



City of Grand Island

Tuesday, August 20, 2013

Special Meeting

Item I1

#2013-272 - Approving Health and Dental Insurance Renewal

Staff Contact: Brenda Sutherland

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director
Meeting: August 20, 2013
Subject: Approval of Health and Dental Benefits
Item #'s: I-1
Presenter(s): Brenda Sutherland, Human Resources Director

Background

The City of Grand Island provides health and dental benefits to its employees. The City has a partially self-funded plan, meaning that claims are actually paid for by the premium dollars generated through the plan to a specified limit. The City has paid a third party, in this case Blue Cross Blue Shield of Nebraska, to administer and pay claims and provide stop loss coverage.

The City's current "specific deductible" or stop loss is \$150,000 per participant. This means that the first \$150,000 of claims for a plan participant is paid for by the premium dollars generated and then the reinsurance carrier picks up the claims that go over that amount. The City's dental plan is self-funded and the principal is the same as for health insurance in that the premiums generated pay the claims incurred.

The City Council reviewed the proposed changes to the health and dental plans at the study session on August 13, 2013.

Discussion

As the new fiscal and plan year are set to begin on October 1, it is customary to bring plan changes before Council as well as funding requirements. The City budgeted \$6.1 million in fiscal year 2012/2013 for health and dental insurance expenses. We are trending at a rate to end the year around \$6.5 million in actual claims. With our claims experience at this level our funding needs for fiscal year 2013/2014 are projected at \$7.1 million. This funding level is predicated on the addition of a Qualified High Deductible Health Plan and treating the dental plan as a voluntary standalone plan.

The proposed Qualified High deductible Plan will have a \$3000/\$5500 in network deductible. The traditional plan has a \$500/\$1000 in-network deductible. Participants

who go out of network will experience deductibles that are twice the in network amount. That has been part of the City's plan design for many years. Also proposed in concert with the Qualified High Deductible Plan is the initial seed money to be paid to plan participant's Health Savings Account (HSA) in the amount of \$1000 for single coverage and \$2000 for 2/4 and family coverage in January 2014.

The City is currently contracted with TASC to administer its Section 125 Flexible Spending Account. An amendment to that contract will be needed to allow TASC to administer the payment deducted through payroll and be deposited into accounts of the employee's choosing for their HSA account. TASC's set up fee is \$300 and a charge of \$1.00 per participating employee per month. Both fees will be paid by the City.

The next proposal is to move the dental benefit away from the health plan and make it a standalone voluntary benefit. Employees can determine whether or not they want to elect this benefit and at what level. The employee will be asked to pay 30% of the premium for the dental benefit. This is comparable in the market for dental to be a separate benefit and for a cost share at this percentage rate.

The premium structure for employees is attached. The attachment shows the amount employees are currently paying as well as the proposed premiums for the Qualified High Deductible Plan and the Traditional Plan. Employees will be able to choose their level of coverage based on their personal needs as opposed to the one size fits all approach that we have taken in the past.

The City's insurance committee shopped the dental plan this past June. Vendors were interviewed and the decision was made to stay with our current vendor, Delta Dental. The City has worked with Delta Dental for the last three years to administer its dental benefits. The network provided is a national network and quite extensive in our local area. The service to our plan participants has been excellent. The administrative fees for dental services are being reduced for the next three year contract period. The City currently pays \$4.10 per employee per month. The new administrative fee will be \$3.85 per employee per month to be paid by the City. Delta is treating this as a contract renewal/continuation and is not requiring a new contract to continue.

The contract with Blue Cross and Blue Shield of Nebraska (BCBSNE) specifies administrative fees of \$28.25 per employee per month. Stop loss coverage will cost \$79.49 per employee per month and the aggregate stop loss coverage will cost \$5.22 per employee per month. The contract with Strong Financial will cost \$1,575 per month. COBRA administration will be handled by Discovery Benefits, Inc. (DBI) The cost for COBRA administration will be \$0.70 per employee per month for the term of the contract. The fees associated with the wellness physicals will be \$65 per participant for the duration of the contract.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve the aforementioned changes to the health and dental plans as well as the initial seed money for the employee's HSA.

Sample Motion

Move to approve recommended changes to the Health and dental plans and the initial seed money to the employee's HSA.

RESOLUTION 2013-272

WHEREAS, the City subscribes to health and dental insurance for its employees and other eligible participants, as authorized by the City of Grand Island Personnel Rules and Regulations and federal regulations; and

WHEREAS, a Health Insurance Committee consisting of union, non-union, management and non-management employees, along with the Human Resources Director, the Finance Director, and the Attorney/Purchasing Agent met and reviewed plan changes; and

WHEREAS, Blue Cross and Blue Shield of Nebraska is the Third Party Administrator for the City's health insurance plan; and

WHEREAS, the City's dental insurance benefit is administered by Delta Dental of Nebraska for a fee of \$3.85 per employee per month and this fee will remain the same for the next three year contract period; and

WHEREAS, the reinsurance coverage and administration of the health plan is provided under a contract with Blue Cross and Blue Shield of Nebraska. COBRA administration is provided by Discovery Benefits, Inc. The broker is Strong Financial Resources, and the current agreement with Healthways is covered under the Bluepartners Program agreement and;

WHEREAS, contracts were approved in 2012 for a period of three years with the aforementioned providers; and

WHEREAS, the addition of a Qualified High Deductible Health Plan with an added Health Savings Account (HSA) and an initial contribution of \$1000 for single coverage and \$2000 for family coverage will be in addition to the current insurance offerings; and

WHEREAS, the contract with Blue Cross and Blue Shield of Nebraska (BCBSNE) specifies administrative fees of \$28.25 per employee per month. Stop loss coverage will cost \$79.49 per employee per month and the aggregate stop loss coverage will cost \$5.22 per employee per month. The contract with Strong Financial will cost \$1,575 per month. COBRA administration will be handled by Discovery Benefits, Inc. (DBI) The cost for COBRA administration will be \$0.70 per employee per month for the term of the contract. The fees associated with the wellness physicals will be approximately \$65 per participant. The City's current contract with TASC will be amended to allow for the execution of the HSA accounts for employee's who choose the Qualified High Deductible Health Plan.

Approved as to Form	<input type="checkbox"/>	_____
August 16, 2013	<input type="checkbox"/>	City Attorney

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the annual renewal contracts with Blue Cross and Blue Shield of Nebraska, Delta Dental of Nebraska, Discovery Benefits, Inc., Strong Financial Resources and Bluepartners Program for the administration of health insurance, COBRA administration, broker services and wellness program as set out by the contracts as well as the addition of the Qualified Health Plan and the initial HSA contributions and the amendment to the current TASC contract is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, August 20, 2013.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk