

# Extending Benefits to Temporary Employees and Contract Workers



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Presented by:

Joya Hayes, Acting Director

Tommy Tucker, Assistant Director

Human Resources Department

# Deliverables

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## □ Council Resolution No. 20150226-036

- Deliver a report on the status of health care coverage for persons working for all entities of the City, including part-time employees, temporary employees, and contract workers, and identify any other category of worker or employee not receiving health care coverage, but not to include persons working with separate companies who hold contracts with the city.

## □ Final Report (issued May 27)

- Definitions of Worker Categories
- Survey of Workers in Targeted Categories
- Cost Projections
- Other City Costs arising from Uninsured City Workers

# Definitions

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## □ Temporary Employee

- Employed to accomplish specific, short-term or seasonal (non-continuous, repetitive) assignments
- Not in a regular budgeted position

## □ Contract Worker

- An individual, not employed by the City, but providing services of limited scope under a contract arrangement, not to include persons working with separate companies with which the City holds a contract

NOTE: Full-time (30 or more hours/week) or part-time (less than 30 hours/week) designates the work week and applies to any category of worker.

# SURVEY: Temporary Employees

- Survey sent to 1,723 temporary employees on the City payroll as of March 21, 2015
- Received 407 responses

Temporary Employees	Yes	No
Currently Have Health Insurance	69%	31%
Expressed Interest in City Offering	61%	39%
	PPO	CDHP
Primary Plan of Interest	82%	18%

Temporary Employee Tier Distribution	Percentage
Employee Only	83.7%
Employee & Spouse	5.1%
Employee & Children	6.1%
Employee & Family	5.1%
Total	100%

# SURVEY: Contract Workers

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- Sent to 263 contract workers who received an IRS Form 1099 from the City in 2014
- Received 46 responses

Contract Worker	Yes	No
Currently Have Health Insurance	87%	13%
Expressed Interest in City Offering	45%	55%
	PPO	CDHP
Primary Plan of Interest	50%	50%

Contract Worker Tier Distribution	Percentage
Employee Only	62.5%
Employee & Spouse	0.0%
Employee & Children	12.5%
Employee & Family	25.0%
Total	100%

# Cost Projection: Source of Data

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- Survey results—Percentage indicating:
  - They would enroll based on current premiums
  - Plan and tier selection
  
- Payroll data indicating 3,888 temporary employees worked for the City at any time in 2014
  - Number of months worked
  - Average number of hours worked

# Cost Projection: Assumptions

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- 2015 monthly premiums (same amount paid by City for employees in regular budgeted positions)
  - Same health risks as current City employee population
  - Same City subsidy (portion of premium paid by City)
  - No waiting period
  - Stop Loss coverage remains at current contracted amount

# Projection of Annual Costs

Duration of Assignment	Full-Time		Part-Time: 20-29 Hours/Week		Part-Time: Less than 20		Total	
	No. of Emps.	Annual City Cost	No. of Emps.	Annual City Cost	No. of Emps.	Annual City Cost	No. of Emps.	Annual City Cost
Less than 1 Month	61	\$ 14,587	82	\$ 11,403	249	\$0	392	\$ 25,990
1-3 Months	377	\$ 298,964	485	\$ 186,984	964	\$0	1,826	\$ 485,948
3-6 Months	161	\$ 257,800	133	\$ 129,248	332	\$0	626	\$ 387,048
Over 6 Months	246	\$ 851,702	216	\$ 422,004	582	\$0	1,044	\$ 1,273,706
<b>Total Temp. Emps.</b>	<b>845</b>	<b>\$1,423,053</b>	<b>916</b>	<b>\$ 749,639</b>	<b>2,127</b>	<b>\$0</b>	<b>3,888</b>	<b>\$ 2,172,692</b>
<b>Contract Workers</b>	<b>125</b>	<b>\$ 181,611</b>	<b>13</b>	<b>\$ 8,479</b>	<b>125</b>	<b>\$0</b>	<b>263</b>	<b>\$ 190,090</b>



# Other City Costs arising from Uninsured City Workers

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- Data is not available to determine the full social cost attributable to uninsured workers.
  - Responsibility for health care of the uninsured transferred to Central Health in 2004 upon its creation
  - Central Health reports that they served 89,412 individuals in 2013 with 339,000 primary visits at an approximate cost of \$240/visit
- EMS indicates that 60 (3.5%) of the 1,723 temporary employees on the City payroll as of March 21, 2015 received services through EMS during the prior year.
  - After payments were received from all forms of insurance, EMS was due \$15,004.78 for these 60 individuals.

# Federal Exchange Coverage

- The subsidized coverage available on the federal exchange can be more affordable than the City provided coverage.
- The federal subsidy depends on household income, family status, and age.
- Below are examples of monthly cost to the enrollee based on Silver plan coverage for non-smoking individuals in the 78704 zip code.

Enrollee	Income	No. of Adults/ Child.	Adult Ages	Monthly Cost for Federal Exchange	Monthly Cost for Enrollee on City Plan (PPO)		
					Full-Time	20-29 Hours/Week	Less than 20 Hrs/Wk
Single Adult	\$25,000	1/0	25	<b>\$143</b>	\$0	\$193	\$543
Single Adult	\$40,000	1/0	55	<b>\$319</b>	\$0	\$193	\$543
Family of Three	\$35,000	1/2	35	<b>\$154</b>	\$225	\$534	\$1,041
Family of Four	\$60,000	2/2	35 & 40	<b>\$407</b>	\$513	\$962	\$1,678
Family of Five	\$75,000	2/3	40 & 45	<b>\$540</b>	\$513	\$962	\$1,678

# Stop-Loss Coverage

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	2013	2014
Number of Claimants	8	16
Stop-Loss Premiums Paid	\$1.9 M	\$2.6 M
Stop-Loss Reimbursements	\$1.8 M	\$8.1 M

- City carries stop-loss coverage for catastrophic claims exceeding \$500,000 per claimant annually to mitigate risk
- Due to the high level of reimbursements in 2014, procuring a new stop-loss policy to add coverage for temporary employees and contract workers is likely to result in significantly higher premiums
- Not carrying stop-loss coverage adds significant risk exposure

# COBRA Benefits

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- ❑ The short-duration nature of temporary assignments will increase the number of individuals eligible for Consolidated Omnibus Budget Reconciliation Act (COBRA) benefit allowing individuals who lose health benefits to continue group health for 18 months
- ❑ Average medical claims are over \$10,000 per year higher for members enrolled in COBRA.

# Benchmark Survey

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- Surveyed 30 Texas public sector employers
- Received 13 responses
  - City of Amarillo, City of Arlington, Austin ISD, City of El Paso, ERS (State of Texas), City of Fort Worth, City of Houston, LCRA, City of McKinney, City of Round Rock, City of San Antonio, City of San Marcos and Travis County
- Two (2) indicated they cover temporary employees
  - ERS employs temporaries through an agency, which provides enrollment options with no subsidy through the federal exchange
  - Fort Worth looks at previous 12 months and extends coverage to temporaries that worked an average of 30 or more hours per week
- One (1) indicated it covers contractors
  - Houston requires contractors to provide coverage to their employees or pay a penalty of \$1.00 per covered employee per regular hour for work performed under the contract with the City

# Pros & Cons

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## **Pros**

- ❑ Provides affordable coverage
- ❑ Reduces health risks
- ❑ Promotes productivity
- ❑ Reduces social costs
- ❑ Reinforces equality with other City employees
- ❑ Supersedes ineligibility for Medicaid

## **Cons**

- ❑ Increases employee benefits costs in excess of \$2.3 million
- ❑ Increases risks of catastrophic claims for self-insured health plans
- ❑ Increased risks for greater COBRA costs
- ❑ Provides access to benefits without competitive hiring process
- ❑ Increases premiums for long term employees based on short term employees

# Staff Recommendation

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- Based upon the “Cons”, HRD does not recommend extending medical coverage to all temporary employees and contract workers. Additionally:
  - Subsidized coverage available on the federal exchange can be more affordable than coverage offered by the City
  - Benchmark survey shows employer-provided coverage for the population under consideration is uncommon

# Options for Further Analysis

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- Focus on segments of the temporary employee population, not contractors
  - Survey indicates greater need and more interest
  - Not self-employed
- Consider duration of assignment
  - Strategy: Look-back period of 12 months to determine eligibility for benefits
- Emphasize full-time temporary employees
  - Reinforce equity with regular employees performing like work
  - Strategy: Provide access to City health care plan
- Coordinate with compensation strategy
  - Stipend to purchase health insurance





# Next Steps

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- Resolution assigns the Audit and Finance Committee to consider the issue of offering coverage to all City workers in the next budget cycle and report back to Council