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City Council

Resolution Approving Interlocal Agreement with AWC Employee Benefit Trust Health Care Program

Agenda Date: 10/8/2013
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Agenda Item:

Resolution Approving Interlocal Agreement with AWC Employee Benefit Trust Health Care Program

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve the Resolution, and authorize the mayor to sign the Interlocal Agreement.

Issue:

Authorizing continued participation in AWC Health Care Program

Staff Contact:

Jane Kirkemo, Administrative Services Director, 360.753.8499

Presenter(s):

Jane Kirkemo, Administrative Services Director

Background and Analysis:

Since 2005, the City has participated in the Association of Washington Cities (AWC) Employee benefit Trust Health Care Program for medical, dental, and vision insurance. Prior to 2005, the City was self-insured for medical, dental and vision insurance. When self-insured, the City experienced wide shifts in annual rate increases. Because the AWC Trust covers 228 cities and towns they are able to avoid major spikes in rate increases. The AWC Trust, one of the first of its kind as a municipal league pool, is nationally recognized for excellence and innovation.

Effective January 1, 2014, the Trust will be self-insured. AWC states, "Self-insurance means a formal program of advance funding and management of entity financial exposure to a risk of loss that is not transferred through the purchase of an insurance policy or contract." One of the overriding factors in the decision is the potential for cost savings. Self-insurance allows the Trust to eliminate several taxes/fees mandatory for fully insured plans including a two percent state tax and a three percent federal insurer tax. Self-insured status also reduces retention and stop loss fees. The change to self-insured status has no

impact on employers.

Self-insured health care programs must establish reserves necessary to fund the termination costs of the programs and to insulate the program against unusual severity or frequency of claims. RCW 48.62 authorizes local government entities to self-insure for health care benefits and delegates rule-making authority and oversight to the Washington State Risk Manager. Members of the health care program (pool) must be a signatory to the health care program's interlocal agreement, and the interlocal agreement must be adopted by the local governing body by resolution (WAC Chapter 200-110).

Therefore, the resolution and interlocal agreement are before the Council for approval.

Neighborhood/Community Interests (if known):

None

Options:

- 1) Approve resolution and authorize Mayor to sign on behalf of City
- 2) Approve the resolution and direct staff to consider other options. It would take at least one year to research other options. Any change would need to be negotiated with seven bargaining units, the LEOFF board and reviewed with non-represented employees.

Financial Impact:

If the Trust had not changed to a self-insured status they told us to budget a five percent increase in medical. However, for 2014 there will be no rate increases.