

TOWN OF PALM BEACH

Information for Town Council Meeting on: September 13, 2021

To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Carolyn Stone, Assistant Town Manager

Re: Health Insurance Rates for Calendar Year 2022

Date: August 27, 2021

STAFF RECOMMENDATION

The information contained herein is provided to Town Council for review. No action is required.

GENERAL INFORMATION

The Town's Insurance Broker, The Gehring Group, has conducted a review of the claims experience for the medical, prescription and dental plans for employees and retirees. The review consisted of a 19-month trend analysis using a claims from June 2020 through May 2021.

For active employees, the claims analysis shows an increase of approximately 21.1% over FY21. This increase includes a 5% maturation factor used to account for claims that may result from illnesses gone untreated, or missed diagnosis due to COVID. Retiree medical claims however, show lower than average trend on medical claims, at 4.5% below the FY21 budgeted funding amount.

In order to get the complete and more accurate picture, Gehring Group combined the claims experience for both actives and retirees. This is done to make the claims experience credible as the two groups on their own do not provide credible claims (i.e. law-of-large-numbers) as well as F.S. 112.08 which requires the Town to charge the same premiums to retirees as they are for active employees. While claims for the same period show a higher than normal trend, the overall increase over the FY21 budget funding is 11.1%.

Despite the projected increase in claims, the FY22 budget for Health and OPEB will remain the same, and contributions will not increase for the Town or employees. Should additional funds be needed to cover expenses in FY22, the money will be transferred from the Health and OPEB reserves which are currently overfunded. Please refer to Exhibit A for the employee contribution rates and Exhibit B for the retiree sliding scale.

The Town's dental plan was also evaluated. Low administrative fees and claim expenses have allowed for premiums to remain flat during the past eight years. There will be no increase to contributions for

employees, retirees or the Town for plan year 2022. Refer to Exhibit C for the 2022 dental contribution rates.

FUNDING/FISCAL IMPACT

Sufficient funds exist in the FY22 Health Insurance fund and OPEB Trust to provide for the Town's share of expenses for the healthcare plan as proposed herein.

TOWN ATTORNEY REVIEW

It is not necessary for the Town Attorney to review for legal form and sufficiency.