CITY OF WILLMAR, MINNESOTA
REQUEST FOR COMMITTEE ACTION

Agenda Item Number: 3

Meeting Date: August 12, 2015

Attachments: X Yes No

CITY COUNCIL ACTION

Date: August 17, 2015

☐ Approved ☐ Denied
☐ Amended ☐ Tabled
☐ Other

Originating Department: Administration

Agenda Item: Consideration of Revisions to Personnel Policy

Recommended Action: Motion to approve and adopt the revised Personnel Policy.

Background/Summary:

The Labor Relations Committee members were informed at the last committee meeting whereby probationary status was removed for two Police Officers that the word "permanent" should not be in a Personnel Policy and that the Interim City Administrator was requesting authority to grant full-time, year round status to any employee satisfactorily completing probationary review.

Those amended policies are attached.

Alternatives:

Financial Considerations: NA

Preparer: Kevin Halliday, Interim City Administrator

Signature: KHalliday

Comments:

1.4.9. Employee means an individual who devotes or applies one's time and energy in service to the City in any of the legal conditions of employment including (A) through (D) as follows:

A. ~~Permanent~~ Year-round Employee means an employee who has successfully completed their initial probationary period with the City and has been granted ~~permanent~~ full time, year-round status by the City ~~Council~~ Administrator.

B. Full-time Employee means an employee who normally works 40 hours a week throughout the year hours per week throughout the year.

C. Part-time Employee means an employee who normally works less than 40 hours per week throughout the year.

2.5. Probationary Period

The probationary period is an integral part of the selection process and shall be utilized for observing the employee's work, for securing the most effective adjustment of the employee to the position, and for rejecting any employee whose performance does not meet the required work standards. Every new appointment of an employee who is not a veteran shall be subject to a probationary period of six months after appointment. Every promotional appointment of a ~~permanent~~ full time, year-round employee who is not a veteran shall be subject to a probationary period of a minimum of six months after appointment.

The appointing authority may terminate a probationary employee at any time during the probationary period if, in the appointing authority's opinion, the working test indicates that the employee is unable or unwilling to perform the duties of the position satisfactorily or that the employee's habits and dependability do not merit continuance in the position. The employee so terminated shall be notified in writing of the reasons for the termination and shall not have the right to appeal unless the employee is a veteran, in which case the procedure prescribed in Minnesota Statutes Section 197.46 shall be followed.

An ~~permanent~~ employee terminated during the probationary period from a position to which they have been promoted or transferred shall be reinstated to a position in the class from which they were promoted or transferred unless the employee is discharged from the City service as provided in the rules.

Vacation and sick leave shall be earned by the new employee during the probationary period, but will not be available for use by the new employee until the period has been successfully completed. If the new employee does not complete the probationary period, no vacation or sick leave for that period shall be credited to the employee.

Wage or salary increases shall be consistent with the governing labor contract regardless of the dates of action by the City Council.

2.16. Lay-Offs

After at least two-week's notice to the employee, the Council may lay off an employee whenever such action is made necessary by reason of shortage of work or funds, the abolition of a position, or because of changes in organization. However, no ~~permanent~~ full-time, year round employee shall be laid off while there are temporary or probationary employees serving in the same class of positions for which the ~~permanent~~ full-time, year round employee is qualified, eligible, and available. Lay-offs, when necessary, shall be considered according to the length of the employee's service within the same class of positions for which the ~~permanent~~ full-time, year round employee is qualified, eligible, and available.

5.2. Sick Leave

Sick leave with pay shall be granted to City employees except that no employee shall be allowed to use sick leave until after the expiration of the employee's probationary period and City ~~Council~~ Administrator action granting ~~permanent~~ full time, year-round status. In cases of extreme emergency, and with the express approval of the Department Director, sick leave may be granted during the probationary period. ~~Permanent~~ full-time, year-round employees shall accrue sick leave according to the schedule of their collective bargaining agreement. Permanent part-time employees shall accrue sick leave according to a rate equal to the average hours worked per week divisible by a forty (40) hour work week multiplied by the respective collective bargaining agreement sick leave schedule.

Employees may use sick leave for the following:

A. Illness of the employee, causing absence from work.

B. Injury to employee, causing absence from work.

C. Need by employee for acute medical or dental care which cannot be obtained after working hours.

D. Illness or injury to members of the immediate family - father or grandfather, mother or grandmother, sister or sister-in-law, brother or brother-in-law, spouse, children of either husband or wife, stepchildren or stepparents, and a member of the employee's immediate household.

E. Pregnancy prior to delivery and up to four (4) months post delivery.

When an employee is unable to report to work because of illness or injury, or because of illness in the immediate family, he/she shall report to the Department Director or First Line Supervisor, or cause to be reported, early enough so that arrangements may be made to carry on the employee's work. The Department Director may require a signed statement from the employee's physician or other evidence of the extent of the injury or condition of the employee or employee’s family member during illness.

Sick leave is accrued when vacation days, holidays, and sick days are taken. No sick leave shall accrue during a leave of absence, except employees on military leave with pay.

Sick leave with pay shall not be granted to emergency or per diem employees. When incapacitating sickness or hospitalization occurs within a period of vacation leave, the period of illness may, upon presentation of a statement from the attending licensed physician, be charged as sick leave and the charge against vacation leave reduced accordingly.

The appointing authority may require the employee to produce medical certification from a registered, practicing physician attesting to the fact that the employee is fit to return to work.

Pregnancy is treated as a sickness. When the employee is unable to perform her job responsibilities, sick leave may be used prior to the maternity leave of absence within the following guidelines:

A. Sick days may be used continuously until the employee has depleted the number of sick days accrued, after which the leave of absence would become effective.

B. It is not required that all or any sick days be used for maternity leave, as it may be desired to save the sick days in case of illness or surgery. Maternity leave of absences are granted up to four (4) months after the date of delivery, regardless of the extent of sick days used.

C. Sick days may only be used up to four months after the delivery.

Natural or adoptive parents may use sick leave for the following reasons:

A. Pregnant employees requesting maternity leave may use paid sick leave prior to the birth of the child and up to four (4) months after the birth of the child unless all accumulated sick leave is exhausted at an earlier date.

B. Male employees who become a natural or adoptive parent may use a maximum of three (3) sick days before or after the birth or arrival of the child.

C. Female employees who become an adoptive parent may use a maximum of three (3) sick leave days before or after the arrival of the child.

Any employee sustaining an injury while on the job is eligible for Workers Compensation. Accumulated sick leave may be used in conjunction with the payment received from Workers Compensation so that the combined total will be equal to the employees net salary (see Workers Compensation).

CITY OF WILLMAR, MINNESOTA
REQUEST FOR COMMITTEE ACTION

Agenda Item Number: 4

Meeting Date: August 12, 2015

Attachments: X Yes No

CITY COUNCIL ACTION

Date: August 17, 2015

☐ Approved ☐ Denied
☐ Amended ☐ Tabled
☐ Other

Originating Department: Administration

Agenda Item: Health Insurance Review

Recommended Action: .

Background/Summary:

On August 10, 2015, staff will attend the SW/WC Service Cooperative's Cities, Counties, and other Governmental Agencies (CCOGA) Insurance Pool Annual Meeting. At this meeting we will be given the 2016 rates and be introduced to the new plan proposed for the City. We have been officially informed that the First Dollar Plan (base plan) will not be offered to use by BCBS. It appears from emails to date that it will be offered a modified base plan, but that options for their many common plans could be selected by the unions/City.

Staff will present a refresher course on the Service Cooperative Insurance Pool System, show 2016 rates, and provide details to their proposed plan.

Alternatives:

Financial Considerations:

Preparer: Kevin Halliday, Interim City Administrator

Signature: KHalliday

Comments:

SOUTHWEST/WEST CENTRAL SERVICE COOPERATIVE

MILLIMAN - PROBABILITIES THAT TARGET RSR LEVEL IS SUFFICIENT FOR A GIVEN PERIOD

CCOGA Insurance Pool

Annual Premium (2015)

$44,588,334 (estimate)

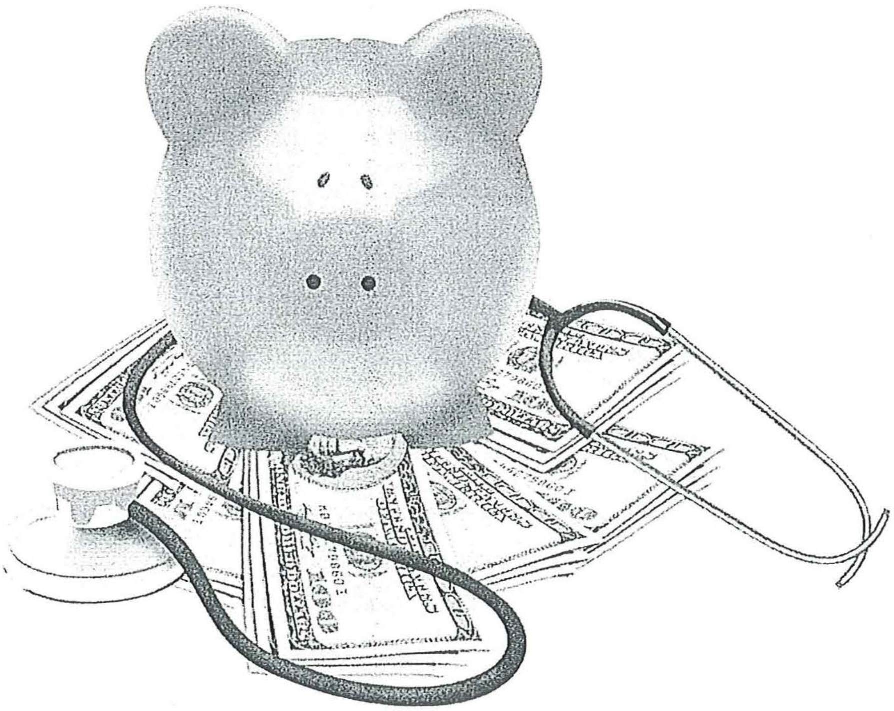
Target RSR Level	Target RSR Dollar Level of Total Premium	**Current Reserve Fund**			
5%	$2,229,417				
10%	**$4,458,833**				
15%	$6,688,250				
20%	$8,917,667				
25%	$11,147,084				
30%	$13,376,500	-$930,178	Underfunded at 30%		
Estimated RSR as of 6/30/15			$	5,518,892	
Restricted Reserve/Drug Rebates/Interest			$	6,927,430	(committed to 2015 renewal = $1,489,054)
Total Reserve Funds			**$**	**12,446,322**	

IBNR as of 6/30/14 $3,485,668

SW/WC
Since 1965
Service Cooperative

Health Care Reform Penalties

BY COMPANY SIZE



The following is a **general overview** of the penalties that may apply if employers do not comply with key provisions under Health Care Reform. The information is subject to change based on new government requirements or amendments to the law. Additionally, your company or group health plan may be exempt from certain requirements and/or subject to more stringent requirements under your state's laws. **If you have any questions regarding your obligations, please consult knowledgeable employment law counsel.**

The Affordable Care Act (ACA) amends various preexisting federal laws, including the Internal Revenue Code (IRC) and the Employee Retirement Income Security Act (ERISA). Therefore, enforcement of many ACA requirements may be carried out through the mechanisms provided for in those laws. For purposes of this chart:

- The term "**$100 excise tax**" refers to a penalty tax, imposed by employers under the IRC, of $100 per affected individual for each day the plan is not in compliance⁺.
- The term "**ERISA penalties**" refers to a civil action by the U.S. Department of Labor (DOL) or plan participants or beneficiaries to compel the plan or sponsor to comply with ERISA. Civil money penalties may also apply.

PENALTIES FOR ALL EMPLOYERS

Employers Sponsoring Group Health Plans	
Employer Payment Plans Prohibited	Employer payment plans—arrangements under which an employer reimburses an employee for some or all of the premium expenses incurred for an individual health insurance policy, or uses its funds to directly pay the premium for an individual policy—are considered group health plans that do not comply with the ACA **Penalties for Noncompliance:** $100 excise tax (small employers—generally those with fewer than 50 full-time employees, including full-time equivalents—were granted temporary relief from this penalty through June 30, 2015); ERISA penalties.
Dependent Coverage to Age 26	Plans that offer dependent coverage must continue to make the coverage available until a child reaches the age of 26, regardless of other coverage options **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.
No Lifetime or Annual Limits	Plans cannot impose lifetime or annual dollar limits on coverage of "essential health benefits" **Penalties for Noncompliance:** $100 excise tax; ERISA penalties. *Note: Health plans may continue to limit the number of visits to health providers and days of treatment so long as the visit or day limit does not amount to a dollar limit.*
No Pre-Existing Condition Exclusions	Plans cannot exclude individuals from coverage or limit or deny benefits on the basis of pre-existing medical conditions **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.
90-Day Limitation on Waiting Periods	Plans cannot use a waiting period—the time that must pass before coverage for an employee or dependent who is otherwise eligible to enroll under the terms of the plan can become effective—that exceeds 90 days **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.

PENALTIES FOR ALL EMPLOYERS (CONT'D)

Employers Sponsoring Group Health Plans

Nondiscrimination for Wellness Programs	Employers sponsoring a health-contingent wellness program in connection with a group health plan (i.e., a program that requires an individual to satisfy a standard related to a health factor in order to obtain a reward) must confirm the program complies with revised nondiscrimination rules **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.
Summary of Benefits and Coverage (SBC)	Plans must provide an SBC to participants and beneficiaries at several points during the enrollment process and upon request, explaining what the plan covers and what it costs **Penalties for Noncompliance:** Plans that willfully fail to provide the required information will be subject to a fine of not more than $1,000 for each failure (each participant or beneficiary constitutes a separate offense). Plans are also generally subject to the $100 excise tax and ERISA penalties.
Notice of Modification	Plans must ensure that participants and beneficiaries are provided with notice of any material modification that would affect the content of the SBC (and that occurs other than in connection with coverage renewal or reissuance) no later than 60 days prior to the effective date of the change **Penalties for Noncompliance:** Plans that willfully fail to provide the required information will be subject to a fine of not more than $1,000 for each failure (each participant or beneficiary constitutes a separate offense). Plans are also generally subject to the $100 excise tax and ERISA penalties.
Medical Loss Ratio (MLR) Rebates	Employers of fully insured plans are responsible for distributing rebates, received as a result of insurers not meeting specific standards related to how premium dollars are spent, to eligible plan enrollees where appropriate **Penalties for Noncompliance:** Any portion of a rebate constituting plan assets must be handled in accordance with ERISA's fiduciary responsibility provisions. Fiduciaries that do not follow the basic standards of conduct may be personally liable.
PCORI Fees for Employers Sponsoring Self-Insured Plans	For plan years ending on or after Oct. 1, 2012, and before Oct. 1, 2019, employers that sponsor certain self-insured plans—including HRAs that are not treated as excepted benefits—must pay fees to fund the Patient-Centered Outcomes Research Institute (fees are filed annually using Form 720 and are due no later than July 31st of the year following the last day of the plan year to which the fee applies) **Penalties for Noncompliance:** Standard penalties related to late filing or late tax payment generally apply, but these penalties may be waived or abated if the employer has reasonable cause and the failure was not due to willful neglect.
Transitional Reinsurance Program Fees	Employers sponsoring certain self-insured plans must make contributions to support payments to individual market issuers that cover high-cost individuals **Penalties for Noncompliance:** In general, a maximum penalty of $100 per day for each affected individual is imposed, with certain limitations for failures corrected within 30 days or failures not discovered when exercising reasonable diligence.

<table>
<tr><th colspan="3">PENALTIES FOR ALL EMPLOYERS (CONT'D)</th></tr>
<tr><td colspan="3">Employers Sponsoring Non-Grandfathered Group Health Plans</td></tr>
<tr><td>Preventive Services Coverage</td><td colspan="2">Plans must cover certain preventive services delivered by in-network providers without cost-sharing
Penalties for Noncompliance: $100 excise tax; ERISA penalties.</td></tr>
<tr><td>Patient Protections</td><td colspan="2">Plans must give participants certain rights with respect to choosing a primary care provider or a pediatrician (when the plan requires designation of a primary care physician), obtaining OB/GYN care without prior authorization (if coverage is provided for OB/GYN care under the plan), and coverage of emergency services (for plans that provide such benefits)
Penalties for Noncompliance: $100 excise tax; ERISA penalties.
<u>Note</u>: Plans must also provide a notice to participants outlining their right to choose a primary care provider or pediatrician, or to obtain OB/GYN care without prior authorization, when applicable.</td></tr>
<tr><td>Reviewing Claims Decisions</td><td colspan="2">Plans must follow new procedures regarding decisions to deny payment for treatment or services
Penalties for Noncompliance: $100 excise tax; ERISA penalties.
<u>Note</u>: Plans must also provide specific notices to participants and beneficiaries when a claim for benefits is denied.</td></tr>
<tr><td>Coverage of Essential Health Benefits</td><td>Fully insured plans offered in the small group market (both inside and outside of Health Insurance Exchanges) must cover a core package of items and services known as "essential health benefits"
Penalties for Noncompliance: $100 excise tax; ERISA penalties.</td><td rowspan="2"><u>Note</u>: If allowed by a particular state and insurer, a small business may be able to renew its current group coverage that does not comply with the requirements related to essential health benefits and cost-sharing limits, through policy years beginning on or before October 1, 2016.</td></tr>
<tr><td>Limits on Cost-Sharing</td><td>Out-of-pocket costs under the plan for coverage of "essential health benefits" provided in-network cannot exceed certain limitations
Penalties for Noncompliance: $100 excise tax; ERISA penalties.</td></tr>
<tr><td colspan="3">Employers Sponsoring Grandfathered Group Health Plans</td></tr>
<tr><td>Disclosure of Grandfathered Status</td><td colspan="2">A plan must include a statement indicating the plan believes it is a grandfathered plan, along with certain other information, in any plan materials provided to participants or beneficiaries describing the benefits provided under the plan
Penalties for Noncompliance: Loss of grandfathered status, which requires the plan to come into compliance with all ACA provisions that previously did not apply because the plan was exempt.</td></tr>
</table>

PENALTIES FOR ALL EMPLOYERS (CONT'D)

	Employers With Tax-Favored Arrangements
Cafeteria Plan Benefits	Employers may not provide a qualified health plan offered through the Individual Health Insurance Marketplace as a benefit under the employer's section 125 cafeteria plan (a plan which meets specific requirements to allow employees to receive benefits on a pre-tax basis) **Penalties for Noncompliance:** In general, if a plan fails to operate in compliance with section 125, it is not considered a cafeteria plan and employees' elections of nontaxable benefits will result in gross income to the employees. ERISA penalties may also apply. *Note: This requirement **does not apply** to group coverage offered through the SHOP Marketplace*
Health FSAs Through Cafeteria Plans	A health flexible spending arrangement (FSA) must be offered through a cafeteria plan in order to comply with the annual dollar limit prohibition **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.
Health FSAs as Excepted Benefits	A health FSA must qualify as excepted benefits to comply with the preventive services requirements **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.
Health FSA Contribution Limits	The amount of salary reduction contributions to health FSAs must be limited to $2,500 annually (as adjusted for inflation—for taxable years beginning in 2015, the annual limit increased to **$2,550**); written cafeteria plans must have been amended by Dec. 31, 2014 to reflect this change **Penalties for Noncompliance:** If a cafeteria plan fails to operate in compliance with section 125 or fails to satisfy any of the written plan requirements for health FSAs, the plan is generally not considered a cafeteria plan and employees' elections of nontaxable benefits result in gross income to the employees. *Note: If a cafeteria plan timely complies with the written plan requirement limiting health FSA salary reduction contributions, but one or more employees are erroneously allowed to elect a salary reduction of more than the limit for a plan year, the plan **may still be considered a cafeteria plan for that plan year** if certain conditions are satisfied.*
Health Reimbursement Arrangements	An HRA may not be used to reimburse an employee's individual insurance policy premiums **Penalties for Noncompliance:** $100 excise tax; ERISA penalties.
	All Employers (No Group Health Plan Required)
Exchange Notice	Employers must provide written notice about the Health Insurance Exchange (Marketplace) to each new employee at the time of hiring, within 14 days of the employee's start date **Penalties for Noncompliance:** There is no fine or penalty for failing to provide the notice.

PENALTIES FOR ALL EMPLOYERS (CONT'D)

All Employers (No Group Health Plan Required)

Break Time for Nursing Mothers	Employers must provide reasonable break time for an employee to express breast milk for her nursing child for 1 year after the child's birth, as well as a place to do so (other than a bathroom) that is shielded from view and free from intrusion from coworkers and the public **Penalties for Noncompliance:** Any employee who is terminated or otherwise discriminated against may file a retaliation complaint with the DOL or may file a private cause of action seeking appropriate remedies including, but not limited to, employment, reinstatement, lost wages, and liquidated damages. The DOL can also seek injunctive relief in federal district court, and may obtain reinstatement and lost wages for the employee. *Note: Employers with fewer than 50 employees* ***are not subject to the break time requirement*** *if compliance would impose an undue hardship.*
Additional Medicare Tax for High Earners	Employers must withhold Additional Medicare Tax—at a rate of 0.9%—on wages or compensation paid to an employee in excess of $200,000 in a calendar year **Penalties for Noncompliance:** Employers that do not deduct and withhold Additional Medicare Tax as required are liable for the tax, unless the tax they failed to withhold is paid by the employee. Even if not liable for the tax, employers that do not meet their withholding, deposit, reporting, and payment responsibilities for Additional Medicare Tax may be subject to the applicable penalties for willfully failing to deduct and withhold.

PENALTIES FOR EMPLOYERS WITH 50+ EMPLOYEES

Employer Information Reporting on Health Insurance Coverage	Large employers subject to "pay or play" (generally those with **50 or more full-time employees**, including full-time equivalents) are required to report certain information to the IRS and to their employees regarding compliance with the pay or play provisions and the health care coverage they have offered Note: Self-insured employers providing minimum essential health coverage (**regardless of size**) are subject to a separate set of information reporting requirements; however, the penalties for noncompliance are the same. **Penalties for Noncompliance:** General reporting penalty provisions for failure to file correct information returns and employee statements may apply—ranging from $30-$100 per return (increased to $250 for returns and statements required to be filed after Dec. 31, 2015), with a maximum penalty of $1.5 million per year (increased to $3 million for returns and statements required to be filed after Dec. 31, 2015)—with certain exceptions if the failure is due to reasonable cause and not willful neglect. In general, the IRS **will not impose penalties** for 2015 returns and statements filed and furnished in 2016 on reporting entities that can show that they have made **good faith efforts to comply.**

PENALTIES FOR EMPLOYERS WITH 50+ EMPLOYEES (CONT'D)

Employer Shared Responsibility ("Pay or Play")

Large employers (generally those with **50 or more full-time employees**, including full-time equivalents) must offer affordable health insurance that provides a minimum level of coverage ("minimum value") to full-time employees and their dependents or pay a penalty tax if any full-time employee is certified to receive a premium tax credit for purchasing coverage on the Health Insurance Exchange (Marketplace)

*Note: Employers with **100 or more full-time employees** (including full-time equivalents) are subject to these requirements starting in 2015, while those with **50 to 99 full-time employees** (including full-time equivalents) do not need to comply until 2016 if they meet certain criteria.*

Penalties for Noncompliance: There are two circumstances under which large employers may owe a penalty:

1. **Employers Not Offering Coverage:** A large employer that does not offer coverage or offers coverage to fewer than 70%* of its full-time employees (and their dependents, unless transition relief applies) during the calendar year owes a penalty equal to the number of full-time employees employed for the year (minus up to 80*) multiplied by $2,000 ($2,080 for 2015 and $2,160 for 2016)**, as long as at least one full-time employee receives a premium tax credit. For an employer that offers coverage for some months but not others during the calendar year, the penalty is computed separately for each month for which coverage was not offered. The amount of the penalty for the month equals the number of full-time employees employed for the month (minus up to 80*) multiplied by 1/12 of $2,000 ($2,080 for 2015 and $2,160 for 2016)**.
2. **Employers Offering Coverage That is Not Affordable or Does Not Provide Minimum Value:** For a large employer that offers coverage to at least 70%* of its full-time employees (and their dependents, unless transition relief applies), but has one or more full-time employees who receive a premium tax credit, the penalty is computed separately for each month. The amount of the penalty for the month equals the number of full-time employees who receive a premium tax credit for that month multiplied by 1/12 of $3,000 ($3,120 for 2015 and $3,240 for 2016)**. The penalty is the **lesser of** the amount calculated or the amount that would be owed if the employer did not offer coverage.

*After 2015, 95% should be substituted for 70%, and 30 should be substituted for 80. In addition, the transition relief for dependent coverage will generally not be available for periods on or after January 1, 2016 (or, if applicable, for any period after the last day of the 2015 plan year).

**For calendar years after 2014, penalty amounts are adjusted for inflation; however, the IRS has not released the specific penalty amounts that will apply for 2015 or 2016. The 2015 and 2016 amounts used above are derived from statutory formulas using the premium adjustment percentages announced by the U.S. Department of Health and Human Services.

PENALTIES FOR EMPLOYERS WITH 250+ EMPLOYEES

Employers Sponsoring Group Health Plans

Form W-2 Reporting	Employers who must file 250 or more Forms W-2 for the preceding calendar year and who sponsor a group health plan are required to report the cost of coverage provided to each employee on the Form W-2 (provided to employees in January), with certain exceptions **Penalties for Noncompliance:** General reporting penalty provisions for failure to file correct information returns and employee statements may apply —ranging from $30-$100 per return (increased to $250 for returns and statements required to be filed after Dec. 31, 2015), with a maximum penalty of $1.5 million per year (increased to $3 million for returns and statements required to be filed after Dec. 31, 2015)—with certain exceptions if the failure is due to reasonable cause and not willful neglect.

ACA PENALTY PROVISIONS THAT ARE NOT YET EFFECTIVE

Employers Sponsoring Group Health Plans

Excise Tax on High Cost Employer-Provided Coverage	**Effective Beginning in 2018:** The cost of plan benefits generally cannot exceed the threshold of $10,200 for self-only coverage and $27,500 for family coverage, with exceptions for certain types of coverage **Penalties for Noncompliance:** Employers sponsoring self-insured plans will pay a 40% tax (known as the "cadillac tax") for any amount of the premium that is above these thresholds—but all employers that sponsor group health plans are responsible for calculating this amount. (For fully insured plans, the issuer is responsible for paying the tax.) Additional penalties may apply for failing to properly calculate this amount.
Automatic Enrollment	**Effective Date Delayed:** Employers with **more than 200 full-time employees** must automatically enroll new full-time employees in one of the employer's health plans (subject to any waiting period authorized by law), and must continue the enrollment of current employees in a health plan offered through the employer **Penalties for Noncompliance:** Employers are not required to comply until final regulations are issued and become applicable.

Employers Sponsoring Non-Grandfathered Group Health Plans

Nondiscrimination Rules for Insured Group Plans	**Effective Date Delayed:** Fully insured plans must comply with the rules prohibiting discrimination in favor of highly compensated individuals, which are currently applicable to self-insured plans **Penalties for Noncompliance:** $100 excise tax; ERISA penalties. Compliance with the nondiscrimination provisions will not be required (and thus, any sanctions for failure to comply do not apply) until after regulations or other administrative guidance of general applicability are issued. *Note: Cafeteria plan health benefits remain subject to the nondiscrimination requirements of Internal Revenue Code section 125.*

+ The excise tax applies on the day a failure first occurs and ends on the day the failure is corrected. The minimum tax is $2,500 for violations not corrected before the date a notice of examination of income tax liability is sent to the employer, and which occur or continue during the period under examination. The minimum tax for violations determined to be more than "de minimus" is $15,000.

No excise tax will be imposed if:

- *The employer did not know, and exercising reasonable diligence would not have known, that a failure existed; or*
- *The failure was due to reasonable cause and not willful neglect, and such failure is corrected during the 30-day period starting from the date the employer knew, or exercising reasonable diligence would have known, that such failure existed.*
    - *If the failure was not corrected within 30 days, the maximum tax imposed will be the lesser of $500,000 or 10% of the amount paid or incurred by the employer during the preceding taxable year for its group health plans.*

*Additionally, the tax **may not apply** to certain fully insured small employer plans (generally those with no more than 50 employees) for a failure to comply which is solely because of the health insurance coverage offered by the issuer.*

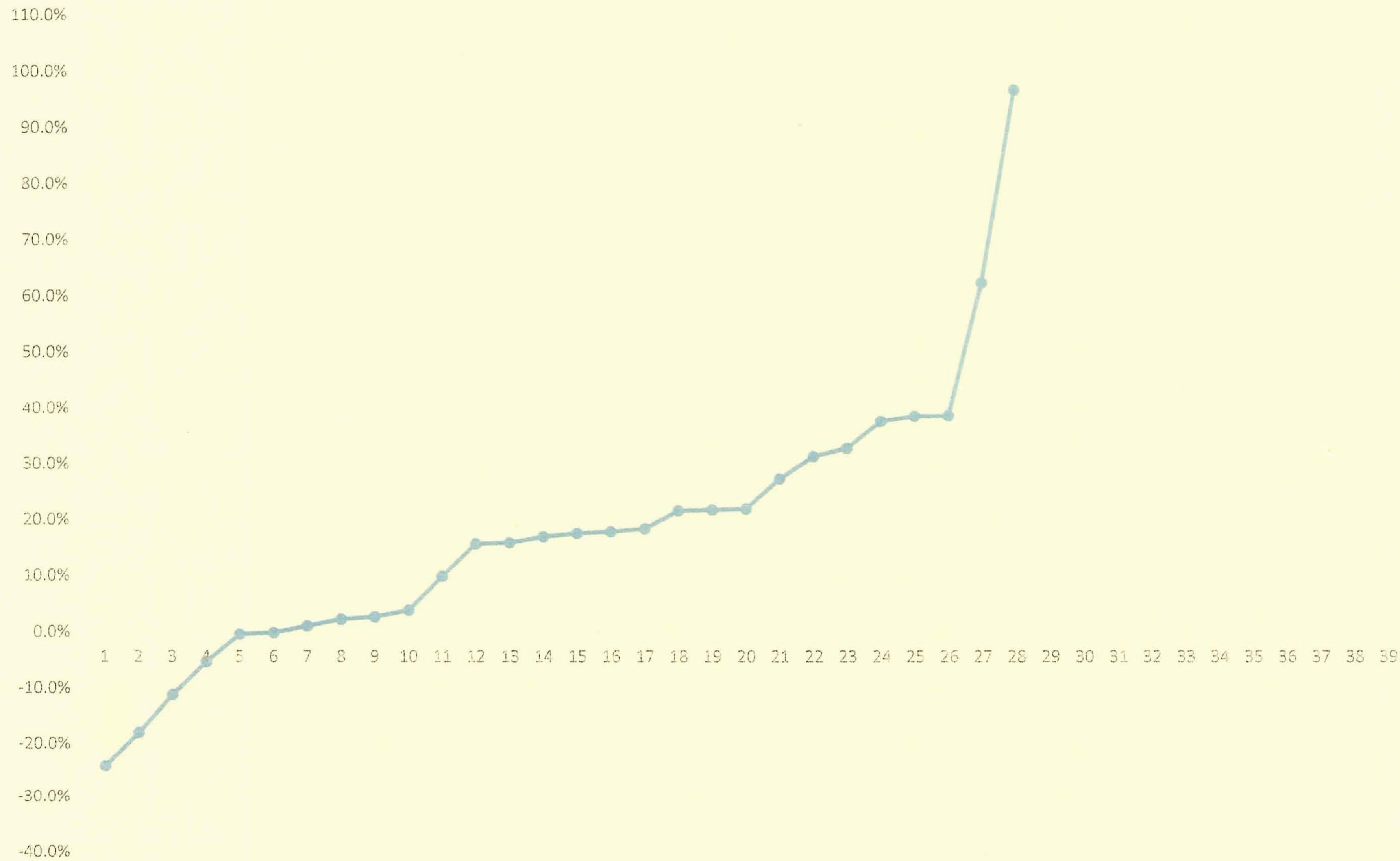
Provided by:

SW/WC Service Cooperative
1420 East College Drive
Marshall, MN 56258

Phone: 507-537-2295
www.swsc.org

Written and created by: HR 360, Inc. | Last updated on July 9, 2015

CCOGA 2016 Renewal
Needed Increases
All Groups 50+
77% of Pool Contracts



FORMULA NINE-Apply formula to 1/1/2016 NEEDED Column

		GIVE:			GIVE:
IF LESS THAN	(10.00)	(2.50)	IF LESS THAN	30.00	17.50
IF LESS THAN	1.10	0.00	IF LESS THAN	40.00	17.50
IF LESS THAN	7.50	Actual -1	IF LESS THAN	50.00	17.50
IF LESS THAN	12.50	7.50	IF LESS THAN	100.00	17.50
IF LESS THAN	15.00	12.50	IF LESS THAN		
IF LESS THAN	25.00	14.90	IF LESS THAN		
			IF LESS THAN	500.00	17.50

Overall 3.93% Increase

	GROUP NAME	GROUP #	1/1/2016 NEEDED	250,000-75,000	Pooling Adj. > (7.6%)	Adjusted 1/1/2016 NEEDED	**1/1/2016 ACTUAL**	1/1/2015 CURRENT INCOME	1/1/2016 NEEDED INCOME	1/1/2016 ACTUAL INCOME
			15.40	(8.60)	(1.0)	14.40	**12.50**			
			15.70	(1.50)		15.70	**14.90**			
			15.90	(3.60)		15.90	**14.90**			
			16.80			16.80	**14.90**			
			17.00	(10.70)	(3.1)	13.90	**12.50**			
			17.10			17.10	**14.90**			
			17.60	(1.30)		17.60	**14.90**			
			17.90			17.90	**14.90**			
			18.40	(6.60)		18.40	**14.90**			
			19.50	(4.50)		19.50	**14.90**			
			21.70	(11.10)		21.70	**14.90**			
			21.80	(0.20)		21.80	**14.90**			
			22.00	(16.20)	(8.6)	13.40	**12.50**			
			24.40	(12.70)	(5.1)	19.30	**14.90**			
			27.40	(18.60)	(11.0)	16.40	**14.90**			
			27.70	(21.80)	(14.2)	13.50	**12.50**			
			27.80			27.80	**17.50**			
			28.40	(14.00)	(6.4)	22.00	**14.90**			
			29.50	(24.10)	(16.5)	13.00	**12.50**			
			29.80			29.80	**17.50**			
			30.40			30.40	**17.50**			
			31.40	(9.50)	(1.9)	29.50	**17.50**			
			32.90			32.90	**17.50**			
			32.90	(13.40)	(5.8)	27.10	**17.50**			
			33.70			33.70	**17.50**			
			37.20			37.20	**17.50**			
			37.30			37.30	**17.50**			
			37.80	(6.50)		37.80	**17.50**			
			38.70	(5.90)		38.70	**17.50**			
			38.80	(5.00)		38.80	**17.50**			
			40.30			40.30	**17.50**			
			41.40			41.40	**17.50**			
			43.60			43.60	**17.50**			
			61.20			61.20	**17.50**			
			62.70	(20.20)	(12.6)	50.10	**17.50**			
			83.30	(16.90)	(9.3)	74.00	**17.50**			
			97.20	(10.60)	(3.0)	94.20	**17.50**			
			109.50			109.50	**17.50**			
			131.90	(19.30)	(11.7)	120.20	**17.50**			
			142.90	(32.50)	(24.9)	118.00	**17.50**			
	TOTAL		180.10			40.30	**573.80**	44,588,334	50,937,038	48,663,972
	#		105.00			105.00	**105.00**		14.24%	
	AVG		1.72			0.38	**5.46**	9.14%	Per SC	4,075,638
	HIGH		142.90			120.20	**17.50**	14.24%	Per BCBS	6,348,704
	LOW		(79.10)			(79.10)	**(2.50)**			(2,273,066)

* = New group

Cost of credits for high cases is 7.6%; If pooling adjustment is less than 7.6%, do not apply credit

FORMULA NINE-Apply formula to 1/1/2016 NEEDED Column

		GIVE:			GIVE:
IF LESS THAN	(10.00)	(2.50)	IF LESS THAN	30.00	17.50
IF LESS THAN	1.10	0.00	IF LESS THAN	40.00	17.50
IF LESS THAN	7.50	Actual -1	IF LESS THAN	50.00	17.50
IF LESS THAN	12.50	7.50	IF LESS THAN	100.00	17.50
IF LESS THAN	15.00	12.50	IF LESS THAN		
IF LESS THAN	25.00	14.90	IF LESS THAN		
			IF LESS THAN	500.00	17.50

Overall 3.93% Increase

	GROUP NAME	GROUP #	1/1/2016 NEEDED	250,000- 75,000	Pooling Adj. > (7.6%)	Adjusted 1/1/2016 NEEDED	**1/1/2016 ACTUAL**	1/1/2015 CURRENT INCOME	1/1/2016 NEEDED INCOME	1/1/2016 ACTUAL INCOME
			15.40	(8.60)	(1.0)	14.40	**12.50**			
			15.70	(1.50)		15.70	**14.90**			
			15.90	(3.60)		15.90	**14.90**			
			16.80			16.80	**14.90**			
			17.00	(10.70)	(3.1)	13.90	**12.50**			
			17.10			17.10	**14.90**			
			17.60	(1.30)		17.60	**14.90**			
			17.90			17.90	**14.90**			
			18.40	(6.60)		18.40	**14.90**			
			19.50	(4.50)		19.50	**14.90**			
			21.70	(11.10)		21.70	**14.90**			
			21.80	(0.20)		21.80	**14.90**			
			22.00	(16.20)	(8.6)	13.40	**12.50**			
			24.40	(12.70)	(5.1)	19.30	**14.90**			
			27.40	(18.60)	(11.0)	16.40	**14.90**			
			27.70	(21.80)	(14.2)	13.50	**12.50**			
			27.80			27.80	**17.50**			
			28.40	(14.00)	(6.4)	22.00	**14.90**			
			29.50	(24.10)	(16.5)	13.00	**12.50**			
			29.80			29.80	**17.50**			
			30.40			30.40	**17.50**			
			31.40	(9.50)	(1.9)	29.50	**17.50**			
			32.90			32.90	**17.50**			
			32.90	(13.40)	(5.8)	27.10	**17.50**			
			33.70			33.70	**17.50**			
			37.20			37.20	**17.50**			
			37.30			37.30	**17.50**			
			37.80	(6.50)		37.80	**17.50**			
			38.70	(5.90)		38.70	**17.50**			
			38.80	(5.00)		38.80	**17.50**			
			40.30			40.30	**17.50**			
			41.40			41.40	**17.50**			
			43.60			43.60	**17.50**			
			61.20			61.20	**17.50**			
			62.70	(20.20)	(12.6)	50.10	**17.50**			
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Cost of credits for high cases is 7.6%; If pooling adjustment is less than 7.6%, do not apply credit

Cadillac tax: A huge car wreck for employers?

by John Turner
JUL 10, 2015

Commentary: By now, you've probably heard of the Cadillac tax, the piece of the Affordable Care Act that levies a 40% excise tax on the cost of health insurance coverage above a certain threshold.

That's a big tax, but most employers don't seem too concerned with it. There are likely a couple reasons for this. One, it goes into effect in 2018, which still seems a long way off. And, two, since it's called the Cadillac tax, most employers don't seem to think it could possibly apply to their health insurance plan. They know they don't have "Cadillac benefits" so they aren't focused on it.

But I'm here to tell you that you need to start paying attention to this tax, and you need to start paying attention now.

Starting in 2018, employers will have to pay a 40% tax on the cost of health plan coverage exceeding $10,200 for self-only coverage and exceeding $27,500 for other-than-self-only coverage (e.g., "employee plus one" or "family" coverage). If an employer is self-insured, they are responsible for the payment; if they're fully insured, the carrier is responsible, but this will surely impact the rates the employer pays. The tax cannot be written off corporate taxes, so it'll sting twice.

According to the Congressional Budget Office (CBO), the tax is expected to generate $5 billion in revenue in 2018, then $34 billion by 2024 as more employers meet that minimum threshold.[i] A 40% penalty is a pretty good incentive to avoid doing something but, at the same time, the CBO is clearly expecting a lot of employers to pay the tax to help fund the ACA. A recent study promoted by the Council of Insurance Agents and Brokers projects that 42% of employers will have to pay the tax for 2018.[ii]

You're probably wondering whether so many employers really have such rich benefits plans. The short answer is "not really."

However, the tax is based upon the cost of the insurance an employer offers, not on the quality of the benefits offered. Unfortunately, there are a lot of firms paying Cadillac prices without having Cadillac plans; they're overpaying. In most of these cases, the employer's underlying base rates and a relatively high number of claims have caused their rates to jump through the years. Meanwhile, we all know that insurance prices have been steadily increasing for decades. Medical inflation and bad claims experience compounds over time to create a difficult scenario, and it's a scenario that could cost you an extra 40% — depending on the size of your workforce — and could very quickly turn into millions of dollars you owe the government.

There are two things plan sponsors need to do:

1. Take a closer look at the health benefits you offer and the overall cost of your medical program to determine whether you're over the threshold.

2. If you are, that means you need to take steps to reduce your exposure by reducing utilization and claims expenses.

Employers have a heavy incentive to avoid the tax. One way to do that is to reduce the coverage you offer your employees, often by raising deductibles. However, just because you raise deductibles doesn't mean you reduce utilization or claims expense. The smart approach for employers is to keep employees as healthy as possible, and thereby reduce episodic care.

The other option is to manage your claims better to lower your expense by decreasing utilization and managing claims better, i.e., helping your employees to become healthier so that they ultimately don't use their insurance as often. This is not a change that can occur overnight; you can't issue a memo ordering your employees to be healthier. What employers have to do — starting now — is to think strategically about how best to make employees healthier.

Wellness and disease management programs create a win-win for the employer and employee. Though many employers have embraced this idea, seeing results takes patience. While the Cadillac tax doesn't hit for two-and-a-half years, it'll likely take that long to institute a program that will have a significant positive impact on your workforce. And that means you have to be thinking about it now.

The other piece worth considering is a private exchange. A private exchange, done well, provides freedom of choice for the employee and cost controls for the employer, who can disperse risk across less expensive benefit plans. Again, this strategy will take a couple of years to have a worthwhile impact, and therefore employers should be considering this option now.

There are plenty of employers who seem to think that the smart strategy is to wait for the results of the 2016 presidential election and hope that whoever wins throws out the Cadillac tax or lobbies Congress to revise the current regulations. But hope is not a strategy. Similar to passing a car on a blind curve and wishing for the best, hope can get you into deep trouble.

So let's start planning for how you're going to avoid paying this tax.

ClearCost Health™

Your health
Your money
Your choice

Use **ClearCost Health** to search for **health care services** based on cost and quality.

Your first step is to register at **ClearCostHealth.com/SWWC.** Then you'll be on your way to taking charge of your health care costs. No more surprises!

You can also contact us at **servicecooperatives@clearcosthealth.com** or (866) 381-9961.

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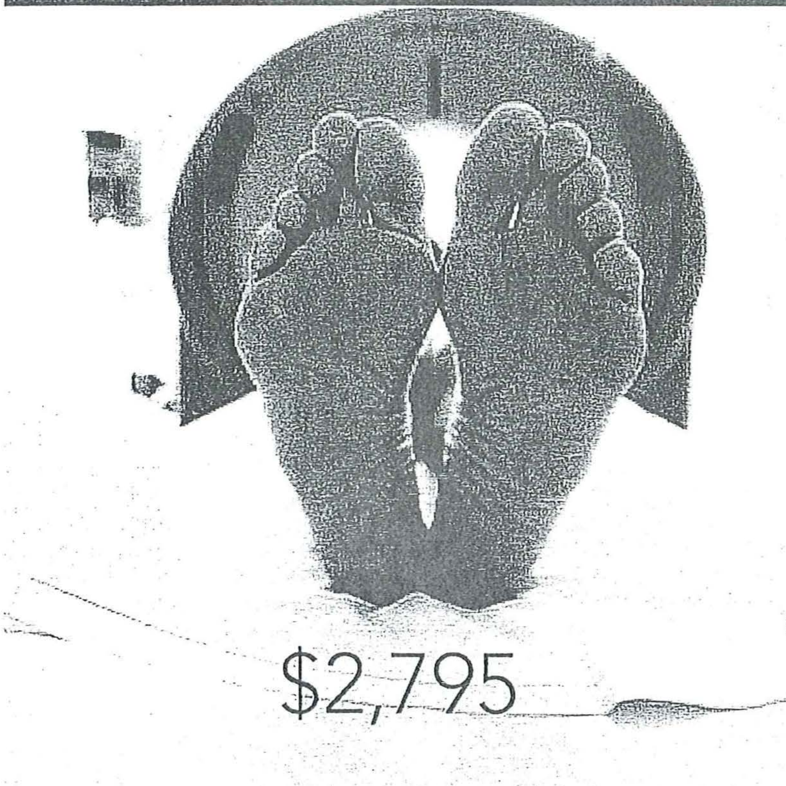
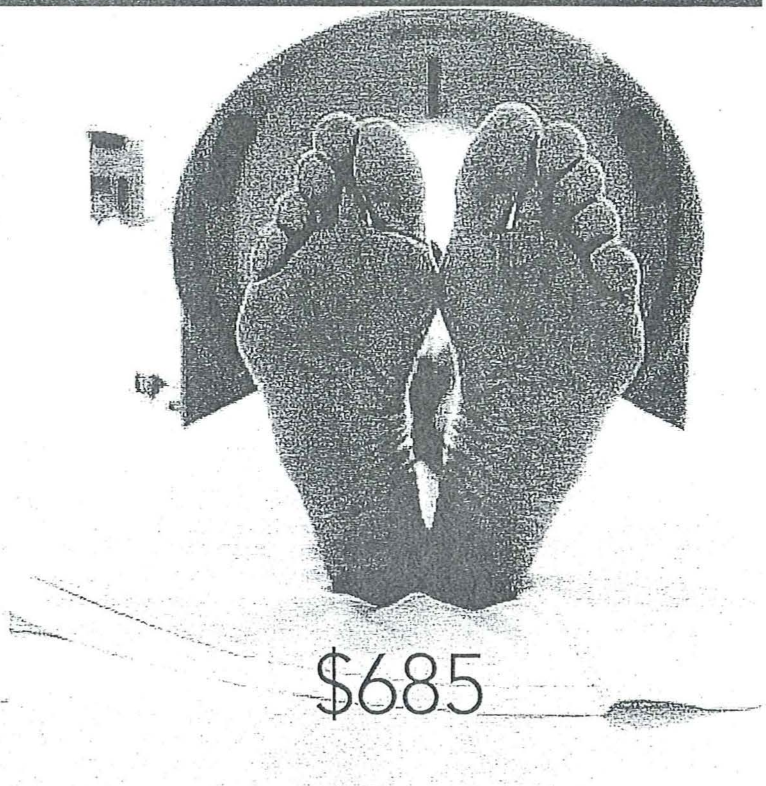
Cost of a Knee MRI





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ClearCost Health®

The Minnesota Service Cooperatives

WHAT IS CLEARCOST HEALTH?

ClearCost Health empowers Service Cooperative members to comparison shop for health care based on cost, quality, and convenience. Across Minnesota, there are significant price differences for basic health care services among in-network providers. This occurs because large hospitals and physician groups demand higher prices from insurance companies. These price differences mean it's possible to shop for health care and save significant amounts of money without sacrificing quality.

Examples:

[illegible]	Low Cost In-Network	High Cost In-Network	Price Difference
Sleep Study	$130	$1,633	12.6x
Knee X-ray	$22	$259	11.8x
Cholesterol (lipid) panel	$7	$23	3.3x
Cardiology office visit	$82	$211	2.6x

WHAT DOES THIS MEAN FOR YOUR SERVICE COOPERATIVE AND YOUR MEMBERS?

ClearCost can help health plan participants and the Service Cooperatives save signifi cant amounts of money on basic medical services and prescription drugs. In addition, the ClearCost website and accompanying communications will allow each Service Cooperative to generate positive PR and promote the Service Cooperative "brand" wherever possible. ClearCost's clients have achieved a return on investment (ROI) of 2:1 or greater with high service engagement. Larger savings are driven by greater use of the service, so we encourage programs and incentives that drive higher participation.

The ClearCost service is quite simple – it's a 100% voluntary price and quality search engine for medical services and prescription drugs using an easy-to-use web interface, mobile platform and call center. ClearCost also includes robust member outreach programs to educate participants about their individual cost savings opportunities and support them as they consider providers that meets their needs. The result? Savings for individual members, savings for the plan, and a better health care experience for all.

HOW CLEARCOST WILL HELP WITH THE ROLL-OUT OF THIS NEW SERVICE

ClearCost will work with each Service Cooperative, their respective Advisory Boards, Boards of Directors, and participating employer groups to configure, announce and promote this new benefit to your members.

Configuration. We will configure the ClearCost service according to the plans offered by each Service Cooperative. The ClearCost service will also feature and promote any other health promotion (e.g., biometric screenings) or cost containment initiatives (e.g., mail order Rx) that may be offered.

Program Announcement. Using a timetable and means of communication that fits each Service Cooperative, ClearCost will develop service launch communications that each Service Cooperative can produce and distribute.

Initial Program Promotion. The goal of the program is to impact health care consumption behavior by empowering Service Cooperative members to become smarter shoppers for health care. To do so, we need for your members to not only know about the ClearCost service but also to begin using it.

Lakes Country Service Cooperative

Northeast Service Cooperative

Northwest Minnesota Service Cooperative

Resource Training & Solutions
A Minnesota Service Cooperative

SCSC South Central Service Cooperative

Southeast Service Cooperative

SW/WC Service Cooperative

Where email addresses are available, ClearCost can work with the Service Cooperatives to create a communication that will encourage Service Cooperative to login to the ClearCost site and begin using the service. The first time they do this, they will validate their site credentials, confirm dependent access (if any) and accept ClearCost's Terms and Conditions for site usage.

While ClearCost will provide a turnkey level of communications support, it will not be cookie-cutter. We will schedule periodic meetings with Service Cooperative project management staff – and employer groups where necessary – to determine what works best to engage your membership around new benefits and health care in particular.

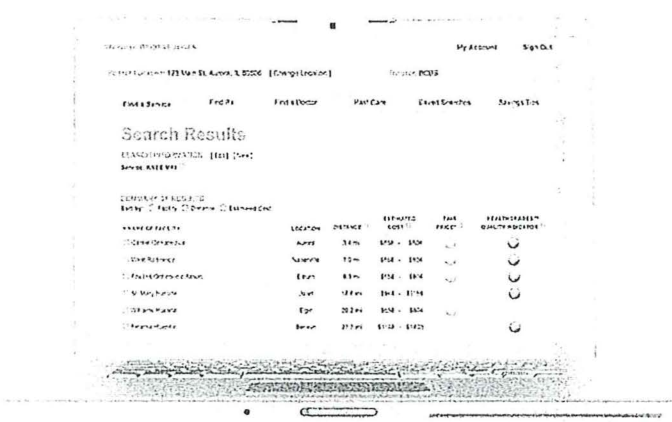
ONGOING PROGRAM PROMOTION AND COMMUNICATIONS

After the initial program launch, ClearCost Health will make available a wide range of support for your employer groups and their members:

- Monthly educational email campaign
- Monthly "savings alert" email campaign personalized to each member with savings from the previous month
- Monthly "health shopper" phone & email outreach to members with the most to gain (e.g., >$250 in savings)
- Home mailings
- Posters
- Brochures
- Webinars
- Lunch & learns
- Benefits fairs
- Educational meetings for key influencers

ONGOING CLEARCOST SUPPORT

Once the program is launched, ClearCost's account team will be there to support each Service Cooperative. This support will also include providing quarterly management reports that will detail how the service is being used and what is being generated in terms of estimated savings.



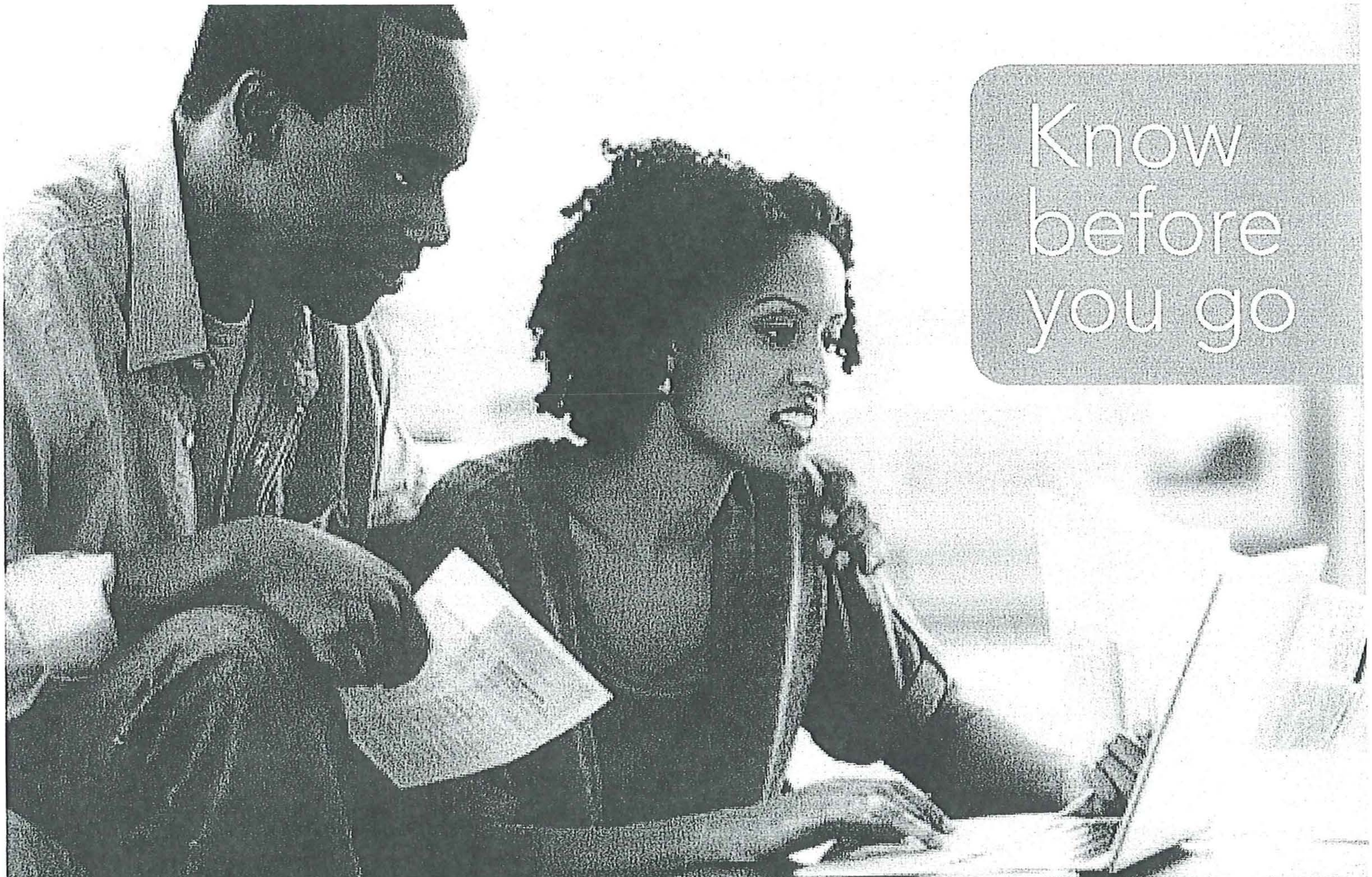
CONTACT US

If you have any questions regarding the ClearCost service, please contact us at: (866)-381-9961 or servicecooperatives@clearcosthealth.com

ClearCost Health

www.clearcosthealth.com

ClearCost Health



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Shopping for health care 101

SW/WC Service Cooperative Since 1965

July 22, 2015

True or false?

Out-of-network providers cost more than in-network providers

True

All in-network providers charge the same amount for the same service

False

ClearCost Health

2

Animated video

ClearCost Health Overview

- Free service paid for by the Service Cooperative
- Shop & save on health care
- Cost, quality and convenience of:
  - Medical visits & procedures
  - Lab services
  - Radiology services
  - Prescription drugs
- Secure & HIPAA-compliant

Multiple choice

How much does the price for a new patient office visit with a family medicine doc vary within Marshall?

1. $82 - $104 ($22)
2. $60 - $219 ($159)
3. $30 - $507 ($477)
4. $71 - $71 ($0)

ClearCost Health

5

Multiple choice

How much money could the average Service Cooperative plan member save by using ClearCost Health?

1. $0
2. $53
3. $136
4. $382

ClearCost Health

7

Outreach programs

- Savings Alerts
  - Sent monthly via email
  - Encourage you to look at Past Care and view savings
- Health Shopper
  - Sent monthly via email and phone
  - Support to help you find the best providers for your individual needs

ClearCost Health

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Contact Us

www.ClearCostHealth.com/SWWC

Phone: 866-381-9961

Hours: M – F, 8 a.m. – 7 p.m. Central Time

Email: ServiceCooperatives@ClearCostHealth.com

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Questions?

ClearCost Health

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CITY OF WILLMAR, MINNESOTA **REQUEST FOR COMMITTEE ACTION** **Agenda Item Number:** 5 **Meeting Date:** August 12, 2015 **Attachments:** Yes X No	**CITY COUNCIL ACTION** **Date:** August 17, 2015 ☐ Approved ☐ Denied ☐ Amended ☐ Tabled ☐ Other

Originating Department: Administration

Agenda Item: Job Description Information

Recommended Action: .

Background/Summary:

The Pay Equity Review Committee met on August 4, 2015, and ranked four job descriptions. The pay grades will be available for committee review, but any further discussion may be limited in time.

Alternatives:

Financial Considerations:

Preparer: Kevin Halliday, Interim City Administrator

Signature: KHalliday

Comments: