

**2015-2016 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

Late Backup

DEPARTMENT: Human Resources

REQUEST NO.: 234

Council Concept 1.64

REQUESTED BY: Adler

DATE REQUESTED: 08/25/15

DATE POSTED: 08/31/15

REQUEST: Concerning FY 2016 health insurance premiums for employees, please illustrate the impact of charging health premiums based on a percentage of an employee's salary instead of a flat amount. Include in the analysis employee only, employee plus one, and employee plus family coverages. Also, please show the amount of the premium increase relative to the amount of the proposed 3% wage increase. Please ensure in your response that it is revenue neutral for the City.

RESPONSE:

There are two options used for this response.

Option I

The table below illustrates 2016 monthly premiums based upon a percentage of salary that is revenue neutral for each plan and coverage tier offered by the City. The Premium Factor to be used in determining premiums based upon salary was calculated by totaling the salaries for all employees currently enrolled in each plan and tier and dividing the total into the amount of revenue originally established in the FY16 proposed budget.

MONTHLY PREMIUMS (Based on Percentage of Salary)

	Enrolled	Enrolled Member with \$27,102 Salary (\$13.03/hour)						Enrolled Member with \$120,000 Salary			
		2015 Monthly Premium	Premium Factor	2016 Monthly Premium	Change from 2015		Chg. as % of Salary	2016 Monthly Premium	Change from 2015		Chg. as % of Salary
					\$	%		\$	%		
<u>PPO</u>											
Employee Only	4,599	\$0.00	0.20%	\$4.52	\$4.52	---	0.2%	\$20.00	\$20.00	---	0.2%
Employee & Spouse	691	\$305.32	5.70%	\$128.74	\$176.58	-57.8%	-7.8%	\$570.00	\$264.68	86.7%	2.6%
Employee & Children	1,558	\$224.93	4.38%	\$98.92	\$126.01	-56.0%	-5.6%	\$438.00	\$213.07	94.7%	2.1%
Employee & Family	1,571	\$512.59	8.78%	\$198.30	\$314.29	-61.3%	-13.9%	\$878.00	\$365.41	71.3%	3.7%
<u>HMO</u>											
Employee Only	1,172	\$10.00	0.41%	\$9.26	\$0.74	-7.4%	0.0%	\$41.00	\$31.00	---	0.3%
Employee & Spouse	218	\$315.32	6.16%	\$139.13	\$176.19	-55.9%	-7.8%	\$616.00	\$300.68	95.4%	3.0%
Employee & Children	731	\$234.93	4.65%	\$105.02	\$129.91	-55.3%	-5.8%	\$465.00	\$230.07	97.9%	2.3%
Employee & Family	884	\$522.59	8.97%	\$202.59	\$320.00	-61.2%	-14.2%	\$897.00	\$374.41	71.6%	3.7%
<u>CDHP</u>											
Employee Only	110	\$0.00	0.00%	\$0.00	\$0.00	---	0.0%	\$0.00	\$0.00	---	0.0%
Employee & Spouse	44	\$159.48	3.66%	\$175.41	\$15.93	10.0%	0.7%	\$175.41	\$15.93	10.0%	0.2%
Employee & Children	99	\$79.10	1.56%	\$86.99	\$7.89	10.0%	0.3%	\$86.99	\$7.89	10.0%	0.1%
Employee & Family	96	\$366.76	6.49%	\$403.44	\$36.68	10.0%	1.6%	\$403.44	\$36.68	10.0%	0.4%

Analysis of Option I

For the example employees shown in the table, the changes in premiums range from a decrease of \$320.00 per month to an increase of \$374.41 per month. The percentage changes in premiums range from a decrease of 61.3% to an increase of 97.9%. As a percentage of salary, the changes range from a decrease of 14.2% to an increase of 3.7%. Since this option involves establishing premiums based on actual wages and there are hundreds of different wage rates, administering eligibility including the tracking of enrollment and transmitting enrollment data is difficult and may not be possible with the current Human Resource Capital Management System.

Option II

Although uncommon, there are rare instances of the use of employer established premiums by salary bands. Staff developed four levels of increases (6%, 8%, 10% and 12%) based on associated income levels. The income levels and increases were derived to ensure that a) the maximum increase for the highest paid employee was 12% b) a portion of the employee workforce paid the increase of 10% at the actuarial projected level and c) a portion of the workforce paid a premium increase below the actuarial projected level and d) although there was varying level.

The table below illustrates the 2016 monthly premium increases based upon salary bands that are revenue neutral for each plan and coverage tier offered by the City.

MONTHLY PREMIUMS (Based on Salary Bands)

Enrolled	2015 Premium	Proposed			2016 Premium Increase Based Upon % of Salary							
		2016	Increase	% Inc.	<\$44,000		\$44,000-\$62,000		\$62,000-\$80,000		\$80,000+	
					6% Increase*		8% Increase*		10% Increase*		12% Increase*	
					Premium	Increase	Premium	Increase	Premium	Increase	Premium	Increase
PPO												
Employee Only	4,599	\$0.00	\$10.00	\$10.00	\$7.00	\$7.00	\$9.00	\$9.00	\$11.00	\$11.00	\$13.00	\$13.00
Employee Spouse	691	\$305.32	\$335.86	\$30.54	\$323.64	\$18.32	\$329.75	\$24.43	\$335.82	\$30.50	\$341.96	\$36.64
Employee & Children	1,558	\$224.93	\$247.42	\$22.49	\$238.42	\$13.49	\$242.91	\$17.98	\$247.41	\$22.48	\$251.91	\$26.98
Employee & Family	1,571	\$512.59	\$563.85	\$51.26	\$543.36	\$30.77	\$553.61	\$41.02	\$563.86	\$51.27	\$574.11	\$61.52
HMO												
Employee Only	1,172	\$10.00	\$20.00	\$10.00	\$17.00	\$7.00	\$19.00	\$9.00	\$21.00	\$11.00	\$23.00	\$13.00
Employee Spouse	218	\$315.32	\$345.86	\$30.54	\$334.24	\$18.92	\$340.55	\$25.23	\$346.85	\$31.53	\$353.16	\$37.84
Employee & Children	731	\$234.93	\$257.42	\$22.49	\$249.02	\$14.09	\$253.71	\$18.78	\$258.41	\$23.48	\$263.11	\$28.18
Employee & Family	884	\$522.59	\$573.85	\$51.26	\$553.96	\$31.37	\$564.41	\$41.82	\$574.86	\$52.27	\$585.31	\$62.72
CDHP												
Employee Only	110	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Employee Spouse	44	\$159.48	\$175.43	\$15.95	\$169.03	\$9.55	\$172.22	\$12.74	\$175.41	\$15.93	\$178.60	\$19.12
Employee & Children	99	\$79.10	\$87.01	\$7.91	\$83.82	\$4.72	\$85.41	\$6.31	\$86.99	\$7.89	\$88.57	\$9.47
Employee & Family	96	\$366.76	\$403.44	\$36.68	\$388.77	\$22.01	\$396.10	\$29.34	\$403.44	\$36.68	\$410.77	\$44.01

*Designates percentage increase from 2015 Premium. *Excludes Employee Only tier.

Analysis of Option II

Based on the aforementioned table, 2,954 employees or 25.1% will receive a 6% increase, 2,962 employees or 25.2% will receive a 8% increase, 2,694 or 22.9% will receive a 10% and 3,163 or 26.9% will receive a 12%.

The City's current payroll system has the ability to process deductions based upon limited salary bands. Administratively, the implementation is still a challenge, but is less complex than basing premiums upon percentage of salary.

Conclusion and Considerations Regarding Total Rewards Strategy

The change of the Total Rewards strategy incorporating premiums based upon salary may have a negative impact upon City's ability to attract and retain employees. The City and most other employers set employee contributions based on a flat dollar amount, plan election and coverage level. Charging health premiums based on a percentage of an employee's salary instead of a flat amount is not common. Of the public sector peers that the City surveys each year, none have indicated that they use salary based contributions.

1. Decreasing premiums for lower paid employees and increasing premiums for higher paid employees could generate some morale, retention, or recruitment issues for higher paid positions.

2. Premiums for dependents are impacted the most by this change. The likely long-term impact is that lower paid employees will add dependents thereby increasing City contributions. Conversely, higher paid employees may drop dependents introducing the possibility of some adverse selection in which coverage is maintained for higher health care utilizers such as those with chronic conditions.



Draft

2015-2016 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION

DEPARTMENT: Human Resources

Council Concept 1.66

REQUEST NO.: 245

REQUESTED BY: Pool

DATE REQUESTED: 08/28/2015

DATE POSTED:

REQUEST: Please provide the FY 2016 dollar amount necessary to fully cover proposed cost increases in city employees' health insurance premiums included in the proposed budget through increasing city employees' salaries to hold them harmless for those increases.

RESPONSE:

As provided in Budget Response 212, the highest increase in health insurance premiums is \$25.63 per pay period or \$615.12 annually, for employees electing family coverage in the Preferred Provider Organization (PPO) or the Health Maintenance Organization (HMO). Employees earning the City's current living wage (\$11.39) would need to see a 2.6% increase in their pay to fully cover the increase in premiums for family coverage.

As new premiums begin, a 2.6% increase beginning in January 2016 is detailed on the attachment.

Hold harmless - City picks up tab

Employee \$2.4M

Retiree \$2.1M

\$4.5M

- increases City's contribution by 3%.

5

Draft

**2015-2016 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

DEPARTMENT: Human Resources

REQUEST NO.: 145

REQUESTED BY: Casar

DATE REQUESTED: 08/24/15

DATE POSTED:

REQUEST: Please identify the number of full-time and part-time temporary employees employed by the City of Austin in FY 2014-2015 split out by department. Please provide the start dates of these temporary employees. Please provide the cost of increasing the pay rate of these employees to \$13.03 per hour broken out by department. Also include in your response options for raising the minimum wage rate to \$13.03 for substantial numbers of our temporary employees if Council increases funding by \$300,000, \$600,000, or \$900,000 for this effort.

RESPONSE: There are 884 active full-time and part-time temporary employees earning less than \$13.03 per hour. Attached you will find a listing of those employees by department with their start date, full-time or part-time by average hours worked, and their current hourly rate. The chart below provides estimated annual cost by department.

FY14-15 Temporary Employees earning less than \$13.03 per hour

Department Name	# of Ees	Estimated Annual Cost to Increase to \$13.03
Animal Services	6	\$16,558
Austin Transportation	1	\$794
Aviation	2	\$45
Communication & Tech Mgmt	1	\$1,235
Convention Center	88	\$88,787
Economic Development	3	\$4,673
Health & Human Services	23	\$84,802
Office of Real Estate	1	\$954
Parks & Recreation	565	\$1,309,469
Police	9	\$4,183
Public Works	177	\$231,841
Watershed Protection	8	\$9,708
Grand Total	884	\$1,753,050

19

We have included options for changes to the various wages between \$300,000 to \$900,000.

OPTION 1: Evaluate changes to the living wage at rates between \$11.39 and \$13.03 based on tenure

Time Worked	To \$13.03		To \$12.03		To \$11.39	
	# of staff below	Estimated Annual Costs	# of staff below	Estimated Annual Costs	# of staff below	Estimated Annual Costs
Worked more than 1 year	575	\$1,154,429	563	\$774,101	502	\$562,715
Worked more than 6 months but less than 1 year in FY15	248	\$499,472	240	\$330,178	205	\$240,782
Worked less than 6 months in FY 15	61	\$99,149	56	\$66,219	53	\$46,924
Grand Total	884	\$1,753,050	859	\$1,170,498	760	\$850,421

OPTION 2: Delay effective date of increase in Option 1 by 3 months to reduce the cost by 25% or delay by 6 months to reduce the cost by 50%

Draft

Stipend Response – 1.08

The Patient Protection and Affordable Care Act (PPACA) prohibits an employer from offering employees cash to reimburse the purchase of an individual market policy. However, a benefits stipend is not prohibited if the funds are not required to be used to purchase a policy.

The FY16 cost estimate for establishing a benefits stipend is \$2,133,732.63 for temporary workers who have worked for the City 6 months or more. For only temporary employees who have worked for 12 months or more, the amount drops to \$1,356,336.51.

The estimates are based upon the following assumptions.

- Begins 01/01/2016
- Excludes youth, retirees, and contractors

The \$3/hour stipend for a full-time (40 hours/week) employee amounts to \$120/week, \$520/month, or \$6,240/year. The concept calls for a stipend in an amount that results in the employee's cost of insurance to be capped at \$75/month. The \$3/hour stipend for a full-time employee equates to the FY16 total premium (\$597.54/month) for Employee Only in the City PPO plan less the \$75/month cap.

	Emps.	Hours Worked	Annual Cost	FY Cost
<u>Over 12 months</u>				
<20	511	289,955.83	\$936,412.35	\$702,309.26
20-29	88	84,789.02	\$273,826.14	\$205,369.60
Full	103	185,233.07	\$598,210.20	\$448,657.65
Total	702	559,977.92	\$1,808,448.68	\$1,356,336.51

<u>Over 6 months</u>				
<20	579	315,346.66	\$1,018,412.04	\$763,809.03
20-29	215	192,637.22	\$622,121.90	\$466,591.43
Full	246	372,950.27	\$1,204,442.90	\$903,332.17
Total	1,040	880,934.15	\$2,844,976.84	\$2,133,732.63

The attached workbook contains spreadsheets showing the details by department for use by the Budget Office to breakout cost by fund.

9