



Office of
CITY MAYOR

JOHN DAVID
Mayor

DATE: February 2, 2017
TO: Group Insurance Board
FROM: John David, Mayor
 Cindy Rupprecht, Clerk/Treasurer
SUBJECT: Recommendation to eliminate Program Option 4/14

When the City of Watertown was presented with the information that our present insurance plan Option #14 was being recommended for elimination, it was based on the following information included in the December 9, 2016 memorandum to insurance board members:

	PO12 Traditional	PO14 Deductible	PO 16 Health	PO17 High Deduct
# of Employers	228	111	10	3
# of Employees	4421	1238	585	105

Rationale was that administration would be easier if there were less local plan options and that the local plan options mirrored the state plans (PO #16 and 17). The recommendation to eliminate our plan option was disturbing and discussions have begun locally as to how to proceed in 2018, including exploring other insurance options.

The January 23, 2017, memorandum disclosed that there was an error in reporting the actual number of employee contracts for program option #14. The correct number is **9,283** which is nearly double the number of the other three options when combined. The memorandum goes on to explain that the recommendation to eliminate PO#14 remains the same as it will more closely align the WPE and state programs, even though this will impact the largest number of local employees.

The City of Watertown understands the desire to consolidate program options, but also wants the board to consider the fiscal and operational impacts this decision will cause for those in PO#14.

Based on current premiums and present employee contracts, offering **PO #12** is out of the question as that would cost the City an **additional \$176,700** before any 2018 premium increases are added. It would not make sense to offer this option, even if it were fiscally possible, if it too will be recommended for elimination in the future.

Offering PO #16 will cost an **additional \$44,360** at present premiums. Absorbing that additional amount plus any 2018 premium increases will be difficult when we must live within expenditure restraint limits.

While PO #17 would result in **savings of \$322,375**, this is not an attractive option. It will require the City to incur costs to create an HSA program to help offset some of the employee's deductible costs, but more importantly, it will degrade our benefit package to a level that will make it much more difficult to attract quality employees. We are already struggling with our present options.

When the City made the difficult decision to lower our health insurance benefit from the traditional plan PO#12, we chose PO#14 because it was an easier plan to understand and explain to employees. It also gave us the savings needed to give some flexibility in our budget to offer wage increases.

Should the board decide to eliminate PO #14, there are 111 employers with 9283 employees that will be faced difficult questions regarding health insurance. We cannot speak for the other employers, but the City of Watertown would prefer that PO #14 remain. Thank you for your time and consideration.