

City of Columbia

701 East Broadway, Columbia, Missouri 65201



Agenda Item Number: B 269-15

Department Source: Human Resources

To: City Council

From: City Manager & Staff

Council Meeting Date: 9/8/2015

Re: Appropriation of additional funds for FY 2015 to cover increases in medical and prescription drug claims costs.

Documents Included With This Agenda Item

Council memo, Resolution/Ordinance

Supporting documentation includes: None

Executive Summary

Human Resources is requesting an additional \$1,500,000 be appropriated from the Employee Benefit Fund retained earnings to cover expected medical and prescription drug claims through the remainder of FY 2015.

Discussion

This is a request for \$1,500,000 to be appropriated from the retained earnings account in the Employee Benefit Fund to the medical and prescription drug claims accounts. Adding \$755,000 to the medical claims account and \$745,000 to the prescription claims account is needed to cover the estimated claim costs for the remainder of FY 2015.

The City has experienced more large loss claim payments in 2015 than anticipated. Claims account budgets are based on 10 years of past claims history. The City has had less than a 2% average annual increase in claims costs over the last 10 years - well below the national market annual increase trends of 6-8%. However, there are currently 7 claims at or above \$100,000 in 2015. For the same period in 2014, the City only had 3 claims over \$100,000. Stop loss insurance coverage does not cover any claim cost until a claim exceeds \$250,000.

At the end of July, claims over \$20,000 were at \$2,350,545, \$767,266 more than the same period last year. At the end of June 2015, \$5,287,168 has been charged to medical claims, with pending claims for July 2015 at approximately \$705,000. Additionally, increases in prescription drugs prices and the increase of prescribed specialty drugs have resulted in higher than expected drug claims costs. Prescription claims at the end of June 2015 were \$1,752,068, with pending claims for July 2015 at approximately \$231,000. The average medical claims expense per month is running at \$529,000, and the average prescription claims expense per month is running at \$175,000.

This additional funding is necessary to cover the expected claims costs in the medical and prescription drug claim accounts for the remainder of FY 2015.

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Fiscal Impact

Short-Term Impact: \$1,500,000 for FY 2015 expenses.

Long-Term Impact: Unknown.

Vision, Strategic & Comprehensive Plan Impact

Vision Impact: Not Applicable

Strategic Plan Impact: Workforce

Comprehensive Plan Impact: Not Applicable

Suggested Council Action

Approve ordinance.

Legislative History

None.


Department Approved


City Manager Approved

Introduced by _____

First Reading _____

Second Reading _____

Ordinance No. _____

Council Bill No. B 269-15

AN ORDINANCE

appropriating funds to cover the costs of FY 2015 medical and prescription drug claims; and fixing the time when this ordinance shall become effective.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The sum of \$1,500,000.00 is hereby appropriated from Account No. 659-0000-351.01-00 in the following amounts to the following accounts:

\$755,000.00	Account No. 659-1310-601.58-65
\$745,000.00	Account No. 659-1310-601.58-66

to cover the costs of FY 2015 medical and prescription drug claims.

SECTION 2. This ordinance shall be in full force and effect from and after its passage.

PASSED this _____ day of _____, 2015.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor

CERTIFICATION: I certify there are sufficient funds available in Account No. 659-0000-351.01-00 to cover the above appropriation.

Director of Finance