



# City of Palmer

231 W. Evergreen Avenue  
Palmer, Alaska 99645  
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## Special Meeting

**SPECIAL CITY COUNCIL MEETING**  
**6 P.M. TUESDAY, AUGUST 14, 2012**  
**PALMER CITY COUNCIL CHAMBERS**  
**231 W. EVERGREEN AVENUE, PALMER**



**SPECIAL CITY COUNCIL MEETING**  
**6 PM TUESDAY, AUGUST 14, 2012**  
**CITY COUNCIL CHAMBERS**  
**231 W. EVERGREEN AVENUE, PALMER**  
[www.cityofpalmer.org](http://www.cityofpalmer.org)



MAYOR DELENA JOHNSON  
DEPUTY MAYOR RICHARD BEST  
COUNCIL MEMBER LINDA COMBS  
COUNCIL MEMBER EDNA DEVRIES  
COUNCIL MEMBER KEN ERBEY  
COUNCIL MEMBER BRAD HANSON  
COUNCIL MEMBER KATHRINE VANOVER

CITY ATTORNEY MICHAEL GATTI  
CITY CLERK JANETTE BOWER  
CITY MANAGER DOUG GRIFFIN

- A. Call to Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Audience Participation
- E. New Business
  - 1. City of Palmer Health Insurance
    - a. Committee of the Whole
- F. Adjournment



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**From:** Douglas Griffin  
**Sent:** Wednesday, August 01, 2012 4:01 PM  
**To:** Council Members  
**Cc:** Janette Bower; 'Michael Gatti'  
**Subject:** FW:



Health Care Memo  
7-30-2012.pdf

Mayor Johnson and City Council Members – On Monday( July 30) I sent out the attached package and survey regarding consideration the City Administration is having to give to making changes to the Health Insurance Benefit for eligible full time employees. You will find it attached. This survey is being followed up with a series of meetings with city employees being conducted by Human Resources Specialist Alice Williams. I am already getting responses. This is a complicated and personal benefit that I know will be difficult for many, if not all, city employees to absorb. I realize you will start getting contacts from some city employees so I wanted you to know what was sent out. So far the responses Alice is getting are negative with the push-back citing lower wages (no COLA since 2008)compared to Wasilla, Mat-Su Borough and State, other things the City should cut out of the budget, changing insurance carriers, raising taxes or fees, not making the employees pay for the City's mistakes (DOJ settlement, overspending in the past that diminished the general fund balance, etc). I am saying that I was directed to explore ways to rein in health benefit costs by the City Council. I was given this task after the late-breaking 16% increase the City had to absorb last year. The timing is now so I can have employee feedback for the special meeting scheduled for this topic on August 14. I expect a lot of employees will attend and many may wish to comment. I know I discussed this coming down the pike at the last city council meeting, but I want to have you better prepared for contacts from employees and get you thinking about how to tackle this at the August 14 meeting and moving forward. Contact me if you have any questions. – Doug Griffin

**From:** Douglas Griffin  
**Sent:** Monday, July 30, 2012 5:27 PM  
**To:** AllCityOfPalmer; AllPoliceDepartment  
**Subject:**

All Full-Time Employees,  
You will find attached a memo regarding proposed changes in health care costs and the impact to City employees.  
Please review the material carefully and take the opportunity to provide feedback on a form which your director or supervisor will provide to you.  
Thank you for your consideration,

**Douglas B. Griffin**  
City Manager  
City of Palmer  
231 W. Evergreen Avenue  
Palmer, Alaska 99645  
(907) 745-3271





## MEMORANDUM

**TO:** All Full-Time City of Palmer Employees  
**FROM:** City Manager Douglas B. Griffin  
**DATE:** July 30, 2012  
**RE:** Your Feedback Requested by August 8 - Health Care Options

As you know, for many years the City of Palmer has paid 100% of the cost of basic health insurance for you and your eligible family members, as part of your employment benefits package. This superior benefit has continued to drive up the personal services budget for the City of Palmer.

We face extremely difficult budget choices in this economy, and last year, the City was notified by our insurance carriers that the cost of health care premiums would rise by 16%. This placed a bigger strain on an already tight City budget and involved elimination of some full time positions and not filling some vacant positions. The City Council asked this administration to explore benefit alternatives to contain costs in providing health benefits to employees. Unfortunately, the City cannot sustain the high cost of health care without some employee contribution.

This is a difficult and complicated challenge to decide what package will be best for the largest number of employees. I have chosen to ask employees to engage in the deliberations process and would like for you to tell us what you think in order to decide the "best" recommendation for the City Council to consider. Your feedback will make a difference. Please review the options that are provided at the end of this memo. This change will require a contribution in some form from employees, at least for spouses and families, where none has been required in the past.

There are five possible options for health care coverage under consideration at this time. The option selected will go into effect on January 1, 2013.

Option 1 would allow us to stay with our present plan and the potential savings would be generated from employee participation (paying a premium). This option preserves the existing 90/10 cost sharing and the current lower deductible.

Options 2 - 5 each require changing to an 80/20 cost sharing, would have higher deductibles and varying levels of employee contribution. One benefit of changing to the new plan will be better coverage for preventative medical services.

Options 2 - 3 propose a 5% employee contribution and Options 4 – 5 propose a 10% employee contribution. Please review each option carefully.

There will be a cost to employees under any of these options, and I think it is fair to ask the City Council to share some of the health care savings. I will propose to share a portion of the savings with employees. One way to do this would be to take some of the savings and provide a Cost-of Living Allowance (COLA) for employees.

This move will enable the City to get a handle on the ever-escalating cost of employee benefits.

Please provide your input on a form to be distributed by your department directors to all full-time employees. Your choices and comments will be carefully considered in my presentation to the Council. While there is no guarantee which option the City Council will select, your input will be part of the Council deliberations. Your comments and suggestions will help to formulate a plan which will be presented to the City Council on August 14 at 6 p.m.

I ask that you review the five options presented and submit your preference on the survey form provided to you by your department director. It is not a commitment on your part to agree to any of the plans, but it is an opportunity for you to have a voice in the plan selection process. An envelope is provided to maintain confidentiality. Please seal your response in the envelope and return it to your director prior to August 8, in order to be included in my feedback report to the City Council.

Thank you for your careful consideration.

## Points to consider in reviewing proposed health care options:

1. The **insurance/employee portion** – the two options are 90/10 and 80/20. The insurance will pay the first portion/the employee pays the second portion.
2. The **cost for employee premium/contribution** is on a bi-monthly basis. This amount will be deducted from two paychecks a month. There are two months each year that employees receive three paychecks. One of the three paychecks will not have insurance premium deducted.
3. The **annual deductible** – this is the amount that employees will have to pay prior to any insurance payment.
4. **Coverage** – During enrollment period (December of each year, to take effect January of the following year), coverage can be selected based on Employee Only; Employee & Spouse; Employee & Children; or Employee & Family. The employee premium/contribution will be based on the type of coverage selected.
5. **Out of Pocket Maximum Expense** – Changed from \$1,000 out of pocket to \$3,000.
6. **Preventive Care** – Our new coverage will have preventive care at 100%. Employees will no longer pay a portion for preventive care. In the current plan, employees pay 10% after meeting the annual deductible. Preventive Care includes: Immunizations, Pap tests, Mammograms, Well Child Care Visits, Prostate Exam, Hearing Exam, Diabetic Instructional Program, Colonoscopies, and other Preventative Services.
7. **Vision and dental** will remain the same with all plans.
8. **Prescription Coverage:** Prescription coverage will change depending on the plan.
9. **Approximation:** The final cost for our insurance premiums is not known until the end of November or early December. The costs shown are estimations. The actual cost may be the same, slightly higher, or slightly lower.
10. **Double Coverage** – Many employees have the luxury of double coverage. Double coverage means an employee has insurance with the City of Palmer, and also through the employee's spouse/domestic partner insurance – your military retirement insurance – and etc. You may also qualify for Denali Kid Care or other medical programs.

## Benefits Comparisons with Other Local Governments

### City of Wasilla

#### Health Care Coverage Overview

The City of Wasilla currently has the following medical cost to employees. (80/20 plan)  
Wasilla also has a \$10 co-pay (per doctor visit) in addition to the 20%. They have a \$500 deductible.

<b>For Full-time Employees</b>	<b>Employee Only</b>	<b>Employee Child/Children</b>	<b>Employee Spouse</b>	<b>Family</b>
Monthly Rate:	\$ -0-	\$ 65.64	\$ 83.76	\$ 168.70
Bi-monthly	\$ -0-	\$ 32.82	\$ 41.88	\$ 84.35

### Mat-Su Borough

#### Health Care Coverage Overview

The Mat Su Borough currently has a \$170 monthly cost to all employees, regardless of employee only, employee spouse, employee children, or employee family.

There is an additional \$20 per month for dental and vision.  
The deductible is \$300 whether it is individual or family.  
It is an 80/20 plan.

**Plan 1**  
**90/10 Co-Pay Plan**  
**Employee Pays 20% of Insurance Premium**

**Approximate Monthly Cost Based on 2012 Premiums**

	Employee Only	Employee Child/Children	Employee Spouse	Family
<b>City of Palmer pays:</b>	\$ 834.88	\$ 1,728.20	\$ 1,619.67	\$ 2,546.38
<b>Employee pays:</b>	168.00	346.00	324.00	413.10
<i>(Each paycheck)</i>	<i>84.00</i>	<i>173.00</i>	<i>162.00</i>	<i>255.00</i>

**Employee pays 10% - Employer pays 90%**

- Individual Deductible: \$100
- Family Deductible: \$200
- Hospital Deductible: \$50
- Emergency Room Deductible: \$25
- Prescriptions: Generic Drugs: \$5
- Prescriptions: Preferred Name brand: \$15
- 90 Day Mail Order: Generic Drugs: \$5
- 90 Day Mail Order: Preferred Name brand: \$15
- Out of Pocket Maximum: \$1,000 per individual

**City of Palmer vision and dental coverage will remain the same with all plans.**

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**Plan 2**  
**80/20 Co-Pay Plan**  
**Employee Pays 5% of Insurance Premium**

**Approximate Monthly Cost Based on 2012 Premiums**

	Employee Only	Employee Child/Children	Employee Spouse	Family
<b>City of Palmer pays:</b>	\$ 696.18	\$ 1,350.59	\$ 1,441.10	\$ 2,123.35
<b>Employee pays:</b>	<b>NO COST TO EMPLOYEE</b>	34.00	38.00	72.00
<i>(Each paycheck)</i>		<i>17.00</i>	<i>19.00</i>	<i>36.00</i>

**Employee pays 20% - Employer pays 80%**

- Individual Deductible: \$300
- Family Deductible: \$900
- Hospital Deductible: \$250
- Emergency Room Deductible: \$150
- Prescriptions: Generic Drugs: \$5
- Prescriptions: Preferred Name brand: \$25
- Prescriptions: Non-preferred name brand: \$45
  - 90 Day Mail Order: Generic Drugs: \$5
  - 90 Day Mail Order: Preferred Name brand: \$50
  - 90 Day Mail Order: Non-preferred name brand: \$90
- Out of Pocket Maximum: \$3,000 per individual

**NOTE:**

Preventive Care paid at 100% with no deductible or co-pay (Immunizations, Pap Test, Mammograms, Well Child Care Visits, Prostate Exam, Hearing Exam, Diabetic Instructional Program, Colonoscopies, and other Preventive Services)

**City of Palmer vision and dental coverage will remain the same with all plans.**

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**Plan 3**  
**80/20 Co-Pay Plan**  
**Employee Pays 5% of Insurance Premium**

**Approximate Monthly Cost Based on 2012 Premiums**

	Employee Only	Employee Child/Children	Employee Spouse	Family
<b>City of Palmer pays:</b>	\$ 696.18	\$ 1,350.59	\$ 1,441.10	\$ 2,123.35
<b>Employee pays:</b>	36.00	68.00	72.00	106.00
<i>(Each paycheck)</i>	<i>18.00</i>	<i>34.00</i>	<i>36.00</i>	<i>53.00</i>

**Employee pays 20% - Employer pays 80%**

- Individual Deductible: \$300
- Family Deductible: \$900
- Hospital Deductible: \$250
- Emergency Room Deductible: \$150
- Prescriptions: Generic Drugs: \$5
- Prescriptions: Preferred Name brand: \$25
- Prescriptions: Non-preferred name brand: \$45
  - 90 Day Mail Order: Generic Drugs: \$5
  - 90 Day Mail Order: Preferred Name brand: \$50
  - 90 Day Mail Order: Non-preferred name brand: \$90
- Out of Pocket Maximum: \$3,000 per individual

**NOTE:**

Preventive Care paid at 100% with no deductible or co-pay (Immunizations, Pap Test, Mammograms, Well Child Care Visits, Prostate Exam, Hearing Exam, Diabetic Instructional Program, Colonoscopies, & other Preventive Services)

**The City of Palmer's vision and dental will remain the same with all plans.**



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**Plan 4**  
**80/20 Co-Pay Plan**  
**Employee Pays 10% of Insurance Premium**  
**Approximate Monthly Cost Based on 2012 Premiums**

	Employee Only	Employee Child/Children	Employee Spouse	Family
<b>City of Palmer pays:</b>	\$ 696.18	\$ 1,350.59	\$ 1,441.10	\$ 2,123.35
<b>Employee pays:</b>	<b>NO COST TO EMPLOYEE</b>	66.00	74.00	144.00
<i>(Each paycheck)</i>		<i>33.00</i>	<i>37.00</i>	<i>72.00</i>

**Employee pays 20% - Employer pays 80%**

Individual Deductible: \$300  
Family Deductible: \$900  
Hospital Deductible: \$250  
Emergency Room Deductible: \$150  
Prescriptions: Generic Drugs: \$5  
Prescriptions: Preferred Name brand: \$25  
Prescriptions: Non-preferred name brand: \$45  
90 Day Mail Order: Generic Drugs: \$5  
90 Day Mail Order: Preferred Name brand: \$50  
90 Day Mail Order: Non-preferred name brand: \$90  
Out of Pocket Maximum: \$3,000 per individual

**NOTE:**

Preventive Care paid at 100% with no deductible or co-pay (Immunizations, Pap Test, Mammograms, Well Child Care Visits, Prostate Exam, Hearing Exam, Diabetic Instructional Program, Colonoscopies, and other Preventive Services)

**The City of Palmer's vision and dental will remain the same with all plans.**

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**Plan 5**  
**80/20 Co-Pay Plan**  
**Employee Pays 10% of Insurance Premium**  
**Approximate Monthly Cost Based on 2012 Premiums**

	Employee Only	Employee Child/Children	Employee Spouse	Family
<b>City of Palmer pays:</b>	\$ 696.18	\$ 1,350.59	\$ 1,441.10	\$ 2,123.35
<b>Employee pays:</b>	70.00	136.00	144.00	212.00
<i>(Each paycheck)</i>	<i>35.00</i>	<i>68.00</i>	<i>72.00</i>	<i>106.00</i>

**Employee pays 20% - Employer pays 80%**

Individual Deductible: \$300  
Family Deductible: \$900  
Hospital Deductible: \$250  
Emergency Room Deductible: \$150  
Prescriptions: Generic Drugs: \$5  
Prescriptions: Preferred Name brand: \$25  
Prescriptions: Non-preferred name brand: \$45  
90 Day Mail Order: Generic Drugs: \$5  
90 Day Mail Order: Preferred Name brand: \$50  
90 Day Mail Order: Non-preferred name brand: \$90  
Out of Pocket Maximum: \$3,000 per individual

**NOTE:**

Preventive Care paid at 100% (Immunizations, Pap Test, Mammograms, Well Child Care Visits, Prostate Exam, Hearing Exam, Diabetic Instructional Program, Colonoscopies, and other Preventive Services)

**The City of Palmer's vision and dental will remain the same with all plans.**



Responses will be confidential, and this form is for feedback purposes only. Thank you for helping the City make the right decision for future employee health care coverage.

Please check the box in front of the option you select, and place your name at the bottom. Again, this does not indicate a commitment to the plan you have selected, but will give the City Manager a basis for making a recommendation to the City Council.

- CONFIDENTIAL SURVEY -

### Health Care Options

I have reviewed the five options under consideration for the 2013 Health Care Plans for the City of Palmer. I understand the plan I select may not be the final plan chosen by the City of Palmer, but I understand my feedback will be considered.

**Option 1 – 90/10 Coverage with 20% premium cost**

**Option 2 – 80/20 Coverage with 5% premium cost**  
– no contribution for Employee Only coverage

**Option 3 – 80/20 Coverage with 5% premium cost**

**Option 4 – 80/20 Coverage with 10% premium cost**  
– no contribution for Employee Only coverage

**Option 5 – 80/20 Coverage with 10% premium cost**

COMMENTS FOR CONSIDERATION:

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Thank you for taking the time to give your input.

PLEASE PRINT, COMPLETE AND RETURN IN THE SEALED ENVELOPE PROVIDED  
TO YOUR DEPARTMENT DIRECTOR



### Health Insurance History at City of Palmer

Year	Monthly Cost FTE	% Increase to Prior Year	Number of Fulltime Employees	Monthly Cost to City of Palmer	Annual Cost to City of Palmer	Annual Cost to City for each FTE
2007	1,240.00	25%	72	89,280.00	1,071,360.00	14,880.00
2008	1,350.00	9%	75	101,250.00	1,215,000.00	16,200.00
2009	1,413.45	5%	77	108,835.65	1,306,027.80	16,961.40
2010	1,520.00	8%	79	120,080.00	1,440,960.00	18,240.00
2011	1,601.59	5%	72	115,314.48	1,383,773.76	19,219.08
2012	1,861.82	16%	71	132,189.22	1,586,270.64	22,341.84