

Legislation Text

File #: 19-0244, **Version:** 1

Summary

To: Town Commission
From: Stefan Massol, Director of Support Services
Date: 9/17/2019

Subject:

Consideration of Health Savings Account Leave Contribution

Summary:

Town staff will discuss the merits of expanding incentives for enrollees in the Health Savings Account compatible insurance plan.

Previous Commission Action: Commission previously approved allowing a one-time conversion of accrued vacation for new enrollees one year ago.

Background/Problem Discussion: For many years the Town has provided its employees complete single-member health insurance coverage at no cost to the individual. Additionally, all employees receive \$100/mo. to help with other benefit needs. Employees with dependent care needs do not receive any additional premium subsidy, and for those employees the out-of-pocket expense is significant.

To better address this need, as well as contain future increases in our health insurance rates for employees, the Town of Belleair began offering a Health Savings Account (HSA) compatible High-Deductible Health Plan to employees. HSA funds can be used to pay out-of-pocket medical costs for employees as well as their family members, even if those family members are on a different insurance plan. These plans are different from the more popular HMO plan because they have a lower premium and encourage enrollees to consider opportunities for better cost efficiency. Additionally, funds in each employee's HSA can be used to cover the deductible exposure of \$2,500 for individual plans or \$5,000 for family plans, per year, once it is built up over time.

Currently there are only three employees enrolled in the HSA, however it is expected that there will be some additional enrollees in the coming year as awareness grows. It is our hope that employees will voluntarily move towards the plan, however some employees have expressed concern about the deductible, and what would happen after they have depleted their HSA balance each year.

Last year the Town Commission approved a one-time conversion of accrued vacation leave into the HSA as a way to encourage new enrollment. Staff is recommending that the conversion program be expanded to include Compensatory Time, and additionally that the conversion option be granted as a recurring option once each year to enrollees. The ability to replenish depleted funds in the HSA each year would be a significant benefit to enrollees. Additionally, the conversion of accrued vacation would reduce the town's long-term cost exposure as the value of those accrued hours would likely grow with future pay increases.

Financial Implications: This would result in a reduction of long-term accrued leave reserves, as well as a reduction in claims costs for the town's health insurance plan. The exact value of these impacts is based on

participation. The deferral could be capped at a dollar value per individual or at a maximum number of hours per employee. The IRS HAS contribution limit is \$3,500 for individual and \$7,000 for family coverage.

Recommendation: Approval of annual option for HSA enrollees to convert Vacation and Compensatory Time as a contribution to their HSA.

Proposed Motion: Move approval of annual option for HSA enrollees to convert Vacation and Compensatory Time as a contribution to their HSA.