Public Participation in a City Council Meeting:
The Public Comment portion of the meeting is the time to address the Mayor and City Council on topics not on the agenda. If a member of the public wishes to comment on an item on the agenda, they may do so while that item is being discussed by coming to the microphone and stating your name and address. Comments should be limited to 3 minutes or less and should be addressed to the Mayor and Council as a whole and not individually. Response from elected officials or staff is at the Mayor's discretion.

CITY OF MARSHALLTOWN COUNCIL AGENDA
SPECIAL MEETING
CITY HALL COUNCIL CHAMBERS
10 WEST STATE STREET
JUNE 29, 2023, 5:30 PM

A. CALL TO ORDER

B. ROLL CALL

Hoop, Isom, Kell, Ladehoff, Schneider, Thompson, Walker

C. RESOLUTIONS

1. RESOLUTION 2023-139 AUTHORIZING A 10% INCREASE IN HEALTH INSURANCE PREMIUMS AND APPROVING THE TRANSFER OF FUNDS TO THE GROUP HEALTH INSURANCE FUND 884

   Documents:

   2023-06-29_2023-139_Resolution Authorizing Insurance Increase and Transfer of Funds.pdf
   2023-06-29_2023-139_Memo to request using Empl Benefit Fund for Health Ins Fund 06.26.23.pdf

D. CLOSED SESSION - PERSONNEL

Closed session pursuant to Section 21.5, Subsection (1) Paragraph (i) OF THE CODE OF IOWA to evaluate the professional competency of an individual whose appointment, hiring, performance or discharge is being considered when necessary to prevent needless and irreparable injury to that individual's reputation and that individual requests a closed session. The City of Marshalltown has a attorney-client relationship with Lynch Dallas P.C., by Council Resolution 2022-161, approved 06/13/22. There may be council action by motion following the closed session if directed by the city's attorney.

E. ADJOURNMENT

MISSION STATEMENT

The City of Marshalltown collaborates to provide a welcoming, safe, vibrant, and growing community.

Please visit the City's website for the complete agenda packet and to subscribe to agenda notices and department news at www.marshalltown-ia.gov.

MARSHALLTOWN
MORE THAN EVER

2023-139

RESOLUTION AUTHORIZING A 10% INCREASE IN HEALTH INSURANCE PREMIUMS AND APPROVING THE TRANSFER OF FUNDS TO THE GROUP HEALTH INSURANCE FUND 884

WHEREAS, the City of Marshalltown self-insures their group health plan; and

WHEREAS, the Iowa Insurance Division has issued a warning that our fund balance is not at an adequate level; and

WHEREAS, a combination of increasing health insurance premiums and transferring other funds will increase the fund balance 884 by approximately $280,000, which is an average of 3 weeks of claims plus the current deficit in the fund; and

WHEREAS, increasing health insurance premiums 10% August through December will generate approximately $100,000; and

WHEREAS, transferring approximately $131,888 from the Employee Benefit Fund 112, $34,990 from Enterprise Funds 610-750, $2,367 from the LEAD and Section 8 HUD grants, and bill and receiving reimbursement from the Marshall County Communications Committee (MCCC) $10,097 and the Softball Association $658 would generate approximately $180,000; and

WHEREAS, insurance claims could continue to increase, but a plan to increase the fund balance by $280,000 reflects the Council's intention to provide an adequate fund balance level in the Group Health Insurance fund; and

WHEREAS, the City Council has determined that increasing health insurance premiums and transferring funds into the Group Health Insurance Fund 884 is in the best interest of the City of Marshalltown.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARSHALLTOWN, IOWA:

Section 1. The 10% increase in health insurance premiums shall take effect for August 2023.

Section 2. Staff are directed to complete the transfers and billings outlined above by December 31, 2023.

Passed this 29th day of June 2023 and signed this _____ day of June 2023.

CITY OF MARSHALLTOWN, IOWA

_____

Joel T.S. Greer, Mayor

ATTEST:

_____

Alicia Hunter, City Clerk

MARSHALLTOWN
IOWA

Joel Greer, Mayor
Robert Fagen, Interim City Administrator
24 North Center Street
Marshalltown, IA 50158
PH 641.754.5701 | FX 641.754.5717

TO: Mayor Greer and City Council
FROM: Diana Steiner, Finance Director
DATE: June 22, 2023
RE: Group Health Insurance Fund 884

Strategic Plan:

- ☐ Strategy 1: Expand and improve development in the community.
- ☐ Strategy 2: Enhance Marshalltown's public image.
- ☒ Strategy 3: Continually improve and sustain the City's infrastructure, organization, and services.
- ☐ Strategy 4: Partner with citizens, for-profit, non-profit, and others to improve quality of life.

Plan Objective: N/A

Recommendation: Staff needs direction as to how revenue should be generated and/or funds transferred to the Group Health Insurance Fund 884 in order to have enough funds on hand at December 2023 to no longer receive a warning from the Iowa Insurance Division on our self-insured group health plan.

Budget Impact: If premiums are raised, then the City will see an increase in their expense budgets where employees are paid from, but the employee benefit levy will offset those increases for General Fund employees so the General Fund will remain in balance. For employees paid by special revenue, enterprise funds and MCCC, transfers would be made into the Employee Benefit Fund. If Council chooses to transfer other funds to increase the fund balance in Fund 884, then Council will need to approve that.

Description/Background: The City currently self-insures its health and dental costs for employees, retirees, and the Marshall County Communications Commission (MCCC) 911 employees. The employer pays 85% of the premium and employees pay 15%. After the calendar year-end, the City submits a 509A report to the Iowa Insurance Division. In March, the City received a warning from the Division that our fund balance was not at an adequate level (see page 4 for copy of the email). The chart below shows how the fund balance has decreased in recent years:

FISCAL YEAR	FUND BALANCE	CHANGE
6/30/2020	$ 1,914,113	
6/30/2021	$ 1,547,599	$ (366,514)
6/30/2022	$ 768,497	$ (779,102)
5/31/2023	$ (80,604)	$ (849,101)

Based on claim expenses the first 5 months of this calendar year, 3 weeks of claims averaged around $200,000 plus with the $80,000 deficit in the fund balance, we need an influx of revenue of around **$280,000.**

Premiums increased by 11.5% in January 2023 and employees were informed that there may have to be another mid-year adjustment if our claims continued to rise.

Our third party administrator, Bernie Lowe & Associates/North Risk Partners, have reviewed our 1st quarter claims and have suggested a 20% increase in premiums. This would be a $19.41 increase per month for single coverage and $48.55 per month for family coverage.

As an alternative, the City could increase premiums by 10% August through December, which would generate @ $100,000 and transfer the remaining amount $180,000 from our employee benefit levy for General Fund employees, Grants, Enterprises, and MCCC for the proportionate share of their employees.

Emp Benefit Levy	Softball	HUD	Enterprise	MCCC	TOTAL
$ 131,888	$ 658	$ 2,367	$ 34,990	$ 10,097	$180,000

The projected balance at 6/30/2024 before the premium increases in Fund 112 Employee Benefits is approximately $2.7 million so transferring an additional amount for a 10% increase August through-December would be $91,000 for the City's share only or $108,000 for the employee and employer's share. If a 20% increase, it would be $182,000 for the City's share or $216,000 for both the employee and employer's share.

Below is a chart that shows how much additional revenue would be generated by increasing premiums August 1st.

	Employee	City	Total
Per Payperiod	$ 14,636	$ 82,939	$ 97,575
# payperiod Aug-Dec	11	11	11
	$160,996	$ 912,329	$1,073,325
5% increase	$ 8,050	$ 45,616	$ 53,666
10% increase	$ 16,100	$ 91,233	$ 107,333
15% increase	$ 24,149	$ 136,849	$ 160,999
20% increase	$ 32,199	$ 182,466	$ 214,665

If the Council did not want to have the employees pick up any additional amount, then you could use the employee benefit levy, grants, and enterprise funds to cover the full $280,000.

Trying to project claims for the remainder of the year is very difficult. During the Covid pandemic, many procedures were delayed and in some cases worsened. Prescription medication costs continue to soar. The estimate of an influx of $280,000 may not be enough and so I may be back before the end of December to ask for the ability to transfer more funds.

I am asking for direction so we can provide employees and retirees with a 30 day notice if there is going to be a premium increase and/or if you want to use other funds to cover some/all of the shortfall.

Options:

1. A 10% premium increase goes into effect starting with August paychecks (would generate @ $100,000 between employee and City). Transfer in another $180,000 from the employee benefit fund for General Fund employees, grants, and enterprise funds and bill MCCC 911 for their share (see chart under second paragraph for amounts).
2. A 20% premium increase goes into effect starting with August paychecks (would generate $215,000). No transfers.
3. No premium increase until January 2024. Make transfers/bill other funds to generate $280,000 in revenue.

Emp Benefit Levy	Softball	HUD	Enterprise	MCCC	TOTAL
$ 205,161	$ 1,024	$ 3,683	$ 54,427	$ 15,705	$ 280,000

4. Other combinations suggested by Council.

From: IID Producer Licensing <producer.licensing@iid.iowa.gov>
Sent: Tuesday, March 28, 2023 2:32 PM
To: Applicant <bdemoss@marshalltown-ia.gov>
Subject: Warning Notification for City of Marshalltown

The Division is in receipt of the 509A report/opinion for the current plan year. The Iowa Insurance Division captures a significant amount of financial data from all public bodies and is deposited into a large historical database for subsequent analysis. The Division has analyzed the current filing and your plan's performance has triggered one of the three fund balance warnings below.

1. Current Year combined loss ratio > 95% (Claims and expenses) / (premiums and recoveries) > 95%

2. Excess funds (or surplus funds) of (A-B-C) < 3 weeks of claims

3. Or this plan has a negative grand total balance after accounting for all required reserves such as the IBNR claim reserve and the claims fluctuation reserve. These are required reserves under Iowa Administrative Code; see 191-35.20(3)(d)(1) and (2)].

Warning 1 or 2: When loss ratios are in the low to mid 90s and/or when excess funds are the equivalent of 3 weeks of claims or less -- these are considered early warning signs. In the event of the first two fund balance warnings, the Iowa Insurance Division recommends that you continue to monitor performance and to make proactive changes to the funding level (as necessary) before you file again next year.

Warning 3: In the case of a plan shortfall, Iowa Administrative Code rule 191-35.20(4) states: If the resources of any self-funded plan subject to this rule are not adequate to fully cover all claims under that plan, then the public body sponsoring that plan shall make up the shortfall from other resources. [Also see Iowa Code section 509A.14(2)] The reporting of a negative grand total balance means that underlying public body contribution rates or monthly premiums are likely not sufficient. Iowa Administrative Code rule 91-35.20(3)(b) states the following: Monthly accrual rates shall be established at a satisfactory level to provide funds to cover all claims, reserves, and expenses to operate the plan. Accrual rates shall be reevaluated annually.

Plans operating on thin to no margins may not be able to withstand increased claim activity while maintaining compliance with statutory requirements to maintain proper reserves as well as operating in the black. As you can see, Iowa laws and regulations do not permit self-funded public body health insurance plans to operate with deficits, and if your plan is operating with deficits, we request that you put into motion a plan to address it before the current reporting period ends. Such a plan may include changes to the benefit structure (cost-sharing, etc.), transfers from the general fund, or increases to the monthly premiums.

MARSHALLTOWN
IOWA

AUGUST 2023 Health/Dental Insurance Premiums

	City Paid 85%- **Monthly**	Employee Paid 15%- **Monthly**	Total Cost – **Monthly**
Single Plan 2023	$575.66	$101.59 ($50.80 per pay period)	$677.25
August 2023	$633.23 OR $685.74	$111.75 ($55.88 per pay period) OR $121.00 ($60.50 per pay period)	$744.98 OR $806.74
Family Plan 2023	$1361.01	$240.17 ($120.09 per pay period)	$1601.18
August 2023	$1497.11 OR $1636.16	$264.20 ($132.10 per pay period) OR $288.72 ($144.36 per pay period)	$1761.30 $1924.88