



City of Stevenson

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To: Stevenson City Council
From: Leana Johnson, City Administrator
RE: Options for Health Insurance
Meeting Date: October 19, 2017

Executive Summary:

The City of Stevenson's current health insurance plan through the Association of Washington Cities (AWC), AWC HealthFirst, will be ending on 12/31/17. There are three choices for plans, the AWC HealthFirst 250, AWC HealthFirst 500 and the AWC High Deductible Health Plan. The plans have also changed for 2018 and will no longer cover eyecare. However, AWC offers four options for additional vision coverage through VSP. This memo outlines the options that are available to council and the impacts to both the city and employees. The goal is to maintain quality coverage for the employees at a reasonable cost to the city.

Health Insurance Options:

Option 1- AWC HealthFirst 250

This option has lower premiums than the AWC HealthFirst plan and offers similar services just at a different rate (a 10% co-insurance charge instead of a \$10 copay). The deductibles are \$250 for an individual or \$750 for a family. The cost of prescriptions will also increase. The overall cost impact is a \$4,748 annual reduction from current 2017 rates.

There is a video put on by AWC that explains the difference between the AWC HealthFirst and AWC Healthfirst 250 plans at <https://vimeo.com/223848777/4f4bddfc73>.

Option 2- AWC HealthFirst 500

This option has lower premiums than the AWC HealthFirst and AWC HealthFirst 250 plans and offers a slight reduction of services (less visits for rehabilitation and habilitation) and charges a 20% co-insurance rate. The deductibles are \$500 for an individual or \$1,500 for a family. The cost of prescriptions will also increase above the AWC HealthFirst 250 plan. The overall cost impact is a \$16,147 annual reduction from current 2017 rates and \$11,399 less than the AWC HealthFirst 250 rates.

Option 3- AWC High Deductible Health Plan

This option is not recommended as it opens up the employees to the greatest amount of financial risk around their health. The premiums are the lowest, and would result in a 32.2% decrease to the City, the deductibles are the highest at \$1,500 for an individual and \$3,000 for a family per calendar year.

Vision Insurance Options:

Option 1-No Insurance

The employees currently have one routine annual eye care exam covered under the AWC HealthFirst insurance. All other costs for glasses, contacts, etc, are not covered by insurance. There is no additional cost impact for this option.

Option 2-VSP \$0

This plan would allow employees to continue to have their annual eye exam covered 100% by insurance. There is no copay for prescription glasses. It also provides a \$120 allowance for frames every 2 years and a 20% discount on the amount over the \$120 allowance. Lenses are covered once a year with a variety of options. Any non-covered option is 35-40% off. Contacts instead of glasses are covered at \$150 per year. The cost impact for this plan is an increase of \$3,254 per year.

Option 3-VSP \$10

The coverage for this plan is exactly the same as VSP \$0, with the only change being a \$10 copay for prescription glasses. The cost impact for this plan is an increase of \$2,828 per year.

Option 4-VSP\$5

The coverage for this plan is exactly the same as VSP \$0, with the only change being a \$25 copay for prescription glasses. The cost impact for this plan is an increase of \$2,292 per year.

Option 5-VSP Low Option Plan

The coverage for this plan is less than the other three plans. This plan would allow employees to have their annual eye exam fully covered with a \$10 copay. There is a \$15 copay for prescription glasses. The frame coverage is the same. Lenses are covered once every two years with less options than the other VSP plans and any non-covered option remains 35-40% off. Contacts instead of glasses are covered at \$105 every two years. The cost impact for this plan is \$1,812 per year.

Conclusion/Recommendation:

In order to create the least impact to employees and still provide a small cost savings to the city, I recommend moving forward with the AWC HealthFirst 250 plan and the VSP \$10. The Vision plan is a middle of the road plan with a minimal \$10 copay. This plan increases coverage for employees with a modest benefit cost increase to the city.