

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: January 25, 2010
TO: Mayor and City Council
FROM: Doug Krieger, City Manager
SUBJECT: Healthcare Recommendation

ACTION REQUESTED:

Consider staff recommendation to increase employee contributions for healthcare and provide direction.

BACKGROUND:

There have not been any formal discussions regarding long-term Healthcare strategy since the City increased its employee contributions from a fixed amount to the current 10% employee contribution amount in 2006.

DISCUSSION:

Besides the obvious budget considerations, there are a number of factors that must be considered in the establishment of a long-term healthcare strategy: employer competitiveness, union/non-union equity issues, total compensation impacts, legal constraints, and implementation issues.

These factors, supporting benchmarking data, along with previous Council input, have all been considered in my recommendation. The most significant component of my recommendation is fairly simple, to raise employee contributions for healthcare, which includes medical and dental coverage to the following amounts:

	Single	Single plus One	Family
May 1, 2010	15%	15%	15%
May 1, 2011	20%	20%	20%
May 1, 2012	20%	25%	25%
May 1, 2013	20%	30%	30%

The increased contribution to 15% effective May 1, 2010 for non-union employees is \$240,117 which would be realized in the fiscal year 2011 budget. The FY11 General Fund impact would be \$178,628.

Additionally, I intend to formally reevaluate our healthcare strategy in 2012, and in the interim will continue to look at other methods of creating savings in the area of healthcare. Two major items that are being considered for implementation at a later date are the requirement for spouses of employees who have healthcare coverage to move to their employer plan or be charged a surcharge, and/or providing a small financial incentive for employees to opt out of the City plan, so long as they can prove coverage from another source.

RECOMMENDATION:

Consider staff recommendation to increase employee contributions for healthcare and provide direction.