into the marketplace for the purpose of direct contracting. We could also look at a consortium approach with other self-funded Cities or for group purchasing. Obviously, which of these options will be the best approach and what they cost will be determined by the reasons that we chose to abandon self-insurance, as well as claims data and demographics.

Of course, it must be noted that once self-funded, an employer has a variety of options available to influence the "success" of the program prior to such a decision, including utilization analysis, change of plan design, and expansion of cost-sharing and/or premium cost sharing.

Q: What is the strength of First Choice?

A: First Choice Health Network consists of over 42,000 doctors and 220 hospitals through the Pacific Northwest. First Choice is the fastest growing network in Washington State, so we are expecting these numbers to grow even larger.

Along with their large network, First Choice has over 1.4 million insured individuals. With this many insured's they have a lot of negotiating clout when negotiating and setting their network discounts with their doctors and hospitals.

Q: What are the Brokerage fees associated with Self-insurance?

A: Brokerage fees are including the total cost of our self-funded program. These costs are based on a percentage, which is paid by the City's selected carriers, not by the City directly. The cost for 2011 is anticipated to be approximately \$73,000. While these fees are paid by the insurance carrier, this fee includes Clearpoint services such as claims analysis and advocacy for the City.

Q: What are the total costs we are currently paying for the City's health care programs and what will the costs be under the proposed program? What are the savings?

A: Including all known costs and all health-related insurance coverage and costs, the attached chart reflects the answer to this question. (*Please see Attachment #3*)

Self-funding gives the City the greatest ability to control our destiny and future costs. In addition to avoiding the costs of a higher increase from the AWC in 2011, we will also be looking to avoid these double digit increases into the future. Being self-funded and controlling our destiny the City to be better positioned to analyze our claims and utilization. This advantage will help us to evaluate plan design, implement cost sharing where appropriate, and educate our employees regarding care options and consumer driven health care. As noted in the Reading File of February 2010, the average increase ("trend") of AWC in recent years has been approximately 10%, compared to our surrounding self-insured Cities running nearer to 6%.

In the Council Agenda packet, you will also find the Study Session materials that provide a significant amount of relevant information.

Please let us know if any additional information or clarification would be helpful.

It is hoped that these submissions will assist Council in making this very significant decision as to the interests of the City, its employees and their families.

Taking all factors into consideration, staff would recommend that the City Manager be authorized by Council to execute the agreements necessary to achieve self-funded health benefits for the City of Kirkland, effective for January 1, 2011.

# Key elements of health reform for employers

- Change in tax treatment for over-age dependent coverage
- Accounting impact of change in Medicare retiree drug subsidy tax treatment
- Early retiree medical reinsurance
- Medicare prescription drug "donut hole" beneficiary rebate
- Auto-enrollment of full-time employees (effective TBD)
- Break time/private room for nursing moms

- Employers must distribute uniform benefit summaries to participants
- Employers must provide 60-day advance notice of material modifications (TBD)
- Form W-2 reporting for 2011 health coverage

- Health insurance exchanges
- Individual coverage mandate
- Financial assistance for exchange coverage of low-income individuals
- Medicaid expansion
- New health plan regulations
- HIPAA wellness limit increases
- Shared responsibility penalties
- Free-choice vouchers
- Additional reporting and disclosure

- Dependent coverage to age 26 for any covered employee's child\*\*
- No annual dollar limits\*\*
- No pre-existing condition limits\*\*
- No waiting period over 90 days\*\*
- Additional new standards for new or "non-grandfathered" health plans, including limited cost-sharing
- Health insurance industry fees begin

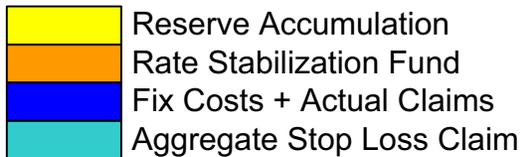
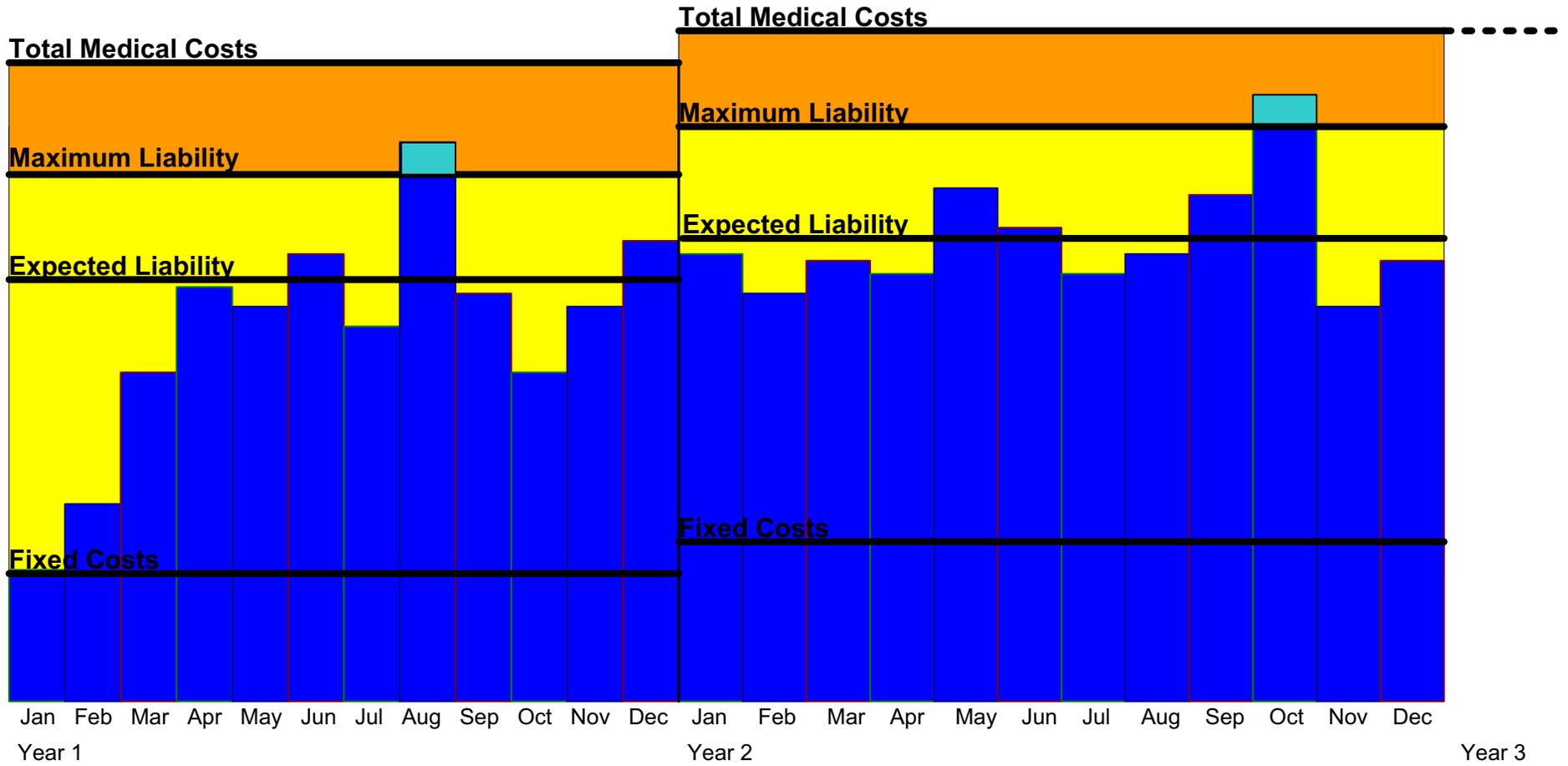


- Dependent coverage to 26 (no other employer coverage available)\*
  - No lifetime dollar limits\*
  - Restricted annual dollar limits\*
  - No pre-existing condition limitations for children up to age 19\*
  - No rescissions\*
  - Additional standards for new or "non-grandfathered" health plans, including non-discrimination provisions for insured plans and mandatory preventive care with no cost-sharing
- No health FSA/HRA/HSA reimbursement for non-prescribed drugs
  - Increased penalties for non-qualified HSA distributions
  - Voluntary long-term care "CLASS" program slated to start
  - Pharmaceutical manufacturers' fees start
  - Medicare, Medicare Advantage benefit and payment reform
  - Insurers subject to medical loss ratio rules\*

- \$2,500 health FSA contribution cap (indexed)
- Medical device manufacturers' fees start
- Higher Medicare payroll tax on wages exceeding \$200,000/individual; \$250,000/couples
- New Medicare tax on net investment income for taxpayers with incomes exceeding \$200,000/individual; \$250,000/couples
- Research fees begin
- Change in Medicare retiree drug subsidy tax treatment takes effect

- Excise tax on "high cost" or Cadillac plans
- \* Applies to all plans, including "grandfathered" plans, effective for plan years beginning on or after Sept. 23, 2010 (Jan. 1, 2011, for calendar year plans). Collectively bargained plans may have a delayed effective date.
- \*\* Applies to all plans, including grandfathered plans, effective for plan years beginning on or after Jan. 1, 2014.

# How do we build reserves? - Illustrative Example (not to scale)



**Employee Insurance Costs**  
**2010 Estimate/2011 AWC Current/Revised AWC Budget & 2011 Self-Insurance**

<b>2011</b>	<b>2010 Estimate<sup>1</sup></b>	<b>Current<sup>2</sup> 2011 Budget</b>	<b>Revised<sup>3</sup> 2011 Budget</b>	<b>2011 Self Insured Budget</b>
Medical	6,013,737	7,852,381	8,139,008	7,914,437
Dental	673,470	731,541	701,593	780,656
Vision	105,835	108,532	108,532	89,820
<b>Total Health Care</b>	<b>6,793,042</b>	<b>8,692,454</b>	<b>8,949,133</b>	<b>8,784,913</b>
Life Insurance	121,962	157,671	157,671	157,671
Disability <sup>4</sup>	258,396	284,174	284,174	284,174
Industrial Insurance	562,560	587,320	587,320	587,320
<b>Total</b>	<b>7,735,960</b>	<b>9,721,618</b>	<b>9,978,298</b>	<b>9,814,077</b>

**Self Insured Difference:**

To Current 2011 Budget Assumptions:	92,459
To Revised 2011 AWC Assumptions:	(164,220)

<sup>1</sup> 2010 estimates based on actuals through September

<sup>2</sup> Current AWC rate increase assumptions used for Budget: 10% Medical; 5% WDS; 5% Teamster Dental

<sup>3</sup> Revised AWC rate increase assumptions used for Budget: 14% Medical; 0% WDS; 5% Teamster Dental

<sup>4</sup> Paid out of Employer MEBT contribution as replacement for social security disability; required component of MEBT plan

**Assumptions**

- 1) Rate stabilization assumed at \$500,000
- 2) 2011 Budget Based on currently budgeted 467.81 budgeted regular employees
- 3) 2011 Budget based on employee, spouse plus 1/3 dependent as average demographic for medical/dental/vision
- 4) Medical includes Plan A, Plan B, Group Health and LEOFF 1 Retiree medical participants; budget based on Regence plans
- 5) 2011 LEOFF 1 retiree medical rate in self-insured scenario matches 14% Regence increase assumption
- 6) Dental includes WDS, Willamette and Teamsters participants; budget based on WDS and Teamsters plans
- 7) Costs as of September 29, 2010; assumptions will be updated once final costs are known.

# Medical Benefits

September 21, 2010





# Union Agreements

## Article 15.1 (AFSCME CBA Example)

“The **Employer may self-insure** medical and/or dental insurance coverage or select a new medical and/or dental insurance plan and **shall make every possible effort to maintain substantially equivalent benefits**.

The Employer and the Union shall meet to explore alternative insurance coverage prior to selecting any new medical and/or dental insurance plan in order to maintain substantially equivalent benefits at a reasonable cost. The Employer recognizes its responsibility to bargain with the union the impact of those decisions.



## Background

- AWC announced elimination of Plans A & B and the City began exploring options in 2008
- Explored options that provide “Substantially Equivalent” benefits
- “Due Diligence Study” vs. Options
- Options Explored:
  - Stay with AWC
  - Another Multi-employer Trust
  - Contract Directly
  - Self Insurance (Recommended)
- Limitations – no “claims history” leads to many carriers declining to quote Kirkland



# Clearpoint

## Historic Relationship with City of Kirkland:

- MEBT lines of coverage
  - LTD & Survivor Life
- 2004 Benefits Committee Consultant
  - Consumer Driven Medical Plans & Self-Insurance Examination
- 2007 Life, AD&D and Supplemental Life
- 2008 “Due Diligence Study”/Options
  - Market Analysis on all lines of Health Insurance





# Self-Insurance

## Recommended Option

- What is self-insurance?
- How is it funded?
- How does it work?
- Key Players/Components Needed
- How to involve employees?
  - “Consumer Awareness”
  - Governance



## What is self-insurance?

- Many neighboring cities are self-insured
- The City pays claims, not premiums
- It is a team approach...
  - Provider Network
  - Third Party Administrator (TPA)
  - Consultant/Advocate (Broker)
  - Stop-loss Insurance
  - State Oversight
  - Benefits Committee



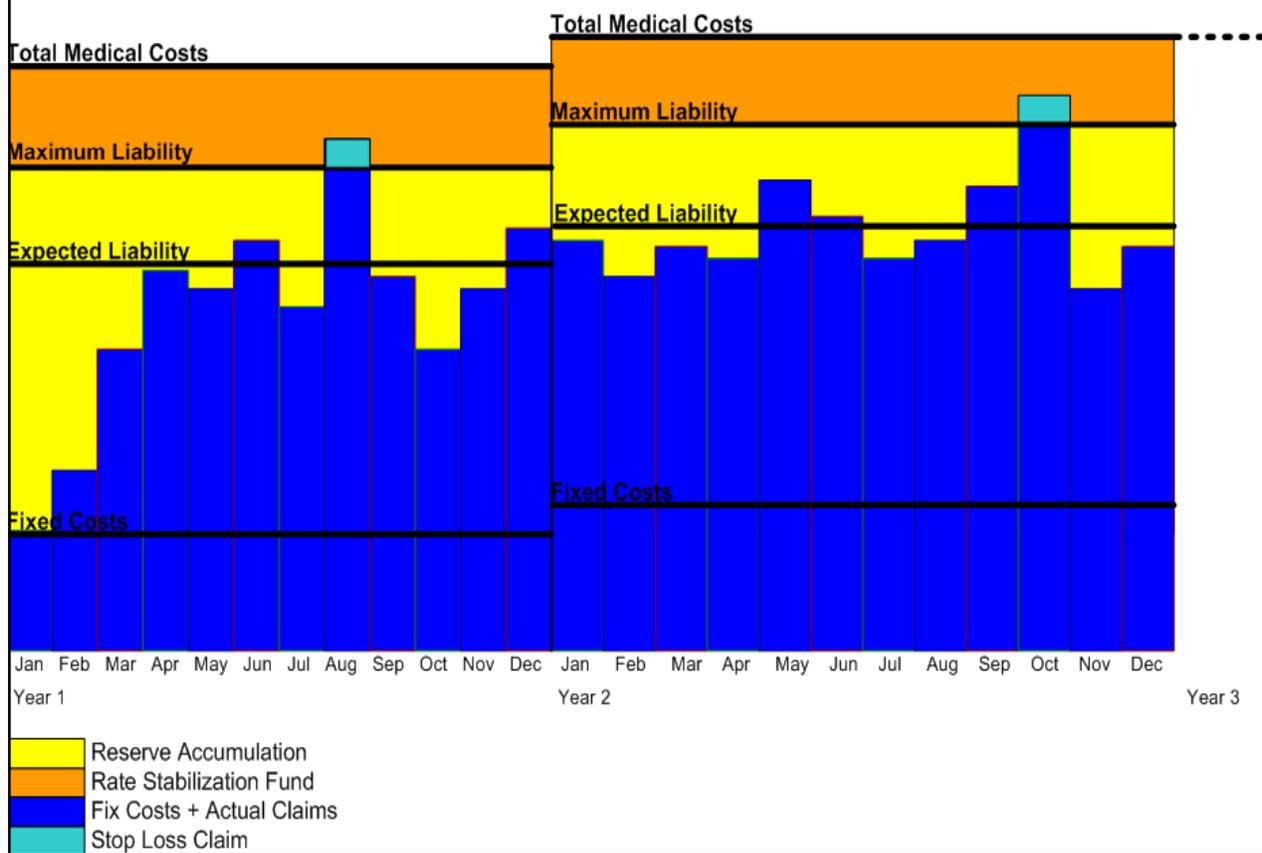
## Self-Insured Cities

### Neighboring Cities Examples:

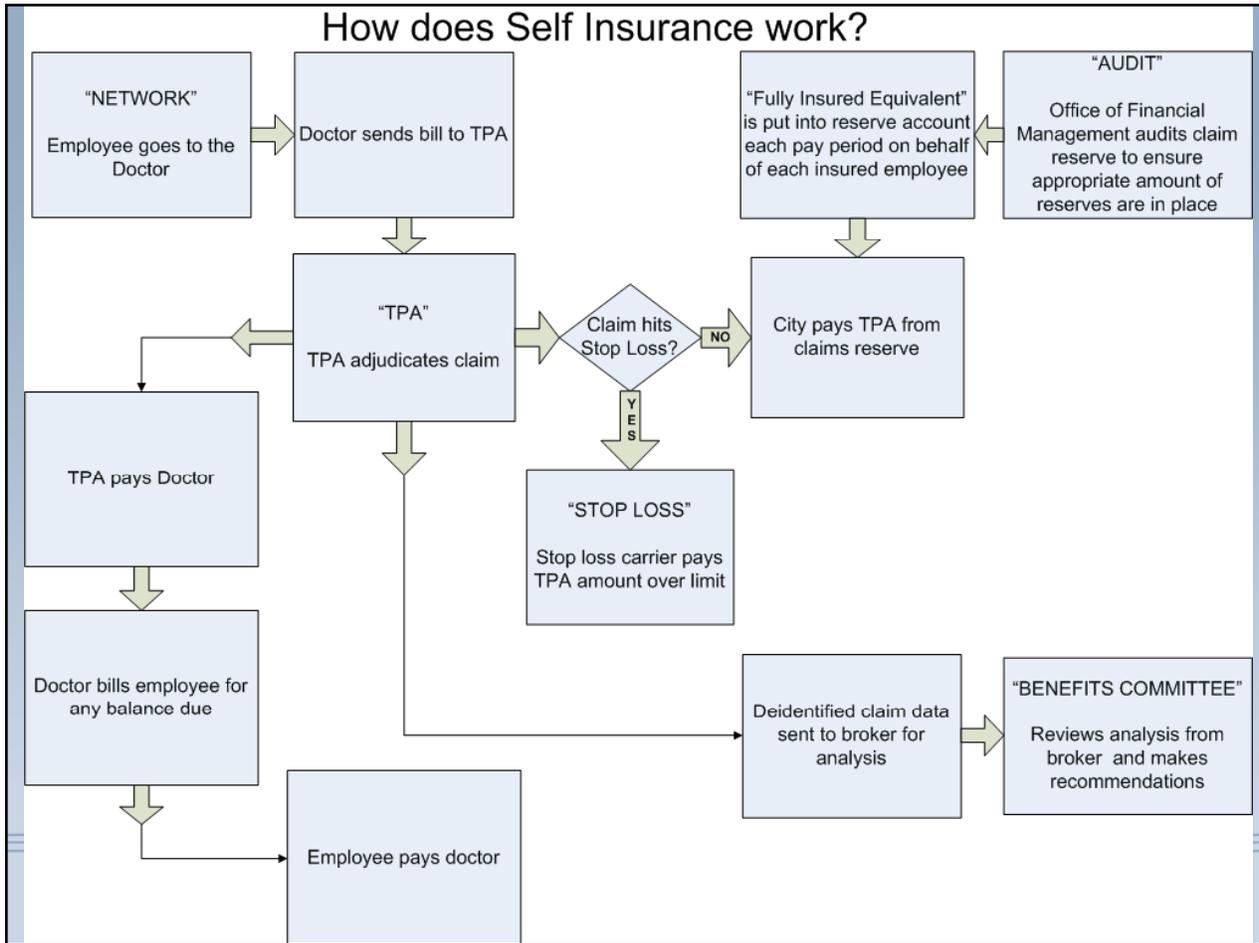
Example	PEPM
• Bellevue	\$955.51
• Everett	\$870.65
• Redmond	\$787.78
• Kent	\$991.94
• Renton	\$953.47
• Tukwila	\$904.24
Average	\$910.60
Kirkland	\$1029.99



# How do we build reserves? - Illustrative Example (not to scale)



## How does Self Insurance work?



## Key Players

- Provider Network (PPO)
  - First Choice Health Network
- Third Party Administrator
  - First Choice Health Administrators
- Consultant/Advocate (Broker)
  - Clearpoint: Employee Benefits Consulting
- Stop Loss Insurance
  - ING Financial Services
- State Oversight
  - Office of Financial Management
- Benefits Committee
  - Comprised of management & Union members



# First Choice Health Network

**First Choice Health™**  
Healthy Employees. Healthy Companies.™

[Click Here to Find a Doctor or Hospital](#)

- First Choice Health Home
- Provider Directories For Providers
- Core Services**
  - PPO Network
  - Medical Management
  - Employee Assistance Program
  - Physician Assistance Program
  - First Choice Health Administrators
- Community Partnerships**
  - Health IT Awards
  - Puget Sound Health Alliance
- Resources**
  - About First Choice Health
  - Career Opportunities
  - Contact Us

**Welcome to First Choice Health**

First Choice Health is a Seattle-based, physician and hospital owned company that has served Washington and the Northwest since 1985. We now serve well over one million people with our array of products and services. First Choice Health's Preferred Provider Organization (PPO) is recognized as the leading independent PPO Network in Washington and Oregon, with a growing regional presence in Idaho, Montana and Alaska. **Combined our network offers over 42,000 directly contracted and credentialed providers and 220 hospitals** used by a wide variety of insurance companies, third party administrators, and plan sponsors. In addition to our PPO Network, First Choice Health offers Medical Management Services, an Employee Assistance Program (EAP), a Physician Assistance Program (PAP), and Third Party Administration (TPA).

**Montana Unified School Trust (MUST)**

**Recent News:**

Montana Unified School Trust (MUST) awards First Choice Health the contract for PPO Network access, Third Party Administration and Medical Management services. To read more click [here](#).

Jeff Robertson, M.D. Named New Chief Medical Officer at First Choice Health. To read more click [here](#).

First Choice Health partners with the Puget Sound Health Alliance to produce the "Community Checkup" Report. To read more click [here](#).



# First Choice Health Administrators

- Medical Management
- Employee Assistance Program
- Physician Assistance Program
- First Choice Health Administrators**
- myFirstChoice Member Portal
- About FCH Administrators
- FCHA Services
- For Providers
- For Employers
- Online Enrollment
- Contact Us
- Client Portal
- Community Partnerships
- Health IT Awards
- Puget Sound Health Alliance
- Resources
- About First Choice Health
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- Contact Us

## First Choice Health Administrators offers:

### Consumerism Focused

At FCHA, we focus on the health of our members by enabling participants to be their own advocates. This means giving members the tools to be fully involved in their health care needs. We provide a single portal for access to reliable sources of Healthcare Costs and Health and Wellness Information.

We deliver innovative solutions to our clients. Product customization is important. With FCHA, the client is able to design their own specific consumer driven plan; including integrated Health Reimbursement Arrangements (HRA), Health Savings Accounts (HSA), Disease Management Programs, Health Coaches, 24/7 Nurseline, and Health Risk Assessments.

### Integrated Administration

Our comprehensive technology solution provides an "End-to-End" iterated systems platform with the flexibility to administer multiple client specific benefit designs, including: Medical, Dental, Vision, COBRA, Flexible Spending Accounts (Medical and Dependent Care), Health Reimbursement Arrangements, Health Savings Accounts, Mental Health and Chemical Dependency, and Pharmacy.

### State of the Art Systems Environment

Our robust and highly electronic technology supports FCHA's ability to provide high quality, integrated administrative services to customers.

- **HIPAA** compliant EDI capabilities for electronic transmission of enrollment and claims.
- Optical Character Recognition (OCR) scanning of all paper claims and documents for on-line claims processing and storage.
- Automated workflow system routes claims and documents electronically to the proper department, expediting claims processing and payment to providers.
- Web-based eligibility and claims status inquiry.
- Interactive Voice Response system for enrollee access to eligibility and claims status, 24 hours a day, 7 days a week.



# Clearpoint



## Benefits Administration

### Benefit Advocates

Now your employees have an advocate in the health care system — the ClearPoint Benefit Advocate department. The Benefit Advocates are a group of dedicated benefit specialists designed to assist employees in navigating through the sometimes complicated and confusing world of health insurance. Specific attributes of the department are:

- Customized activity analysis reports for our clients to track plan participation and utilization
- Reduction of the internal handling of Protected Health Information (PHI)
- Access to specialists trained in HIPAA, COBRA, eligibility issues, claim and billing issues, enrollments and renewals, appeals, Online Tools, and general health care administration
- Toll-free phone and email access to the BA department

The BA department will help educate your employees, resolve long, cumbersome issues, and empower your HR department so that they may focus more on organizational priorities and less on assisting employees with day-to-day plan administration.

# ING Financial Services



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## Products & Services

- ▶ Life Insurance & AD&D
- ▶ Disability Income
- ▶ Supplemental Health
- ▶ **Stop Loss**
- ▶ Association Products
- ▶ Retirement Programs
- ▶ International Capabilities
- ▶ Supplemental Services

## Stop Loss Insurance



ING Employee Benefits, backed by the financial strength of its insurers ReliaStar Life Insurance Company and ReliaStar Life Insurance Company of New York, has been a solid player in the Stop Loss market for more than 25 years. Our approach is to offer flexible solutions, superior customer service and hands-on involvement in underwriting, risk management, claims and administration. We offer two types of stop loss insurance - Individual Stop Loss and Aggregate Stop Loss - as well as flexible funding alternatives.

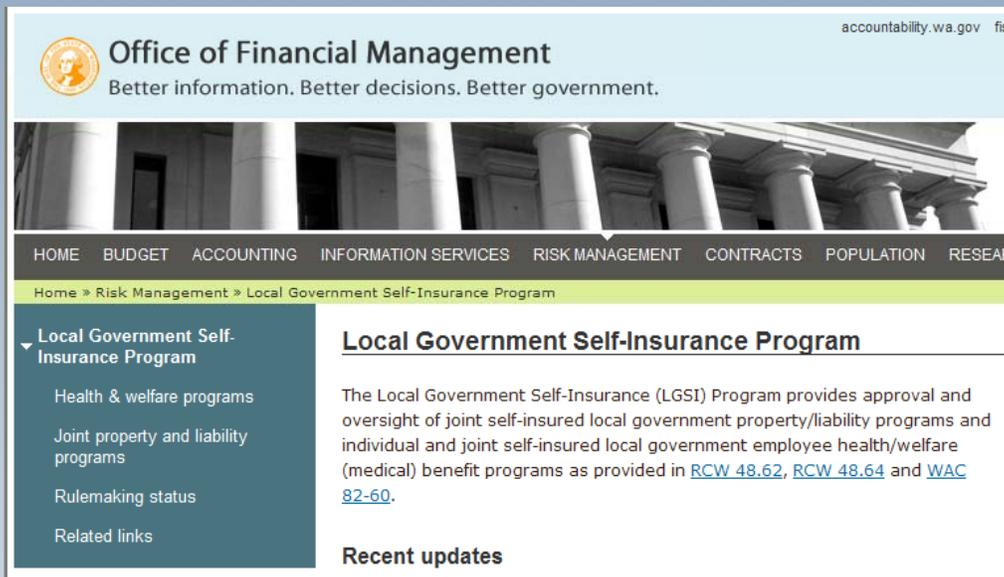
At ING Employee Benefits, our Stop Loss products protect employers with self-funded health plans from unexpected or catastrophic health claims, thus limiting risk while maintaining the advantages of self-funding. Our Individual Stop Loss product limits employer liability to a specific dollar amount per covered life. Our Aggregate Stop Loss product limits employer liability to a specific dollar amount in aggregate for the whole group.

Employee Benefits insurance products and services in the U.S. are provided by ReliaStar Life Insurance Company (Minneapolis, MN) and ReliaStar Life Insurance Company of New York (Woodbury, NY). Within the State of New York, only ReliaStar Life Insurance Company of New York is admitted, and its products issued. Both are members of the ING family of companies. Product availability and specific provisions may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

Employee Benefits Login

- ▶ Employers
- ▶ Professionals

# Office of Financial Management



The screenshot shows the website for the Office of Financial Management. At the top, there is a header with the office's name and tagline: "Office of Financial Management. Better information. Better decisions. Better government." The URL "accountability.wa.gov/fis" is visible in the top right. Below the header is a navigation menu with links for HOME, BUDGET, ACCOUNTING, INFORMATION SERVICES, RISK MANAGEMENT, CONTRACTS, POPULATION, and RESEARCH. A breadcrumb trail indicates the current page: "Home » Risk Management » Local Government Self-Insurance Program". The main content area is divided into a left sidebar and a main column. The sidebar contains a dropdown menu for "Local Government Self-Insurance Program" with sub-items: "Health & welfare programs", "Joint property and liability programs", "Rulemaking status", and "Related links". The main column features the title "Local Government Self-Insurance Program" and a paragraph of text: "The Local Government Self-Insurance (LGSI) Program provides approval and oversight of joint self-insured local government property/liability programs and individual and joint self-insured local government employee health/welfare (medical) benefit programs as provided in [RCW 48.62](#), [RCW 48.64](#) and [WAC 82-60](#)." Below this text is a section titled "Recent updates".



## Benefits Committee

- HR currently examining successful models at other self-insured public agencies
- Comprised of management, MAC, and union representatives
- Review claims data (de-identified) to make recommendations on plan sustainability
- Employee engagement & information sharing
- "Consumer Awareness"



## Key elements of health reform for employers

- Change in tax treatment for over-age dependent coverage
- Accounting impact of change in Medicare retiree drug subsidy tax treatment
- Early retiree medical reinsurance
- Medicare prescription drug "donut hole" beneficiary rebate
- Auto-enrollment of full-time employees (effective TBD)
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- *Dependent coverage to 26 (no other employer coverage available)\**
- *No lifetime dollar limits\**
- *Restricted annual dollar limits\**
- *No pre-existing condition limitations for children up to age 19\**
- *No rescissions\**
- *Additional standards for new or "non-grandfathered" health plans, including non-discrimination provisions for insured plans and mandatory preventive care with no cost-sharing*

- No health FSA/HRA/HSA reimbursement for non-prescribed drugs
- Increased penalties for non-qualified HSA distributions
- Voluntary long-term care "CLASS" program slated to start
- Pharmaceutical manufacturers' fees start
- Medicare, Medicare Advantage benefit and payment reform
- Insurers subject to medical loss ratio rules\*

- \$2,500 health FSA contribution cap (indexed)
- Medical device manufacturers' fees start
- Higher Medicare payroll tax on wages exceeding \$200,000/individual; \$250,000/couples
- New Medicare tax on net investment income for taxpayers with incomes exceeding \$200,000/individual; \$250,000/couples
- Research fees begin
- Change in Medicare retiree drug subsidy tax treatment takes effect

- Excise tax on "high cost" or Cadillac plans

\* Applies to all plans, including "grandfathered" plans, effective for plan years beginning on or after Sept. 23, 2010 (Jan. 1, 2011, for calendar year plans). Collectively bargained plans may have a delayed effective date.

\*\* Applies to all plans, including grandfathered plans, effective for plan years beginning on or after Jan. 1, 2014.

## Medical Benefits - DRAFT

Note: Changes to benefit plans that will be required on 1/1/2011 based on the Patient Protection and Affordability Act (aka HealthCare Reform) are not reflected in this summary (ex. AWC Plan B)

	Current		Effective 1/1/2011	
Carrier/Administrator	Association of Washington Cities - AWC (Regence BlueShield)		First Choice Health	
Plan Description	Plan B EPO		Prime Medical Plan	
In-Network/Participating Providers	Regence BlueShield Network www.wa.regence.com		First Choice Health PPO Network www.fchh.com	
Out-of-Network Providers	No network: All care received outside the service area, whether or not a medical emergency, will be paid at the level specified for in-network providers. Any balances will be charged to the patient.		Beechstreet www.beechstreet.com	
Dependent Child Age Limits	Through Age 25		Through Age 25	
<b>General Plan Information</b>	<b>In-Network</b>	<b>Out-of-Network</b>	<b>In-Network</b>	<b>Out-of-Network</b>
Deductible/Individual	\$100	Not applicable	\$100	\$300
Deductible/Family	\$300	Not applicable	\$300	\$900
Office Visit - Primary Provider	100% after deductible	Not covered	\$10 Office visit copay	60% after deductible
Office Visit - Specialist	100% after deductible	Not covered	\$10 Office visit copay	60% after deductible
Out-of-Pocket Limit/Individual	\$475	Not applicable	\$475	\$1,425
Out-of-Pocket Limit/Family	\$1,425	Not applicable	\$1,425	\$4,275
Deductible Included in Out of Pocket	Yes	Not applicable	Yes	Yes
Lifetime Plan Maximum	\$2,000,000	Not applicable	Unlimited	Unlimited
Routine Preventive Exam	Not covered	Not covered	100% (subject to age & schedule limitations)	60% after deductible (subject to age & schedule limitations)
Immunizations	Not covered	Not covered	100% (subject to age & schedule limitations)	60% after deductible (subject to age & schedule limitations)
Well Child Exam	Not covered	Not covered	100% (subject to age & schedule limitations)	60% after deductible (subject to age & schedule limitations)
Routine Gynecological Exam and Pap Smear	100% after deductible (once per calendar year)	Not covered	100% (subject to age & schedule limitations)	60% after deductible (subject to age & schedule limitations)

Current		Effective 1/1/2011		
Carrier/Administrator	Association of Washington Cities - AWC (Regence BlueShield) Plan B EPO			First Choice Health
Plan Description	Regence BlueShield Network www.wa.regence.com			Prime Medical Plan
In-Network/Participating Providers				First Choice Health PPO Network www.fchh.com
Out-of-Network Providers	No network: All care received outside the service area, whether or not a medical emergency, will be paid at the level specified for in-network providers. Any balances will be charged to the patient.			Beechstreet www.beechstreet.com
Dependent Child Age Limits	Through Age 25		Through Age 25	
Prostate and Colorectal Cancer Screenings	100% after deductible (subject to age & schedule limitations)	Not covered	100% (subject to age & schedule limitations)	60% after deductible (subject to age & schedule limitations)
Mammogram	100% after deductible (subject to age & schedule limitations)	Not covered	100% (subject to age & schedule limitations)	60% after deductible (subject to age & schedule limitations)
Diagnostic X-Ray & Lab	Professional: 100% after deductible; Inpatient Facility: 80% after deductible; Outpatient Facility: 90% after deductible	Not covered	Professional: 100% after deductible; Inpatient Facility: 80% after deductible; Outpatient Facility: 90% after deductible	60% after deductible
Allergy Shots	100% after deductible	Not covered	\$10 copay, then paid at 100%	60% after deductible
Hospital Room & Board	80% after deductible	Not covered	80% after deductible	60% after deductible
Charges associated with a hospital stay	80% after deductible	Not covered	80% after deductible	60% after deductible
Maternity	Covered as any other condition	Not covered	Covered as any other condition	Covered as any other condition
Outpatient Facility Charge	90% after deductible	Not covered	90% after deductible	60% after deductible
Skilled Nursing Facility	80% after deductible (up to 365 lifetime)	Not covered	80% after deductible (up to 365 lifetime)	60% after deductible (in-network limitations apply)
Hospice Care	100% after deductible (up to 6 months)	Not covered	100% after deductible (up to 6 months)	60% after deductible (in-network limitations apply)
Home Health Care	100% after deductible (up to 130 visits per calendar year)	Not covered	100% after deductible (up to 130 visits per calendar year)	60% after deductible (in-network limitations apply)

## Medical Benefits - DRAFT

Note: Changes to benefit plans that will be required on 1/1/2011 based on the Patient Protection and Affordability Act (aka HealthCare Reform) are not reflected in this summary (ex. AWC Plan B)

	Current		Effective 1/1/2011	
Carrier/Administrator	Association of Washington Cities - AWC (Regence BlueShield) Plan B EPO		First Choice Health	
Plan Description	Regence BlueShield Network www.wa.regence.com		Prime Medical Plan First Choice Health PPO Network www.fchn.com	
In-Network/Participating Providers	No network: All care received outside the service area, whether or not a medical emergency, will be paid at the level specified for in-network providers. Any balances will be charged to the patient.		Beechstreet www.beechstreet.com	
Out-of-Network Providers	Through Age 25		Through Age 25	
Dependent Child Age Limits	Through Age 25		Through Age 25	
Prosthetics/Home Medical Equipment	80% after deductible	Not covered	80% after deductible	60% after deductible
Ambulance Services	80% after deductible	Not covered	80% after deductible	60% after deductible
Emergency Room	80% after deductible	Not covered	80% after deductible	60% after deductible
Urgent Care	100% after deductible	Not covered	\$10 copay, then paid at 100%	60% after deductible
Chemical Dependency	100% after deductible	Not covered	100% after deductible	60% after deductible
Mental Health				
Inpatient Care	Inpatient Facility: 80% after deductible Outpatient Facility: 90% after deductible (unlimited)	Not covered	Inpatient Facility: 80% after deductible Outpatient Facility: 90% after deductible (unlimited)	60% after deductible (unlimited)
Outpatient Care	100% after deductible (unlimited)	Not covered	\$10 copay, then paid at 100%	60% after deductible (unlimited)
Retail Prescription Drugs				
Generic	\$4 copay then 100%	Not covered	\$4 copay then 100%	Not covered
Brand Formulary	\$15 copay then 100%	Not covered	\$15 copay then 100%	Not covered
Brand Non-Formulary	\$35 copay then 100%	Not covered	\$35 copay then 100%	Not covered
# of Days Supply	Up to 34 days	Not applicable	Up to 34 days	Not applicable
Mail Order Prescription Drugs				
Generic	\$8 copay then 100%	Not covered	\$8 copay then 100%	Not covered
Brand Formulary	\$30 copay then 100%	Not covered	\$30 copay then 100%	Not covered
Brand Non-Formulary	\$70 copay then 100%	Not covered	\$70 copay then 100%	Not covered
# of Days Supply	Up to 90 days	Not applicable	Up to 90 days	Not applicable

## Medical Benefits - DRAFT

Note: Changes to benefit plans that will be required on 1/1/2011 based on the Patient Protection and Affordability Act (aka HealthCare Reform) are not reflected in this summary (ex. AWC Plan B)

		Current	Effective 1/1/2011	
Carrier/Administrator		Association of Washington Cities - AWC (Regence BlueShield) Plan B EPO	First Choice Health Prime Medical Plan	
Plan Description		Regence BlueShield Network www.wa.regence.com	First Choice Health PPO Network www.fchh.com	
In-Network/Participating Providers		No network: All care received outside the service area, whether or not a medical emergency, will be paid at the level specified for in-network providers. Any balances will be charged to the patient.	Beechstreet www.beechstreet.com	
Out-of-Network Providers				
Dependent Child Age Limits		Through Age 25	Through Age 25	
Rehabilitation				
Inpatient Care	Inpatient: professional: 100% after deductible (up to 30 days per condition) Outpatient: 80% after deductible	Not covered	Inpatient: professional: 100% after deductible (up to 30 days per condition) Outpatient: 80% after deductible	60% after deductible (in-network limitations apply)
Physical Therapy	80% after deductible (must be medically necessary; prescription required)	Not covered	80% after deductible (must be medically necessary; prescription required)	60% after deductible (in-network limitations apply)
Massage Therapy	80% after deductible (must be medically necessary; prescription required)	Not covered	80% after deductible (must be medically necessary; prescription required)	60% after deductible (in-network limitations apply)
Acupuncture	100% after deductible (up to 12 visits per calendar year)	Not covered	\$10 copay, then paid at 100% (up to 12 visits per calendar year)	60% after deductible (in-network limitations apply)
Chiropractic	100% after deductible (up to 20 visits per calendar year)	Not covered	\$10 copay, then paid at 100% (up to 20 visits per calendar year)	60% after deductible (in-network limitations apply)
Organ Transplants				
Waiting Period	6 months	Not covered	6 months	Not covered
Maximum Benefit	\$500,000 lifetime	Not applicable	Unlimited	Not applicable
Tobacco Cessation	Included	Not applicable	Included	Included
Nurseline	Included	Not applicable	Included	Not applicable
Vision (Exam/Hardware)	Not included	Not included	Not included	Not included

\*\* Copayments do not apply to deductible and out-of-pocket limits, please note however that copays are not charged for preventive services.

## Group Health

The City's goal is to offer benefits through Group Health that are substantially similar to what is currently being offered through the Association of Washington Cities (AWC). Unfortunately, at this time, Group Health is prohibited from quoting our business due to a non-compete agreement\* with AWC. The City along with our benefits broker is continuing to work this issue and we will provide any new information to you as soon as we receive it.

\*Update: Group Health is now committed to provide a quote and that they will be able to offer us a substantially equivalent plan design. We expect a finalization of that quote within the week.



## Vision Benefits - DRAFT

		Current (Effective 1/1/2010)		Effective 1/1/2011	
Carrier/Administrator		Association of Washington Cities - AWC (VSP)		Vision Service Plan	
Plan Description		Plan B 0/10 - 12/12/24		Plan B 10 - 12/12/24	
Dependent Child Age Limits		Through Age 25		Through Age 25	
General Plan Information		In-Network	Out-of-Network	In-Network	Out-of-Network
Copay	Examination	100% (once per 12 months)	100% (up to \$42, in-network limitations apply)	\$10 copay then 100% (once per 12 months)	\$10 copay then 100% (up to \$45, in-network limitations apply)
	Materials	\$10 copay then 100% (lenses & contacts: once per 12 mos; frames: once per 24 mos)	\$10 copay then 100% (see schedule below, in-network limitations apply)	100% (lenses & contacts: once per 12 months, frames: once per 24 months)	100% (see schedule below, in-network limitations apply)
Lenses	Single Vision Lens	100% of basic lens	Up to \$40	100% of basic lens	Up to \$50
	Bifocal Lens	100% of basic lens	Up to \$60	100% of basic lens	Up to \$75
	Trifocal Lens	100% of basic lens	Up to \$80	100% of basic lens	Up to \$100
Contact Lenses	Elective	Up to \$150, copay waived	Up to \$150	Up to \$150, copay waived	Up to \$105
Frames		Up to \$120	Up to \$45	Up to \$120	Up to \$70
Reimbursement Level		Provider may not balance bill	Provider may bill the difference	Provider may not balance bill	Provider may bill the difference

## Dental Benefits - DRAFT\*

	Effective 1/1/2011		Effective 1/1/2011
Carrier/Administrator	Washington Dental Service - WDS		Willamette Dental
Plan Description	Incentive PPO - 0/1500		Scheduled Dental - 0/15
In-Network/Participating Providers	Preferred Providers		Preferred Providers
Out-of-Network Providers	Participating or Any Licensed Provider		Not applicable
Dependent Child Age Limits	Through Age 25		Through Age 25
General Plan Information	In-Network	Out-of-Network	In-Network
Deductible/Individual	\$0	\$0	\$0
Deductible/Family	\$0	\$0	\$0
Annual Plan Maximum	\$1,500	\$1,500 (combined with in-network)	Unlimited
Life time Ortho Plan Maximum	Not Covered	Not Covered	Unlimited
Reasonable & Customary Precentile	Negotiated fee schedule	Maximum allowable charge	Not applicable
Waiting Period	None	None	None
Diagnostic & Preventive	With annual visits; first year: 70%; second year: 80%; third year: 90%; fourth year 100%		\$10 copay the 100% (subject to schedule limitations)
Basic	With annual visits; first year: 70%; second year: 80%; third year: 90%; fourth year 100%		\$10 - \$150 copay (varies by service, see contract for fee schedule)
Endodontic Treatment	With annual visits; first year: 70%; second year: 80%; third year: 90%; fourth year 100%		\$10 - \$125 copay (varies by service, see contract for fee schedule)
Periodontic Treatment	Maintenance: With annual visits; first year: 70%; second year: 80%; third year: 90%; fourth year 100% / All other: 50%		\$10 - \$300 copay (varies by service, see contract for fee schedule)
Major	50%	50%	\$10 copay the 100% (subject to schedule limitations)
Orthodontia	Not Covered	Not Covered	Pre-orthodontic service: \$150 copay then 100%; orthodontics: \$1,000 copay then 100%
Dependent Children	Not Covered	Not Covered	Covered
Adult & Full-Time Students	Not Covered	Not Covered	Covered
Other Service			
Sealants	Preventative	Preventative	Preventative
General Anesthesia	Basic	Basic	Subject to schedule limitations
Implants	Major	Major	Not covered
Reimbursement Level	Provider may not balance bill	provider may balance bill	Not applicable

\*There is no comparison shown to the AWC Plans because we were able to negotiate the same coverage as currently offered through AWC.

## Timeline for Implementation

- Sept 21<sup>st</sup> -City Council Study Session
- Oct 1<sup>st</sup> -AWC's requested notice of withdrawal (90 days)
- Oct 5<sup>th</sup> -City Council Agenda Item (Proposed)
- Oct 6<sup>th</sup> on -Contract review and implementation  
-Plan set-up by key players  
-Data transfer to TPA
- Oct 31<sup>st</sup> -AWC's required notice of withdrawal (60 days)
- Nov 15<sup>th</sup> -Open Enrollment
- Jan 1<sup>st</sup> -New plan effective date



# Questions?



RESOLUTION R-4840

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND APPROVING A SELF FUNDED MEDICAL PLAN AND AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH A THIRD PARTY ADMINISTRATOR AND OTHER PROVIDERS NEEDED TO OPERATE THE PLAN AND THE FUND TO BE CREATED TO FINANCE THE PLAN.

WHEREAS, City of Kirkland employees are currently covered by medical insurance offered by the Association of Washington Cities (AWC) with the premiums paid by the City; and

WHEREAS, AWC will no longer offer the type of insurance coverage Kirkland employees receive after December 31, 2011; and

WHEREAS, the City is obligated to provide substantially equivalent coverage to most of its employees pursuant to collective bargaining agreements it has entered into with the unions representing these employees; and

WHEREAS, the Council wanted to find the most cost effective manner in which to provide substantially equivalent coverage and therefore directed the City Manager and Human Resources Director to create a Medical Benefits Committee of City employee's and, in cooperation with that Committee, conduct a due diligence study of alternatives to the current coverage for the Council to consider, which was completed; and

WHEREAS, after consideration of this study and information provided to the Council by the Director over the last two years, as well as holding a study session on September 21, 2010, the Council has determined that providing a self funded medical plan would be the most cost effective manner in which to provide substantially equivalent medical benefits to City employees,

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. A self funded medical plan for all City of Kirkland employees is hereby approved and the City Manager is directed to prepare an ordinance creating a fund to finance the plan.

Section 2. The City Manager is hereby authorized and directed to execute on behalf of the City of Kirkland agreements with a third party administrator and other needed providers to operate the fund and the plan.

Passed by majority vote of the Kirkland City Council in open meeting this \_\_\_\_ day of \_\_\_\_\_, 2010.

Signed in authentication thereof this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk