



MEMORANDUM

To: MCWD Board of Managers
From: Cathy Reynolds
Date: March 12, 2019
Re: Benefit Renewal

Purpose:

This memo provides current information regarding the pending employee benefit renewal for 2019-2020, in advance of a decision by the Minnehaha Creek Watershed District (MCWD) Board of Managers in April 2019.

Background:

The MCWD renews its employee benefits on an annual basis in May of each year. In 2018, as part of the MCWD Board's efforts to strategically align its human resources, the District underwent a Classification and Compensation Study led by Springsted Inc. (Springsted). Within this study Springsted collected market data from comparable organizations regarding employee benefit plans and costs.

At the December 20, 2018 meeting the Board accepted the Classification and Compensation Study, and associated findings, and adopted the pay structure developed as a part of the study. Attachment 1 is the executive summary of the benefit data collected by Springsted.

During the December 20 meeting the Board discussed the need to responsibly manage increasing costs while providing a market competitive total compensation package that facilitates the recruitment and retention of talent necessary to implement the District's mission. At that time, the Board discussed benchmarks for market competitiveness, including:

- Total cost to the District
- District cost per full time employee
- District percent contribution to employee premiums

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At the January 10, 2019 Operations and Programs Committee (OPC) meeting, Managers reviewed analysis evaluating:

- Change in total cost to the District
- Change in District cost per full time employee
- Impact to employees

This analysis assumed:

- 15% average annual growth in costs (for MCWD and comparable organizations)
- Reducing the District's contribution to family premiums to 80% over time
- Eliminating the District's contribution to the health reimbursement account
- No change in MCWD's benefit offerings (plan type, deductible amounts, etc.)

At the January 10, 2019 meeting the Board of Managers adopted a Compensation Policy that outlined the organization's commitment to establishing and maintaining a compensation package that is competitive with the public and private market within the region, and reflects the organization's standards of excellence and unique strategic priorities.

Throughout the discussions surrounding compensation in 2018 and 2019, the Board has discussed the need to responsibly manage the rising costs of healthcare, while providing a market competitive total compensation package that supports its desire for excellence.

Following the January 10, 2019 discussions staff committed to bring additional information forward regarding the projected 2019 – 2020 renewal costs, and the options for managing those costs while achieving the organization's goals outlined in the Compensation Policy.

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Current District Benefits

Below is a summary of the District's current benefit offerings, total costs, and cost per full time employee relative to the market per Springsted Inc.

Benefit		% Employer Funded	% Employee Funded	Annual District Cost*	Annual Cost per FTE	Annual Market Cost per FTE per Springsted
Health Insurance	Employee	100 %		\$ 129,017.88	\$10, 796	\$12,641
	Family	100 %		\$ 123,855.60		
Dental Insurance	Employee	100 %		\$ 10,814.40	\$828	\$539
	Family	100 %		\$ 8695.92		
HSA		Administrative fees	100 %	\$ 960		
HRA		100 % + Administrative fees		\$ 23,400 \$ 1440		
FSA-Limited Purpose Medical		Administrative fees	100 %	\$ 60		
FSA-Dependent Care		Administrative fees	100 %	\$ 300		
Life Insurance		100 %		\$ 1856.40	\$522	\$314
Disability Insurance Short & Long Term		100 %		\$ 11,211.60		
Voluntary Life			100 %	\$ 0		
Voluntary 457(b) and Roth Plans			100 %	\$ 0		
Total Annual District Benefit Cost				\$ 311,611.80		

*Note: District cost noted above is based on employee demographics as of March 1, 2019

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Benefit Renewal

District Operations staff have worked with MCWD's benefit broker Nesbit Agencies to review proposed benefit renewal costs for 2019-2020. A summary of renewal rates will be provided under separate cover. These rates assume a static employee census for the plan year. Any changes in employee status (i.e. marriage, childbirth, new hire with a different age) will affect the overall numbers.

When looking at the renewal numbers the District has several options available to them to control costs. These options are summarized in the following paragraphs.

Health Insurance:

The District's health insurance is provided through Health Partners. The District plan is an age bracketed plan and premium costs are based on the covered party's age at the date of renewal. Premiums are paid for the employee, spouse and up to three children. Any children over three are covered with no additional premium.

If the District continues with the current plan premiums will increase by 9.7% with the renewal. Industry standard for renewals this year is approximately 10-12%. The following variables are being evaluated for their impact to cost and benefits provided.

- Carrier Options
 - Network Change
 - Deductible Change
1. **Carrier Options:** The District's benefits agency provided quotes for the current carrier HealthPartners and alternate carriers – Medica, Preferred One and Blue Cross. Although all carriers were relatively competitive when comparing substantially similar plans, Health Partners provided the most competitive rates and will not cause the added disruption of switching insurance carriers.
 2. **Network Change:** A network change within HealthPartners would change the renewal rate. The current plan is Open Access, providing in-network benefits for any contracted HealthPartners provider. There are two other plan options available – Achieve or Perform. The Perform plan includes all contracted providers excluding Mayo Clinic, Mayo Clinic Health System, Gunderson Health System and Hazelden Betty Ford centers. The Achieve plan utilizes only HealthPartners and Park Nicollet providers. Changing to the Perform network would reduce the premium increase to 6.6% while changing to the Achieve network would keep rates virtually where they are today (less than .5% change).
 3. **Deductible Change:** Changing deductibles is another option for lowering premiums. Our current plan has a \$2000 single and \$4000 family deductible. We can continue with the Open Access network and raise deductibles to \$3600 ind/\$7200 fam or \$4500 ind/\$9000 fam

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or \$6500 ind/\$13000 fam and see decreases in premiums from a few thousands to tens of thousands in dollars from where the premiums are today.

4. District Premium Payment: The last area to look at for potential change is to evaluate the amount of the premium the District pays. Currently the District pays 100% for employee and dependent coverage. The District could maintain a competitive benefit plan by continuing to pay 100% employee coverage and looking at options for dependent coverage.
 - a. Spouse: Two options exist for spousal coverage, these include: 1) have the employee contribute towards coverage, or; 2) make spousal coverage unavailable if the spouse is eligible for coverage under their own employer plan. This second option is becoming more popular in the private sector as employers find generous spousal benefits unsustainable budget-wise. The District can still choose to offer spousal coverage, however there would need to be rules regarding eligibility and contributions.
 - b. Children: For children's coverage some available options include: 1) employee contributions, and; 2) full-time student status. An example of a full time student policy could include paying 100% of children's coverage for all children under 18 or those full-time students over 18. If FTS requirements are not met the employee would be responsible for 100% or some portion of the premiums should they choose to keep their child(ren) on the District's plan.

Dental

The District's Dental plan is also provided through HealthPartners. If the District chooses to continue with the same plan our premiums will increase by 2.6%. The District has looked at the following options for the dental plan:

1. Carrier Options. The District looked at other dental providers, but due to the discount provided by HealthPartners on the dental premium when paired with their health coverage other carriers are not competitive. A switch in providers could see rates increase as much as 17%.
2. Annual Maximum: The current HealthPartners plan has a \$2000 annual maximum with no deductible (if going to a HP provider). There is one other option available for the District that would lower the annual maximum to \$1500 and add a \$25/75 deductible. This would lower the premium slightly from where it stands today.
3. District Premium Payment: The last area to look at for potential change is to evaluate the amount of the premium the District pays. Currently the District pays 100% for employee and dependent coverage. The District could maintain a competitive benefit plan by continuing to pay 100% employee coverage and looking at options for dependent

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coverage. Options for dependent premium payment for Dental care mirror those discussed above for health coverage.

Health Reimbursement Account

The District currently funds Health Reimbursement Accounts (HRA) for employees. These are funded in the amount of \$650 for single coverage and \$1300 for family coverage. This amount is only available to reimburse medical expenses after the employee has paid the first \$1350 single or \$2700 family of their deductible. This money is available on a reimbursement basis for the plan year only. If the money is not utilized the money reverts to the District. In addition the District pays \$5/month in administrative fees for each HRA account.

Health Savings Account

The District currently offers a Health Savings Account (HSA) for employees. The HSA is voluntary and is funded solely by employee contributions. The amount an employee can contribute to a HSA per year is controlled by the IRS. This year the contribution limits are \$3500 single or \$7000 family. The District pay a \$5/month administrative fee for each HSA employee account.

Flexible Spending Account

The District offers two types of Flexible Spending Accounts (FSA), dependent care and limited purpose medical. Both types of FSAs are fully funded by employee contributions. The District pays a \$5/month administrative fee for each FSA account an employee is enrolled in.

Life & Disability Insurance

1. Life Insurance: The District pays for a \$50,000 life insurance policy for each employee. Employees are able to add additional coverage or spouse/dependent coverage and are responsible for the premiums for the elected coverage. We have not received the renewal for this policy yet so we do not know if the premium will change. The premium did not change with the 2018 renewal.
2. Disability Insurance: The District pays for short term and long term disability insurance for each employee. The cost for this coverage is a percentage of the employee's salary. We have not received the renewal for this coverage yet so we do not know if the percentage will go up with the new plan year. Overall expenses will increase due to the salary adjustments made in 2019 with the implementation of the new pay scale.

If the District was to renew benefits in 2019 following staff recommendations the District would realize a reduction in overall benefit costs (excluding life and disability insurance premiums as we are still waiting on those renewal numbers).

Summary:

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The District has several options available with the benefit renewal to continue to offer employees a highly competitive benefit plan while controlling District costs. Staff is seeking the Board's guidance on what their goals are for the benefit renewal (i.e. manage cost, reduce costs, comparable market FTE cost, market comparable contributions) so refined options and recommendations can be provided for discussion at the April 11, 2019 OPC meeting.

Approval of the benefit renewal and policy will be presented to the Board no later than the April 25, 2019 meeting for approval.

If there are questions in advance of the meeting, please contact: Cathy Reynolds at (952) 641-4503 or creynolds@minnehahacreek.org.

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Benefits Survey Executive Summary

Leave Summary

Number of Holidays per year

MCWD: 11
Average: 11
Low: 10
High: 12

Leave Days - Max Accumulation

MCWD: 30 days
Average: 52.79 days
Low: 30 days
High: Unlimited

Leave Day - Compensated for leave lost after max accrual

MCWD: Yes (convert to 457b or HSA)
Average: No
Low: 1 yes response
High: 8 no responses

Sick Leave – Accrual per year

MCWD: 9 days
Average: 12 days
Low: 12 days
High: 13 days

Sick Leave – Max Accrual

MCWD: 90 days
Average: 125
Low: 125
High: Unlimited

Sick Leave – Paid at Termination

MCWD: Yes (percentage based)
Average: Yes
Low: 1 No response
High: 5 Yes responses

Life/Disability Insurance

Life Insurance – % Employer Paid

MCWD: 100%
Average: 100%
Low: 100%
High: 100%

AD&D -% Employer Paid

MCWD: 100%
Average: 57%
Low: 0%
High: 100%

Short Term Disability - % Employer Paid

MCWD: 100%
Average: 33%
Low: 0%
High: 100%

Long Term Disability - % Employer Paid

MCWD: 100%
Average: 89%
Low: 0%
High: 100%

Health Insurance Summary**MCWD Health Insurance Plan Overview**

- Employees have one option for Health Insurance
- The plan is a high deductible plan
 - Single Deductible: \$2,000
 - Family Deductible: \$4000
- Premiums are age bracketed and are paid per person on the plan (up to 3 children)
- Employee funded HSA offered
- Employer funded HRA offered (\$650 Single / \$1300 Family)

Health Insurance -% Employer Paid –Employee Only (LDP / HDP)

MCWD: 100%
Average: 93% / 96%
Low: 80% / 89%
High: 100% / 100%

Health Insurance - % Employer Paid Employee/Spouse (LDP / HDP)

MCWD: 100%
Average: 80% / 85%
Low: 62% / 74%
High: 100% / 100%

Health Insurance - % Employer Paid Employee/Family (LDP / HDP)

MCWD: 100%
Average: 75% / 82%
Low: 65% / 75%
High: 85% / 100%

Health Insurance – Supplemental Program for HDP

MCWD: Yes (HSA/HRA) HRA 100% employer funded

Responses: 4 HRA/VEBA/HSA (2 provide employer funding)

5 None

Dental Insurance Summary

Dental Insurance - % Employer Paid Employee Only

MCWD: 100%

Average: 81%

Low: 40%

High: 100%

Dental Insurance - % Employer Paid Employee/Family

MCWD: 100%

Average: 50%

Low: 30%

High: 85%