



# City of Grand Island

Tuesday, August 19, 2014

Special Meeting - Updated

## Item I-1

**#2014-231 - Consideration of Approving Health Insurance  
Renewal with Blue Cross Blue Shield**

Staff Contact: Brenda Sutherland

# Council Agenda Memo

**From:** Brenda Sutherland, Human Resources Director

**Meeting:** August 19, 2014

**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 principle is the same as for health insurance in that the premiums generated pay the claims incurred.

Last year the City Council approved the addition of a Qualified High Deductible Plan and approved a contribution into a HSA in the amount of \$1,000 for single coverage and \$2,000 for family coverage.

## Discussion

As the new fiscal and plan years are set to begin on October 1, it is customary to bring the health insurance renewal forward as well as funding requirements. The City budgeted \$7.2 million in fiscal year 2013/2014 for health and dental insurance expenses. Our current trend appears to be less than the budgeted amount. The budgeted amount covers things such as payment of claims, administrative fees, and HSA contributions. I am pleased to bring this year's renewal forward with no request for increased funding over the current year's funding level.

The addition of the Qualified High Deductible Plan last year has proven to be a good decision and has had a favorable impact on claims. Around 20% of eligible employees

signed up for the QHDHP last year. Although we have experienced a small number of very large claims, overall the rest of our claims experience was positive.

The proposed Qualified High Deductible Plan has a \$3,000/\$5,500 in network deductible. The traditional plan has a \$500/\$1,000 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. City employees pay 16% of the premium. As the initial experience with the high deductible plan has been so positive, I am proposing the HSA contribution be increased to \$1,250 for single coverage and \$2,500 for family coverage to be paid to plan participant's Health Savings Account (HSA). This contribution will take place in January 2015. The intention is to further incentivize employees to move to the high deductible plan and continue to control rising costs with increased consumerism.

I am also proposing that we adjust the contribution for new employees based on their starting date. The contribution adjustment would be calculated quarterly. As an example, an employee who becomes eligible for single coverage in April would receive a contribution for three quarters of the remaining year. After the start of each quarter of the calendar year, the amount would be reduced by 25%.

Dental insurance was separated from the health plan last year and is a voluntary benefit. Employees can determine whether or not they want to elect this benefit and at what level. The employee pays 30% of the premium for the dental benefit. This is comparable in the market for dental to be a separate benefit.

Delta Dental is the provider of the dental insurance. The service to our plan participants has been excellent. The administrative fees for dental services are \$3.85 per employee per month to be paid by the City. The City entered into a three year contract with Delta Dental of Nebraska last year.

The contract with Blue Cross and Blue Shield of Nebraska (BCBSNE) specifies administrative fees of \$29.50 per employee per month. Stop loss coverage will cost \$130.36 per employee per month and the aggregate stop loss coverage will cost \$5.48 per employee per month. The contract with Strong Financial will cost \$1,654 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.

The cost of stop loss coverage increased substantially this year as our reinsurance provider has paid claims in excess of \$1 million dollars for the last two years on our behalf. Even with the increased cost of reinsurance and the additional HSA contributions, I am still recommending the City remain at the same \$7.2 million funding level for budget purposes as it did for fiscal year 2013/2014. By incentivizing the move to the high deductible plan we hope to minimize the medical inflation rate that we have experienced in years past with our traditional health plan.

## **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 health plan renewal and the recommended contributions to the employee's HSA.

## **Sample Motion**

Move to approve the health plan renewal and the recommended contribution levels to the employee's HSA.

## ADMINISTRATIVE SERVICES AGREEMENT

Plan Sponsor: City of Grand Island ("THE GROUP")

Effective date: October 1, 2014

Group No.<sup>1</sup>: 305208

**This is an Administrative Services Agreement between City of Grand Island ("THE GROUP" or "THE PLAN") and Blue Cross and Blue Shield of Nebraska (BCBSNE).**

### RECITALS

- A. BCBSNE is a mutual insurance company, licensed to sell insurance in the State of Nebraska. BCBSNE is also engaged in the business of providing administrative services to entities which have self-insured, or partially self-insured, health benefit plans for eligible employees.
- B. The Benefit Plan Document includes this document and Attachments, the Master Group Contract and Endorsements, Group Application and Addenda, all of which are incorporated herein by this reference. THE GROUP is funded by either Plan Assets or General Assets for THE GROUP's Covered Persons.<sup>2</sup> All coverage and benefit determinations are controlled by the Plan Document as defined in this Recital. The language of this Administrative Services Agreement shall supersede and take precedence over the language of the Master Group Contract. **The Master Group Contract number and Plan or General Assets funding are indicated on Attachment 1.**
- C. BCBSNE is able and willing to provide claims administrative services for THE GROUP's health benefit plan, herein called the "Plan," for Covered Persons and THE GROUP desires to employ BCBSNE to provide such administrative services.

**NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE, IT IS AGREED AS FOLLOWS:**

### DEFINITIONS

**Defined terms are capitalized throughout this Agreement. In addition to the definitions stated in the Master Group Contract, the following definitions are used in this Agreement:**

**Subscriber:** All enrolled employees, COBRA qualified beneficiaries, retirees (if applicable), or other non-dependent persons.

**Covered Person(s):** All enrolled members (Subscribers and their enrolled dependent spouses or children).

### I.

### APPOINTMENT

BCBSNE is hereby retained and appointed to provide administrative services as herein described for THE GROUP's benefit plan for Covered Persons under BCBSNE's regular claim payment procedures and methods; provided, however, that BCBSNE shall not be, nor be considered as, the "Plan Administrator," but

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<sup>1</sup> Group Numbers are subject to change during the term of this Agreement and shall have no effect on the responsibilities of the parties hereto.

<sup>2</sup> Plan Assets are amounts a participant pays to or has withheld by an employer for contribution to a Plan. Such assets become Plan Assets as of the earliest date they can reasonably be segregated from the employer's general assets, but in no event later than 90 days from receipt by the employer. Plan Assets are subject to ERISA requirements.

shall be considered a "named fiduciary" with respect to claims administration only, within the meaning of any applicable federal laws and regulations pertaining to employee benefit plans.

The Plan Sponsor shall remain solely responsible for establishing and maintaining the Plan. These responsibilities include ensuring that the Plan Document and Summary Plan Description are prepared and distributed to Participants of the Plan; preparing and filing necessary reports required under ERISA (The Employee Retirement Income Security Act of 1974), and any other requirements set forth in ERISA.

Self-funded political subdivisions are subject to Neb. Rev. Stat.13:1601 et seq., governing provisions of the Public Health Service Act, and as otherwise determined by the governmental group. Such plans are not subject to Title 1 of ERISA.

## II.

### BCBSNE'S SERVICES

**In carrying out the terms of this Agreement, BCBSNE agrees to:**

- A. Prepare the Benefit Plan Document for its approval by THE GROUP.
- B. Prepare enrollment forms, Identification Cards and Schedules of Benefits for distribution to Subscribers who are enrolled in this Plan.
- C. Prepare the Summary of Benefit Coverage (SBC) documents once annually for those benefits BCBSNE administers. BCBSNE will prepare any applicable notice of modifications of the SBC which results from legal or regulatory changes or benefit changes initiated by BCBSNE. BCBSNE will not provide translation services for any Summary of Benefit Coverage documents. Distribution of the SBC documents to THE GROUP's employees or dependents shall remain the responsibility of THE GROUP.
- D. Make payments on behalf of THE GROUP for Covered Services provided to Covered Persons pursuant to the Benefit Plan Document.
- E. Follow BCBSNE's regular claim processing procedures, including the determining of appropriate benefit amounts, with respect to the processing of claims pursuant to the Benefit Plan Document. With the full cooperation of THE GROUP, BCBSNE will make reasonable efforts under the circumstances, considering the chances of successful recovery and the costs thereof to recover payment made in excess of the amount provided for a Benefit under the Benefit Plan Documents ("Overpayments"). THE GROUP assigns to BCBSNE the authority to pursue recovery of Overpayments and BCBSNE will pursue reasonable means of recovery of Overpayments under the circumstances but will not be obligated to commence litigation, unless otherwise specifically agreed to by the parties. BCBSNE will only pursue Overpayments for a period of twelve (12) months from the date of the event that necessitates the overpayment is identified. BCBSNE will not pursue overpayments beyond this twelve (12) month period for any events that resulted solely from the actions or direction of THE GROUP. BCBSNE may, at its sole option, choose not to pursue de minimus Overpayment amounts.
- F. Provide facilities, personnel, procedures, forms and instructions for the administration of claims under the Benefit Plan Document.
- G. Accept full and exclusive discretion to determine for all parties all matters of fact or interpretation relating to any claim under the Benefit Plan Document, including questions of eligibility and interpretation of plan provisions to the extent that BCBSNE is a fiduciary for claims processing purposes. The decisions of BCBSNE regarding such claims shall be final and binding subject to appeal to BCBSNE under its review process. Benefits will be paid or denied consistent with the Benefit Plan Document based upon BCBSNE's determination. **NO CLAIM EXCEPTIONS TO THE GROUP MASTER CONTRACT AND ENDORSEMENTS WILL BE MADE.**

- H. Report to THE GROUP matters of general interest with respect to the Benefit Plan Document, including, but not limited to, problems of a recurring nature and suspected misuse of benefits.
- I. Submit to THE GROUP, with each monthly billing, a monthly Claims Analysis Report which sets forth the applicable identification number, patient's name, relationship to Subscriber, age, admission or performance date, discharge date, dollar charge, type of coverage, any refunds or other adjustments, and Net Paid Claims. (See Net Paid Claims in Part VI., A.)

\* BCBSNE will not seek refunds from providers that relate to a retroactive termination of memberships of Covered Persons and/or their dependents for claims paid more than 60 days prior to the date on which BCBSNE is made aware of the termination.

- J. Maintain membership and claims records for a period of eight years. THE GROUP shall have access to such records during normal business hours for the purpose of determining compliance with this Agreement. Any audit initiated pursuant to this Part and authorized by THE GROUP shall be undertaken at THE GROUP's expense. THE GROUP specifically agrees to reimburse BCBSNE for any reasonable expense incurred by BCBSNE in accordance with such audit, including but not limited to reimbursement for BCBSNE personnel providing support to such audit in excess of a total of ten hours and any copying expenses.

THE GROUP also specifically agrees that BCBSNE has the authority to disapprove of the vendor providing such audit, which authority shall not be unreasonably exercised, and to refuse access to membership and claims records by such vendor. THE GROUP, recognizing that patient specific information is confidential, agrees that it will take reasonable steps to restrict access to this information to those persons who need to know this information for determining compliance with this Agreement and for performing any necessary audit.

- K. Provide the following services in the development and design of any amendment, revision or modification of the Plan: Underwriting and actuarial advice, cost estimates and projections, and proposed language changes, subject to Part III., D.
- L. Use its discretion to seek recovery based on subrogation or other theories, from third parties (or their carriers) who have caused Injury or Illness to a Covered Person or damages to the Plan. BCBSNE may engage a contractor to perform specialized services for recovery of funds or discovery of overpayment or fraud. Such contractors may be reimbursed based on a percent of recovery or other reasonable basis, with the net amount to be returned to THE GROUP. BCBSNE may settle or release claim to such recoveries and use its discretion to determine amounts recovered, on behalf of THE GROUP.

This includes participation in consolidated or class action lawsuits alleging such injuries. Any recovery from consolidated or class action suits will be apportioned among all insured and self-insured plans or pools. The proration may be based on number of covered persons, number of injured persons, claims volume, or any other basis determined by BCBSNE.

Recoveries made in any plan year will be applied first to the appropriate Stop Loss Amount and, subsequently, to THE GROUP's claim liability. THE GROUP agrees to cooperate with all such recovery efforts.

- M. Provide its standard Utilization Management Program for Covered Services provided to Covered Persons and to perform Utilization Review in accordance with the Plan.
- N. Furnish THE GROUP copies of available records of BCBSNE which may be required to satisfy the requirements of ERISA.
- O. Indemnify THE GROUP and hold it harmless against any and all loss, damage, and expense with respect to the administration of the Plan resulting from, or arising out of, any act or omission which constitutes bad faith, fraudulent or criminal acts of employees of BCBSNE acting alone or in collusion with others.

- P. BCBSNE does not underwrite or insure the liability of THE GROUP under this Agreement, except as specifically provided in any Stop Loss Provision incorporated herein. BCBSNE provides administrative claims payment services only and does not assume any financial risk or obligation with respect to claims except as set forth in this Agreement.
- Q. Upon mutual agreement of BCBSNE and THE GROUP and/or Plan Sponsor, assist THE GROUP and/or Plan Sponsor with certain administrative tasks related to compliance obligations of THE GROUP and/or Plan Sponsor.
- R. If applicable, provide administration for the following state assessment mandates by agreeing to:
1. Comply with New York State Health Care Reform Act, if applicable. If THE GROUP elects, BCBSNE shall make a filing with the New York State Department of Health ("DOH") on behalf of THE GROUP to elect for the Plan to make direct payments to the DOH of the Plan's obligations under sections 2807-j and 2807-s of the New York Public Health Law. For each month in which the Plan's direct payment election is in effect with the DOH, BCBSNE shall notify THE GROUP of the amount of the required surcharge and covered lives assessment for such month and shall file appropriate reports with the DOH and make the required payments to the DOH in accordance with the procedure under this Agreement. For purposes of this Agreement, such surcharges and covered lives assessments shall be considered authorized expenses of the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for any surcharge or covered lives assessment payable by the Plan under section 2807-j or 2807-s of the New York Public Health Law and shall not be liable for any interest or penalties assessed against the Plan or THE GROUP as a result of late or insufficient payment of such surcharges and assessments, unless the interest or penalty is a result of BCBSNE'S negligence or mistake. THE GROUP must notify BCBSNE in advance if they choose to pay the surcharge itself.
  2. Comply with Maine Dirigo Health Act, if applicable. BCBSNE, on behalf of THE GROUP, shall make a filing with the Treasurer of the State of Maine under the Dirigo Health Savings Offset Payment to be in compliance with the Maine Dirigo Health Act. BCBSNE shall not be liable for any savings offset payment due under the Maine Dirigo Health Act. Such payments shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for any interest charge for failing to make a savings offset payment in a timely manner, unless the interest payment is a result of BCBSNE's negligence or mistake.
  3. Submit payment to the Maine Vaccine Board in accordance with 22 MRSA Sec. 1066. The assessment rate has been determined to be \$6.98 for each Covered Life Month. Payment is required by all insurers, which included third-party administrators. A Covered Life Month is any month in which health benefits are provided to a child under age 19 who resides in the State of Maine. Such payments shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for any interest charge for failing to make a savings offset payment in a timely manner, unless the interest payment is a result of BCBSNE's negligence or mistake.
  4. Submit payment to the State of Maine for the Maine Guaranteed Access Reinsurance Association (MGARA) program. Payment is required by all health insurers, which includes third-party administrators and pharmacy benefit managers who provide administrative services only. The fee is equal to \$4.00 per member who resides in the state of Maine per month. An additional assessment by MGARA may be assessed of up to \$2 per member residing in Maine per month should MGARA find it necessary to cover any net loss in the operation of this program. The payment of such fee shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.



5. Submit payment to the Vermont Health Care Information Technology Fund in accordance with Sec. 7.005 8 V.S.A. § 4089k. Payment is required by all health insurers, which includes third-party administrators and pharmacy benefit managers who provide administrative services only. The fee is equal to 0.199 percent of all health care claims paid by the health insurer for Vermont members. The payment of such fee shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.
6. Submit payment to the Vermont State Health Care Resources Fund in accordance with 8 V.S.A. §4089I. Payment is required by all health insurers, which includes third-party administrators and pharmacy benefit managers who provide administrative services only. The fee is equal to the amount of 0.80 of one percent of all health insurance claims paid by the health insurer for its Vermont members in the previous fiscal year. The payment of such fee shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.
7. Submit the required assessment to the Idaho Immunization Board in compliance with Idaho Code § 41-6005, if applicable. An assessment is required to be paid by all carriers for any child under the age of 19 residing in the State of Idaho. The payment of the assessment shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.
8. Submit payment to the Michigan State Department of Treasury in accordance with Act No. 142 of Public Act of 2011. Payment is required by all insurers and third party administrators paying health claims on residents of Michigan who received services at providers located in Michigan. The fee is effective January 1, 2012, and is equal to 1% of Michigan paid health claims, medical services, case management, disease management, utilization review and general administrative expenses. The payment of such fee shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.
9. Submit payment to the Massachusetts Health Safety Net Office in accordance with the Massachusetts Act Providing Access to Affordable Quality and Accountable Health Care Chapter 58 of the Acts of 2006. Payment is required by all purchasers of healthcare services who make payments to acute hospitals and to ambulatory surgical centers. The surcharge amount equals the product of the payments subjected to the surcharge and the surcharge percentage which is 2.00 percent. The payment of such fee shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.
10. Submit payment to the Massachusetts General Fund for the Pediatric Immunization Assessment in accordance with Massachusetts General Law Section 38 of Chapter 118G. Payment is required by all health care insurers that conduct business in Massachusetts to cover the costs of purchasing and distributing childhood vaccines. The surcharge amount equals 1.90 percent of payments made to acute hospitals and ambulatory surgical centers. The payment of such fee shall be considered authorized expenses under the Plan and shall be billed to THE GROUP. BCBSNE shall not be liable for failure to pay the fee, unless the failure to make payment is a result of BCBSNE's negligence or mistake.

THE GROUP is responsible for any state assessment on GROUP claims regardless of whether the state assessment is included in this Section.

### III.

#### THE GROUP's SERVICES

**In carrying out the terms of this Agreement, THE GROUP agrees to:**

- A. Provide BCBSNE with the following:
  - 1. Completed enrollment forms for each new Subscriber or online enrollment information, as applicable.
  - 2. Completed enrollment forms or online notification for each Subscriber changing status of membership.
  - 3. Completed timely notice of termination of eligibility for membership.
  - 4. A monthly submission of a computerized listing or other mutually acceptable media showing all active eligible employees. (Also see Part II., I\*.)
- B. Cooperate with BCBSNE in an audit of Covered Persons, upon request, but not more frequently than annually. The cost of such audit shall be borne by BCBSNE and shall include, but not be limited to, reimbursing THE GROUP's personnel providing support to such audit in excess of ten hours and copying expenses.
- C. Notify BCBSNE immediately of any work-related accident suffered by a Covered Person for which recovery may be available under any Workers' Compensation Law or similar law. THE GROUP agrees to forward a copy of the First Injury Report to BCBSNE as soon as possible. Work-related injuries or illnesses are not Covered Services, therefore provider discounts which are available to THE GROUP under the health coverage, are not available for these services. THE GROUP also agrees to advise BCBSNE of any potential subrogation rights or other contractual rights of recovery known to THE GROUP.
- D. Review the Benefit Plan Document and any changes or modifications thereto, and notify BCBSNE of any necessary changes. Such notification must be made within 30 days of receipt of the Benefit Plan Document. Any changes or modifications to the Benefit Plan Document which are made by THE GROUP after 90 days of the effective date, will be subject to an increased charge and any additional administrative expense involved in its implementation. This charge will be determined by BCBSNE. Benefits cannot be decreased retroactively at any time. Any change to the Benefit Plan Document must be approved by BCBSNE before it is effective. Such approval will not be unreasonably withheld.
- E. Grant to BCBSNE discretionary authority to determine for all parties, all matters of fact or interpretation relating to any claim under the Benefit Plan, including questions of eligibility and interpretation of Plan provisions, to the extent that BCBSNE is a fiduciary for claims processing purposes. These decisions will be final and binding subject to appeal to BCBSNE under its review process.
- F. Indemnify BCBSNE and hold it harmless against any and all claim loss, damage, and expense with respect to the administration of the Plan, except that resulting from, or arising out of, any act or omission which constitutes bad faith, negligence, fraudulent or criminal acts of employees of BCBSNE, acting alone or in collusion with others, or expenses incurred by BCBSNE in the regular administration of the Plan.

THE GROUP agrees that should it fail to make payment due to insolvency or for any other reason, the provider shall have authority to collect directly for Covered Services from its Covered Persons.

- G. Indemnify BCBSNE and hold it harmless, as set forth herein, for any claim, loss, damage and expense arising from the release of claims specific information to THE GROUP, as required by Part II., I. and Part II., J., or otherwise required by THE GROUP.

- H. THE GROUP on behalf of itself and its participants, hereby expressly acknowledges its understanding that this Agreement constitutes a contract solely between THE GROUP and BCBSNE, that BCBSNE is an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "Association") permitting BCBSNE to use the BCBS Service Marks in Nebraska, and that BCBSNE is not contracting as the agent of the Association. THE GROUP further acknowledges and agrees that it has not entered into this Agreement based upon representations by any person other than BCBSNE, and that no person, entity or organization other than BCBSNE shall be held accountable or liable to THE GROUP for any of BCBSNE's obligations to THE GROUP created under this Agreement. This paragraph shall not create any additional obligations whatsoever on the part of BCBSNE other than those obligations created under other provisions of this Agreement.
- I. Execute and be responsible for all HIPAA related compliance, including but not limited to executing any necessary agreements or notifications.
- J. Keep all information received from BCBSNE confidential. THE GROUP will not use or disclose such information except as necessary for administration of claims pursuant to the Benefit Plan Document. In the event THE GROUP discloses any such information to a contractor assisting in the administration of the Benefit Plan Document, it shall first obtain written agreement from the contractor restricting further disclosure or use for any purpose other than providing such assistance.

#### IV.

#### CONTINUATION OF COVERAGE

**The applicable Continuation of Coverage provisions are in Part III of the Master Group Contract.**

**The amount of recommended monthly charges to be collected and retained by THE GROUP shall not be less than the amounts indicated on Attachment 4.**

#### V.

#### FINANCING ARRANGEMENTS

**The financing arrangements applicable under this Agreement are those set forth on Attachment 2.**

#### VI.

#### COMPENSATION

**A. Commencing with the effective date of this Agreement, and in consideration of the services and obligations herein required of BCBSNE, THE GROUP shall pay BCBSNE, monthly, the following amounts. If the number of Covered Persons increases or decreases by 10% or more, or the terms of this Agreement are changed by THE GROUP during the Term, BCBSNE reserves the right to revise the rates contained in this Section or applicable Attachment.**

- 1. **Administrative Service Fee:** The fee for BCBSNE's services as stated in this Agreement which includes fees for all persons who have elected to continue membership in THE GROUP pursuant to COBRA continuation coverage.

**The Administrative Service Fee is indicated on Attachment 1, Section A.**

2. Reimbursement for the total "**Net Paid Claims**" for the preceding month, unless reimbursement is otherwise provided in Part V., above. Claims data which is, for any reason, omitted from a particular month's billing, shall be added to the billing for a subsequent month, and the Administrative Service Fee for the subsequent month shall reflect any appropriate adjustment.

**Net Paid Claims:** This is the amount determined after subtraction of any discount and other adjustments made to the Allowable Charge for Covered Services, pursuant to the contractual provisions between BCBSNE and the Contracting Providers, or in accordance with other Contract provisions. These payments are made by BCBSNE or a Blue Cross and/or a Blue Shield plan in another state, referred to as a "Host Blue." THE GROUP's payment is made on a Net Paid Claims basis.

Payment for Covered Services by a Contracting facility inside BCBSNE's service area is based on the Contracted Amount less the Covered Person's Deductible, Coinsurance and Copayment. Payment for Covered Services received from a Contracting facility outside of BCBSNE's service area is based on the lesser of the Contracted Amount or the billed charge less the Covered Person's Deductible, Coinsurance and Copayment. Payment for Covered Services received from a Contracting professional or noninstitutional provider is based on the lesser of the Contracted Amount or the billed charge less the Covered Person's Deductible, Coinsurance and Copayment, regardless of location. The Coinsurance is based on the lesser of the Allowable Charge or the billed charge for Covered Services.

**3. The following fees are related to the BlueCard Program. Additional information about the BlueCard Program is found in Paragraph B of this Part.**

- a. Access Fee: If Contracted Provider savings are available from a Host Blue, BCBSNE may be charged a fee for Covered Persons to access the Host Blue's Contracting Provider network. This Access Fee for services incurred by a Covered Person will be passed along to THE GROUP as a claims expense under Net Paid Claims, unless otherwise indicated in Attachment 1. The Access Fee is a percentage of the discount the Host Blue has made available to BCBSNE, but not to exceed \$2,000 for any claim. If an Access Fee credit is received, this amount will be credited to THE GROUP. The provider has agreed not to bill Covered Persons for amounts in excess of the Contracted Amount, but may bill them for Deductibles, Coinsurance and amounts for Noncovered Services.

The amount of this fee or any credits will be used in the computation of "Net Paid Claims" charged to THE GROUP. Instances may occur when none of a claim or only a small amount of the claim is paid due to the application of the Covered Person's Deductible, Coinsurance or Copayment. If the Host Blue's arrangement with the provider allows the Contracted Amount to apply when the amount is fully or mostly a Covered Person's obligation, the Access Fee will be paid and passed to THE GROUP as a claims expense under Net Paid Claims even though THE GROUP paid little or none of the claim. This process allows the benefit of the discounted amount to be passed through to the Covered Person.

**The Access Fee is indicated on Attachment 1, Section B. 1. a.**

- b. Administrative Expense Allowance (AEA): An Administrative Expense Allowance (AEA) for each original claim processed through the BlueCard Program by the Host Blue, will be charged back to THE GROUP as an administrative expense, unless otherwise indicated in Attachment 1 Section B.

**An AEA Fee Report will be provided monthly with the Claims Analysis Report.**

**The AEA Fees are indicated on Attachment 1, Section B. 1.b.**

#### **4. Non-Contracted Providers**

For both physician/professional and institutional claims incurred in other plan service areas with non-contracted providers, no Access Fee applies. The AEA fee for non-contracted provider claims will be \$3.00 per claim.

#### **5. Premium for an Individual Stop Loss.**

##### **Premium for an Aggregate Stop Loss.**

The Stop Loss premium, however stated, includes fees for all persons who have elected to continue memberships in THE GROUP pursuant to COBRA.

**If applicable, the Stop Loss premiums are indicated on Attachment 3**

- 6. **Commissions:** If a commission to an agent of record specified by THE GROUP is payable by BCBSNE, the actual amount paid will be charged to THE GROUP each month during the Term of this Agreement.

**The monthly commission is indicated on Attachment 1, Section C.**

- B. **The following language is mandated by the Blue Cross and Blue Shield Association in order to explain the methods that are used to calculate claim liability in the various independent Blue Cross and Blue Shield Plans. The Out-of-Area Services fees and compensation costs are outlined on Attachment 1, Section B.**

**Out-of-Area Services:** BCBSNE has a variety of relationships with other Blue Cross and/or Blue Shield Licensees, Referred to generally as "Inter-Plan Programs." Whenever a Covered Person accesses services outside the geographic area BCBSNE serves, the claim for those services may be processed through one of the Inter-Plan Programs and presented to BCBSNE for payment in accordance with the rules of the Inter-Plan Programs policies then in effect. The Inter-Plan-Programs policies available to Covered Persons under this Agreement are described generally below. Typically, the Covered Person, when accessing care outside the geographic area BCBSNE serves, obtains care from healthcare providers that have a contractual agreement (i.e. are "participating providers") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area (Host Blue" or "On-site Plan"). In some instances, the Covered Person may obtain care from non-participating healthcare providers. BCBSNE payment practices in both instances are described below.

#### **1. BlueCard Program**

Under the BlueCard Program, when a Covered Person accesses Covered Services within the geographic area served by a Host Blue, BCBSNE will remain responsible to THE GROUP for fulfilling BCBSNE's contractual obligations. However, in accordance with applicable Inter-Plan Programs policies then in effect, the Host Blue will be responsible for providing such services as contracting and handling substantially all interactions with its

participating healthcare providers. The financial terms of the BlueCard Program are described generally below. Individual circumstances may arise that are not directly covered by this description; however, in those instances, BCBSNE's action will be consistent with the spirit of this description.

- a. **Liability Calculation Method Per Claim:** The calculation of the Covered Person's liability on claims for Covered Services processed through BlueCard Program will be based on the lower of the participating healthcare provider's billed covered charges or the Contracted Amount made available to BCBSNE by the Host Blue.

The calculation of THE GROUP's liability on claims for Covered Services processed through the BlueCard Program will be based on the Contracted Amount made available to BCBSNE by the Host Blue. Sometimes, the Contracted Amount may be greater than billed charges if the Host Blue has negotiated with its participating healthcare provider(s) an inclusive allowance (e.g., a Diagnosis Related Group (DRG) (per case) or a Per Diem (per day) amount) for specific healthcare services. In the instance of a member's loss of eligibility occurring during treatment for an inclusive allowance claim, either due to Plan Termination or the member's own loss of eligibility, BCBSNE may administer the inclusive allowance if applied by the Host Blue, even if the allowance covers services incurred by the member after the loss of the member's eligibility.

Host Blues may use various methods to determine the Contracted Amount, depending on the terms of each Host Blue's healthcare provider contracts. The Contracted Amount made available to BCBSNE by the Host Blue may represent payment negotiated by a Host Blue with a healthcare provider that is one of the following:

- i. An actual price negotiated payment without any other increases or decreases; or
- ii. An estimated price negotiated payment reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements, and performance-related bonuses or incentives; or
- iii. An average price as a percentage of billed covered charges representing the aggregate payments negotiated by the Host Blue with all of its healthcare providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

Host Blues using either the estimated price or an average price may, in accordance with Inter-Plan Programs policies, prospectively increase or reduce such prices to correct for over- or underestimation of past prices (i.e., prospective adjustment may mean that a current price reflects additional amounts or credits for claims already paid to providers or anticipated to be paid to or received from providers). However, the amount paid by the Covered Person and THE GROUP is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims. The BlueCard Program requires that the price submitted by a Host Blue to BCBSNE is a final price irrespective of any future adjustments based on the use of estimated or average pricing. Regardless of the billed charge amount, BCBSNE is obligated to pay the providers contracted rate.

If a Host Blue uses either an estimated price or an average price on a claim, it may also hold some portion of the amount that THE GROUP pays in a variance account, pending settlement with its participating healthcare providers. Because all amounts paid are final, neither variance account funds held to be paid, nor the funds expected to be received, are due to or from THE GROUP. Such payable or receivable would eventually be exhausted by healthcare provider settlements and/or through prospective adjustment to the Contracted Amounts. *Some Host Blues may retain interest earned, if any, on funds held in variance accounts.*

A small number of states require Host Blues either (i) to use a basis for determining Covered Person liability for Covered Services that does not reflect the entire savings realized, or expected to be realized, on a particular claim or (ii) to add a surcharge.

Should the state in which healthcare services are accessed mandate liability calculation methods that differ from the Contracted Amount methodology or require a surcharge, BCBSNE would then calculate Covered Persons liability and THE GROUP's liability in accordance with applicable law.

**b. Return of Overpayments:**

Under the BlueCard Program, recoveries from a Host Blue or its participating healthcare providers can arise in several ways, including but not limited to, anti-fraud and abuse recoveries, healthcare provider/hospital audits, credit balance audits, utilization review refunds, and unsolicited refunds. In some cases, the Host Blue will engage a third party to assist in identification or collection of recovery amounts. Recovery amounts determined in these ways will be applied in accordance with applicable Inter-Plan policies, which generally require correction on a claim-by-claim or prospective basis.

Unless otherwise agreed to by the Host Blue, BCBSNE may request adjustments from the Host Blue for full refunds from healthcare providers due to the retroactive cancellation of membership but only for one year after the date of the Inter-Plan financial settlement process for the original claim. In some cases, recovery of claim payments associated with a retroactive cancellation may not be possible if, as an example, the recovery conflicts with the Host Blue's state law or healthcare provider contracts or would jeopardize its relationship with its healthcare providers.

**c. BlueCard Program Fees and Compensation:**

THE GROUP understands and agrees to reimburse BCBSNE for certain fees and compensation which BCBSNE is obligated under the BlueCard Program to pay to the Host Blues, to the Blue Cross and Blue Shield Association (BCBSA), and/or to the BlueCard Program vendors as described below. Fees and compensation under the BlueCard Program may be revised in accordance with the Program's standard procedures for revising such fees and compensation, which do not provide for prior approval by any groups. Such revisions typically are made annually as a result of Program policy changes and/or vendor negotiations. These revisions may occur at any time during the course of a given calendar year, and they do not necessarily coincide with THE GROUP's benefit period under this Agreement.

BCBSNE will charge these fees as follows:

- Access Fees
- Administrative Expense Allowance (AEA) fees

Some of these fees and compensation are charged each time a claim is processed through the BlueCard Program and include, but are not limited to, Access Fees and

Administrative Expense allowance (AEA) fees. An Access Fee may be passed on to THE GROUP as an additional claim liability. If one is charged, it will be a percentage of the discount/differential BCBSNE receives from the Host Blue, based on the current rate in accordance with the Program's standard procedures for establishing the Access Fee rate. The Access Fee will not exceed \$2,000 for any claim. Other Program-related fees that BCBSNE may charge include, but are not limited to, a toll-free number fee and a fee for providing PPO healthcare provider directories. (See Attachment 1)

d. **BlueCard Program Access Fees**

A BlueCard Program Access Fee may be charged only if the Host Blue's arrangement with its healthcare provider prohibits billing Covered Persons for amounts in excess of the Contracted Amount. However, a healthcare provider may bill for Noncovered Services and for Covered Person cost sharing (for example, Deductibles, Copayments, and/or Coinsurance) related to a particular claim.

e. **How the BlueCard Program Access Fee Affects THE GROUP**

When BCBSNE is charged a BlueCard Program Access Fee, BCBSNE may pass the charge along to THE GROUP as a claim expense or as a separate amount. The Access Fee will not exceed \$2,000 for any claim. If BCBSNE receives an Access Fee credit, BCBSNE will give THE GROUP a claim expense credit or a separate credit.

Instances may occur in which the claim payment is zero or BCBSNE pays only a small amount because the amounts eligible for payment were applied to patient cost sharing (such as a Deductible or Coinsurance). In these instances, BCBSNE will pay the Host Blue's Access Fee and pass it along to THE GROUP as stated above even though THE GROUP paid little or had no claim liability.

**2. Non-Participating Healthcare Providers Outside BCBSNE's Service Area**

a. **Covered Person Liability Calculation**

i. **In General**

When Covered Services are provided outside of BCBSNE's service area by non-participating healthcare providers, the amount a Covered Person pays for such services will generally be based on either the Host Blue's non-participating healthcare provider local payment or the pricing arrangements required by applicable state law. In these situations, the Covered Person may be responsible for the difference between the amount that the non-participating healthcare provider bills and the payment BCBSNE will make for the Covered Services as set forth in this paragraph.

ii. **Exceptions**

In some exception cases, BCBSNE may pay claims from non-participating healthcare providers outside of BCBSNE's service area based on the provider's billed charge, such as in situations where the Covered Person did not have reasonable access to a participating provider, as determined by BCBSNE in BCBSNE's sole and absolute discretion or by applicable state law. In other exception cases, BCBSNE may pay such claims based on the



payment BCBSNE would make if BCBSNE were paying a non-participating provider inside of BCBSNE's service area, as described elsewhere in this Agreement, where the Host Blue's corresponding payment would be more than BCBSNE's in-service area non-participating provider payment, or in BCBSNE's sole and absolute discretion, BCBSNE may negotiate a payment with such a provider on an exception basis. In any of these exception situations, the Covered Person may be responsible for the difference between the amount that the non-participating healthcare provider bills and the payment BCBSNE will make for the Covered Services as set forth in this paragraph.

**b. Fees and Compensation**

THE GROUP understands and agrees to reimburse BCBSNE for certain fees and compensation which BCBSNE is obligated under applicable Inter-Plan Programs requirements to pay to the Host Blues, to the BCBSA, and/or to Inter-Plan Programs vendors. Fees and compensation under applicable Inter-Plan Programs may be revised in accordance with the specific Program's standard procedures for revising such fees and compensation, which do not provide for prior approval by any groups. Such revisions typically are made annually as a result of Inter-Plan Programs policy changes and/or vendor negotiations. These revisions may occur at any time during the course of a given calendar year, and they do not necessarily coincide with THE GROUP's benefit period under this Agreement.

In addition, BCBSNE must pay an administrative fee to the Host Blue, and THE GROUP further agrees to reimburse BCBSNE for any such administrative fee as set forth below, which may include:

- Administrative Expense Allowance (AEA) fees

(See Attachment 1)

- C. **Rx Nebraska Program Fees:** Prime Therapeutics, LLC, (Prime) is the Pharmacy Benefit Manager which processes pharmacy claims for the Rx Nebraska Program. Any fees Prime charges BCBSNE for managing the Rx Nebraska Program are included in the Administrative Service Fee. In some cases, Prime receives manufacturer administrative fees, which are retained by Prime unless otherwise noted in Attachment 1. One hundred percent (100%) of Rx rebates received from manufacturers of drugs and supplies are passed through to BCBSNE, unless otherwise agreed by the parties hereto.
- D. BCBSNE shall provide THE GROUP with a monthly billing reflecting the amount due BCBSNE from THE GROUP, less any credits. This billing will be provided on or before the 10th day of the following month and shall be payable within 15 days of its mailing by BCBSNE.

Interest will be charged for Net Paid Claims, Administrative Service fees, Stop Loss charges and amounts previously unreimbursed by THE GROUP, which are received more than 15 calendar days after the date notification is mailed.

Interest will be based on a rate of 12% per annum for the actual number of days which have elapsed beyond the 15-day grace period. The interest charge will be added to the next subsequent billing for claims reimbursement and will not be included in the Aggregate Stop Loss Limit. Interest charges will also be applicable on any past due interest charge.

- E. In connection with the administration of this Agreement, if at any time BCBSNE shall be or become subject to the imposition of, or any increase in, a premium tax or other tax whatsoever, the amount of compensation shall be increased by a like amount. (The present premium taxes on the Stop Loss premiums are included in the costs shown above, if applicable.) Assessments by a state arising from the operation of the Plan, including but not limited to a surcharge on claims and/or an assessment on residents of that state, shall be considered a tax for purpose of this paragraph.

If a change in a law or regulation occurs during the term of this Agreement which results in additional administrative costs such increases in cost will be communicated to and incurred by THE GROUP.

- F. BCBSNE may employ the services of an outside company to seek recovery of credit balances from providers and facilities. The outside company may: a) retain a percentage of the monies recovered as compensation for its services. The remaining balance will be refunded to THE GROUP; or b) charge BCBSNE a fee as compensation for its services. In that instance, the Claims Analysis Report will reflect the full amount of the recovery as a credit. Any fee associated with the collection of these recoveries will be reflected as a charge on the summary invoice provided to THE GROUP.
- G. This Agreement is effective only as to expenses incurred after the effective date of this Agreement, and prior to its termination, subject to Part IX.

## VII.

### LITIGATION

Should suit be filed against BCBSNE or THE GROUP, or both, for damages or equitable relief, arising out of a determination of benefits, the parties agree to cooperate fully and assist one another in the defense of such claims. Should BCBSNE be named as defendant in such a suit, BCBSNE and its liability carrier shall maintain primary control of such litigation, including the selection of counsel; however, notice will be provided to THE GROUP. Reimbursement will be made to BCBSNE by THE GROUP for the amount of any benefits determined to be payable pursuant to the Benefit Plan Document, by way of settlement or award pursuant to judgment, and THE GROUP shall be responsible for the fees of any separate counsel retained to represent its interests independently. If Plaintiff's attorney fees or taxable court costs are a part of the settlement or award, the parties agree they will split such fees and costs evenly.

## VIII.

### TERM

**This Agreement shall be effective for a Contract Term which is indicated on Attachment 1.** It may be extended by written consent of both parties, with such modifications as shall be agreed to by the parties.

This Agreement may be terminated by either party, without cause, but any such termination shall only be effective commencing with the first day of the month at least 60 days following written notice to the other party.

This Agreement shall terminate immediately upon written notice by BCBSNE to THE GROUP, should THE GROUP fail, refuse or neglect to meet any of its financial obligations hereunder.

**IX.**

**PROCESSING OF CLAIMS IN THE EVENT OF TERMINATION**

In the event of termination of this Agreement, liability for unreported and pending claims as of the date of termination rests with THE GROUP. The following administrative alternatives are available and the selected option is indicated in Attachment 1, section D:

- A. THE GROUP will arrange with another claims administrator for processing, handling and payment of such claims as are incurred during the Term of this Agreement, but not submitted for payment until after the termination date. BCBSNE will have no responsibility for such claims except to notify the Covered Person/Provider of the termination date. Covered Person/Provider must resubmit the claims to either the new claims administrator or THE GROUP, as instructed by THE GROUP.

or

- B. THE GROUP will arrange with BCBSNE for payment of such claims. Unless the parties agree otherwise, BCBSNE will continue to process claims for services provided during the Term of this Agreement for a period of 15 months after termination of this Agreement. The advance deposit will be returned as set forth on Attachment 2, Section A., 2.

THE GROUP agrees to compensate BCBSNE as provided herein. BCBSNE will send a monthly invoice reporting the amount of claims reimbursement and Administrative Expense for Net Paid Claims during the preceding month. The Administrative Expense applicable to the processing of such claims shall be determined by BCBSNE after notification of termination is received. BCBSNE will have no financial risk or obligation for claims incurred after the current or prior Terms of the Agreement, i.e., there is no limit to the extent of THE GROUP's liability under this paragraph B. as benefits paid pursuant to this Part IX. shall not apply to any Stop Loss Provision (see Attachment 3). BCBSNE may request THE GROUP to provide a letter of credit guaranteeing payment up to an amount determined by BCBSNE to be the estimated liability for these payments.

**The alternative selected is indicated on Attachment 1, D.**

**The Reserve for Unreported and Pending Claims at the end of the Term of this Agreement is indicated on Attachment 5.**

**X.**

**DATA**

Data contained in membership files submitted to BCBSNE by THE GROUP are the property of THE GROUP. Once files which are submitted to BCBSNE are entered into BCBSNE proprietary systems, the data produced, extracted or reported from the BCBSNE systems is the property of BCBSNE ("BCBSNE Proprietary Data"). Any requests for disclosures to third parties or uses of BCBSNE Proprietary Data by THE GROUP shall require mutual consent of the parties hereto.

**XI.**

**NONASSIGNMENT**

BCBSNE may not assign its rights or obligations under this Agreement without the written consent of THE GROUP, provided, however, that any reinsurance obtained by BCBSNE shall not constitute an assignment hereunder.

**XII.**

**STOP LOSS PROVISION**

If Stop Loss coverage is selected, the applicable Stop Loss contract or provision will be included as Attachment 3.

**XIII.**

**MODIFICATION**

This Agreement contains the entire agreement of the parties. No representations were made or relied upon by either party other than those that are expressly set forth herein. No change in this Agreement shall be valid until approved in writing by an officer of each of the parties. Any such change, however, shall be effective at the time, and with respect to the eligible employees, therein provided.

**CITY OF GRAND ISLAND**  
**(PLAN SPONSOR / THE GROUP)**

**BLUE CROSS AND BLUE SHIELD OF**  
**NEBRASKA (BCBSNE)**

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Address

Mailing Address: P.O. Box 3248  
Omaha, NE 68180-0001

City State Zip Code

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ADMINISTRATIVE SERVICES AGREEMENT  
SUMMARY**

Group: City of Grand Island

Contract Term: October 1, 2014 through September 30, 2015

Group No.: 305208

Master Group Contract Number and revision date: Health: 96-067-S 1/2014

N/A Plan Assets.  General Assets.

**A. Administrative Service Fee:**

1. N/A% of Net Paid Claims for health coverage.
2. N/A% of Net Paid Claims for dental coverage.
3. \$29.50 per enrolled Subscriber under health coverage.
4. \$N/A per enrolled Subscriber under dental coverage.
5. \$N/A per enrolled Subscriber under health coverage for utilization management.

**B. Out-of-Area Service Fees****1. BlueCard Fees:**

- a. BlueCard Fees are included within the Administrative Service Fee above.

**C. Commissions:**

1. N/A No commission is payable to an agent of record.
2.  The consulting fee payable to consultant's agency, Strong Financial Resources, Inc., for 10/1/14 through 9/30/15 is \$1,654 each month.
  - a.  This amount is not included in the Administrative Service Fee in A. above and will be billed additionally.
  - b. N/A This amount is included in the Administrative Service Fee in A. above.
3. N/A The commission payable to the agent of record is N/A % of the total applicable Specific and Aggregate Stop Loss monthly premiums charged to THE GROUP as indicated in Attachment 3, Part III. The commission amount is included in the Stop Loss premium and will not be billed separately to THE GROUP.

D. **Termination Provisions:** In event of termination of this Agreement, the alternative selected by THE GROUP is:

1. N/A THE GROUP will arrange with another claims administrator for processing, handling and payment of such claims as are incurred during the Term of this Agreement, but not submitted for payment until after the termination date.
2. X THE GROUP will arrange with BCBSNE for payment of such claims.

City of Grand Island  
"THE GROUP"

October 1, 2013  
Effective Date

### SPECIAL FINANCING ARRANGEMENTS

A. N/A No Special Financing Arrangement: There are no special financing arrangements under this Agreement. BCBSNE shall make payments for claims out of its own funds, subject to reimbursement from THE GROUP.

1. N/A THE GROUP shall remit to BCBSNE an advance deposit of \$ N/A .
2. N/A THE GROUP shall remit to BCBSNE an additional advance deposit of \$ N/A . The current advance deposit held by BCBSNE is \$ N/A and the total amount upon receipt of the amount specified above will be \$ N/A .

BCBSNE will credit such advance deposit in the name of THE GROUP. Six months following termination of this Agreement, BCBSNE shall return 50% of THE GROUP's advance deposit. As stated at Part IX., BCBSNE will continue to pay claims for a period of 15 months (or a previously agreed-upon runout period). Within 30 days following this period, BCBSNE shall refund the balance of the advance deposit less any deficits from previous billings.

3.  BCBSNE has agreed to waive the advance deposit, if daily or weekly wire transfer is made.

B.  **Special Financial Arrangements:** Pursuant to the following, BCBSNE has agreed to waive the advance deposit:

1. BCBSNE shall make payments for claims out of its own funds, subject to reimbursement from THE GROUP. BCBSNE shall (N/A daily,  weekly, etc) notify THE GROUP of the amount of payments which have been made since the last previous notification. THE GROUP shall reimburse BCBSNE within 24 hours of each notification, and be responsible for all service charges made for maintenance and use of any wire transfer arrangement between its bank account and BCBSNE's account.

At the end of each month, a summary report will be provided to THE GROUP, showing individual Net Paid Claims, refunds or other adjustments, correction entries, Stop Loss adjustments, the Administrative Service Fee, AEA Fee, Stop Loss premiums and Total Net Paid Claims. Any additional amount due will be payable within 15 days of the mailing of the summary invoice by BCBSNE.

2. BCBSNE employees authorized to notify THE GROUP of the amounts required are:

Dave Sederburg	Christy Hinton
Mike Fye	Pat Puetz
Mark Schadde	

3. THE GROUP's employees who are authorized to communicate with BCBSNE's authorized employees are:

Tami Herald	Brenda Sutherland
Bonnie Kosmicki	

Upon written request, either party may add or delete names of the employees who are authorized to communicate with the other party.

City of Grand Island  
"THE GROUP"

October 1, 2014  
Effective Date



**BlueCross BlueShield  
of Nebraska**

An Independent Licensee of the Blue Cross and Blue Shield Association

**STOP LOSS PROVISIONS  
FOR HEALTH COVERAGE**

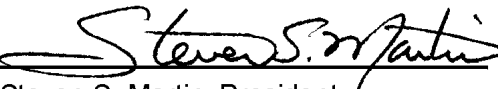
This Stop Loss Contract (Contract) is offered by Blue Cross and Blue Shield of Nebraska (BCBSNE), a mutual insurance company, licensed by the State of Nebraska.

Blue Cross and Blue Shield of Nebraska and the Group agree to the terms as described herein during the Contract Term. This Contract is effective beginning 12:01 a.m. on the effective date stated in the Administrative Services Agreement, in consideration of the payment of premiums, charges or as otherwise provided.

Only Blue Cross and Blue Shield of Nebraska can approve a change to this Contract and that change must be in writing. No agent may change the Contract in any way.

This Contract is made in and governed by the laws of the State of Nebraska. Defined terms are capitalized in this Contract.

BLUE CROSS AND BLUE SHIELD OF NEBRASKA

By:   
Steven S. Martin, President  
and Chief Executive Officer



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## PART I. RECITALS

- A. The Group has established and maintains a self-funded employee welfare benefit plan, which provides, among other things, various benefits to Covered Persons in the Plan.
- B. BCBSNE provides certain services to the Plan pursuant to the Administrative Services Agreement.
- C. Claims are administered according to the Preferred Provider Organization Master Group Contract, Form 96-067-S 1/14, as amended.
- D. BCBSNE has agreed to provide Stop Loss coverage to the Group as indicated in Part II. below.
- E. The Group and BCBSNE intend this Contract to be between and for the benefit of each other.

## PART II. STOP LOSS COVERAGE

(Check the applicable provisions for A. and B.)

A.  **Individual Stop Loss:** BCBSNE will reimburse the Group for 100% of any excess over the Individual Stop Loss Amount, if, during the Contract Term, the total amount of eligible Net Paid Claims for any Covered Person exceeds the Individual Stop Loss Amount of \$150,000. This reimbursement will be made the month after such Individual Stop Loss Amount is exceeded. In addition, any final adjustment will be included following the end of the Term, subject to the applicable stop loss reimbursement terms. The Individual Stop Loss Amount is subject to the Total Benefits maximum as indicated in the Master Group Contract and any attached endorsements.

The Individual Stop Loss does not apply to claims incurred under dental coverage or coverage secondary or supplemental to Medicare, to expenses incurred for Covered Services over the Individual's total benefits payable, or to ineligible claims.

1. Claims eligible for reimbursement under Individual Stop Loss must be incurred on or after October 1, 2012 and before October 1, 2015. In addition, eligible claims must be paid on or after October 1, 2014 and before October 1, 2015.
2. Coverages eligible for Individual Stop Loss coverage include:
  - Medical claims
  - Prescription drug claims
3. The Group has elected an Aggregating Specific Stop Loss deductible. The Aggregating Specific Stop Loss deductible is \$50,000. All eligible claims for Covered Persons exceeding the Individual Stop Loss Amount will be combined for the purposes of satisfying the Aggregating Specific Stop Loss deductible. No payment will be made under Part A until both the Individual Stop Loss and Aggregating Specific Stop Loss have been met.

B.  **Aggregate Stop Loss:** BCBSNE will reimburse the Group for 100% of any excess over the Aggregate Stop Loss Amount, if the total amount of Net Paid Claims exceeds such Aggregate Stop Loss Amount unless otherwise indicated below. Claims reimbursed in A. above or used to satisfy an aggregating specific and/or Lasered deductible(s), will be deducted from the Net Paid Claims when determining this liability. This reimbursement will be subject to the Aggregate Stop Loss reimbursement terms noted in 5. below. The Aggregate Stop Loss does not apply to claims incurred under dental or coverage secondary or supplemental to Medicare, or to expenses incurred for Covered Services over the Covered Person's total benefits payable.

1. Claims eligible for reimbursement under Aggregate Stop Loss must be incurred on or after October 1, 2012 and before October 1, 2015. In addition, eligible claims must be paid on or after October 1, 2014 and before October 1, 2015.

2. The **Initial** Aggregate Composite Factor and the **Minimum** Aggregate Claim Liability of the Group shall be based on the factors, at the beginning of the Contract Term, as follows:

a. Stop Loss corridor:	<u>125</u> %
b. Expected average enrollment during each month of the Contract Term	<u>457</u>
c. Initial Monthly Aggregate Composite Factor to be used per employee (to include COBRA subscribers and retirees) for determination of liability under this Aggregate Stop Loss:	<u>\$ 1,240.27</u>
d. Minimum Aggregate Claim Liability during each month of the Contract Term: (2.b. x 2.c. x 90%)	<u>\$ 510,123</u>

3. The Minimum Aggregate Stop Loss Amount is the minimum amount of aggregate claim liability and will never be less than the monthly amount calculated in B.2.d. above.

4. The **Final** Aggregate Stop Loss Liability of the Group shall be calculated as follows, at the end of the Contract Term, not to be less than the cumulative Minimum Aggregate Claim Liability of the Group as set forth in section B.2. above.

a. Cumulative number of enrolled employees (to include COBRA subscribers and retirees) during each month of the Contract Term:	<u>To be determined</u>
b. Total factor to be used per employee (to include COBRA subscribers and retirees) for determination of liability under the Aggregate Stop Loss, as indicated in 2.c. above:	<u>\$ 1,240.27</u>
c. Final Aggregate Stop Loss Liability (4.a. x 4.b.):	<u>To be determined</u>

5. Aggregate Reimbursement: Aggregate reimbursement by BCBSNE to the Group will occur at the end of the Contract Term if the Net Paid Claims, less any claims reimbursement made under the Individual Stop Loss, exceed the Final Aggregate Stop Loss Amount.

6. After the end of the Contract Term, BCBSNE will provide the Group with a summary report which includes a comparison between the final Aggregate Stop Loss Amount and the final Net Paid Claims and Administrative Service Fee, if applicable. Adjustments made to the Group's liability pursuant to this Contract, including credits previously provided using the Initial Stop Loss Amount, will be reported and made at this time.

C. The Group has elected to exclude the following classes or departments from Stop Loss coverage: N/A.

D. Payments made for disputed claims which are paid at the specific direction of the Group, under the Administrative Services Agreement, despite BCBSNE's determination that such payment is inconsistent with the Plan, are not chargeable payments within the terms of this Contract.

### **PART III. COMPENSATION**

- A. Individual Stop Loss premium: \$130.36 per employee (to include COBRA subscribers and retirees)/retiree per month
- B. Aggregate Stop Loss premium: \$5.48 per employee (to include COBRA subscribers and retirees)/retiree per month

### **PART IV. GENERAL PROVISIONS**

A. CANCELLATION OF CONTRACT: This Contract may be cancelled by either party, without cause, but any such cancellation shall only be effective commencing with the first day of the month at least 60 days following written notice to the other party. This Contract shall be cancelled immediately upon written notice by BCBSNE to the Group, should the Group fail, refuse or neglect to meet any of its financial obligations hereunder. Termination shall not affect any claim for Covered Services provided before the effective date of termination.

Cancellation or termination of the Administrative Services Agreement, whether during the Contract Term or at its conclusion, shall also terminate this Contract. There is no limit to the extent of the Group's liability for claims processed by BCBSNE after the date of said termination.

B. CERTAIN DEFENSES: All statements, in the absence of fraud, made by the Group will be deemed representations and not warranties. Neither the acceptance of premium nor the payment of claims shall constitute a waiver of available defenses.

C. CONFIDENTIALITY: The Group is responsible for keeping confidential records. These records are to be kept in a way that will assure the privacy of the Covered Persons' medical and other personal information.

The Group agrees that any information that the Group has or reviews will be used only for the purpose of administering this Contract. In the event that the Group discloses any such information to a third party assisting in the administration of this Contract, the Group is responsible for obtaining a written agreement from the third party restricting further disclosure or use for any purpose other than providing such service.

D. CONFORMITY WITH STATUTES: Any Contract provision which on its effective date, is in conflict with the law of the federal government or the state of Nebraska is hereby amended to conform to the minimum requirements of such law.

E. FRAUD OR MISREPRESENTATION: Coverage hereunder may be canceled for fraud or misrepresentation about a claim or eligibility for this coverage. Written notice will be sent by certified mail to the Covered Person at his or her last-known address as shown by the membership records and shall be effective the date notice is mailed.

Additionally, if a misrepresentation is made in connection with enrollment and that fact is discovered within two years of the enrollment, coverage may be rescinded and the Covered Person would not be eligible for benefits. The amount of premiums paid for coverage will be reduced by any benefits that were paid and will be refunded to you. If benefits paid exceed premiums received, BCBSNE may recover the difference.

F. GRACE PERIOD, CANCELLATION: A 31-day grace period is allowed after the due date for payment each month. The Contract remains in force if the payment is received during that 31-day grace period. If payment is not received during the 31-day grace period, the Contract is canceled as of midnight of the last day for which premiums have been paid. No payment shall be made for

Covered Services provided after the effective date of cancellation of this Contract and refunds of claims paid will be required for the period of time that no premiums were paid to BCBSNE.

G. INDEPENDENT CORPORATION: The Group, on behalf of itself and its participants, hereby expressly acknowledges its understanding that this Contract constitutes a contract solely between the Group and BCBSNE, which is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "Association") permitting BCBSNE to use the Blue Cross and/or Blue Shield Service Marks and that BCBSNE is not contracting as the agent of the Association. The Group, on behalf of itself and its participants, further acknowledges and agrees that it has not entered into this Contract based upon representations by any person other than BCBSNE and that no person, entity, or organization other than BCBSNE shall be held accountable or liable to the Group for any of BCBSNE's obligations created under this Contract. This paragraph shall not create any additional obligations whatsoever on the part of BCBSNE other than those obligations created under other provisions of this Contract.

H. LEGAL ACTIONS: Legal action to recover under the Contract cannot be brought for at least 60 days after written proof of loss is given to BCBSNE. Nor can a legal action begin after three years from the date written proof of loss is required.

I. LIMITATIONS OF DAMAGES: The entire liability of BCBSNE shall not exceed the amount of benefits provided by this Contract, regardless of the form of the action. In no event shall Blue Cross and Blue Shield of Nebraska be liable for consequential, incidental, special or indirect damages regardless of whether it has been advised of the possibility of such damages.

J. MODIFICATIONS: This Contract may be modified:

1. by mutual agreement between the Group and BCBSNE;
2. at renewal at BCBSNE's discretion; or
3. anytime at BCBSNE's discretion if the same modification is made for all employer groups with the same contract form and plan design.

Any modification must be in writing and signed by an officer of Us.

K. NOTICE OF CLAIM: A proof of loss must be filed with BCBSNE within 90 days after the claim was incurred, or as soon thereafter as reasonably possible. The Group shall submit, on a timely basis, all proofs, reports or any other supporting documentation requested by BCBSNE.

L. SUBROGATION: The Group agrees to repay BCBSNE for amount recovered through subrogation or workers' compensation, even if the recovery is received after the Contract Term. Subrogation recoveries, as described in the Administrative Services Agreement, will be applied first to the appropriate Stop Loss Amount and, subsequently, to the Group's claim liability.

M. ANNUAL MEETING: When this Contract becomes effective, You become a member of Blue Cross and Blue Shield of Nebraska, which is to be distinguished from a member of an association as is referred to in this Contract. You have the right to vote at the Annual Meeting of members held at the Blue Cross and Blue Shield of Nebraska home office in Omaha. The Meeting is held at 4:00 p.m. on the second Monday of February each year. If You do not attend the meeting, You may appoint another member as your proxy to vote for You. To have another person vote for You, You must appoint that person in writing and file that appointment with Us at least five days before the meeting. If You do not attend the meeting, and do not appoint another person as Your proxy, the Chairperson of the Board of Directors of Blue Cross and Blue Shield of Nebraska, or in the absence of the Chairperson, a person the Chairperson appoints, will be Your proxy to vote for You

on all matters coming before the meeting. This proxy will be valid as long as this Contract remains in force, unless You revoke it.

## **PART V. DEFINITIONS**

**Administrative Services Agreement:** The agreement entered into between the Group and BCBSNE for administration of the Group's self-insured, or partially self-insured, health care programs for eligible employees.

**Administrative Service Fee:** The fee for BCBSNE's services as stated in the Administrative Services Agreement which includes fees for all persons who have elected to continue membership in the Group pursuant to COBRA continuation coverage.

**Contract Term:** The time period in which this Contract is in effect as indicated in the Administrative Services Agreement.

**Covered Person:** Any person entitled to benefits for Covered Services pursuant to the Master Group Contract administered by BCBSNE.

**Covered Services:** Hospital, medical or surgical procedures, treatments, drugs, supplies, or other health or dental care, including any single service or combination of services, for which benefits are payable while the Administrative Services Agreement and Master Group Contract are in effect.

**Group:** The employer or association which establishes and maintains a health care program for its employees or members.

**Incur(red):** The date on which Covered Services were provided to a Covered Person pursuant to the Master Group Contract.

**Laser(ed):** Providing higher or no limit stop loss coverage for certain individuals in order to maintain a lower Individual Stop Loss level or premium for the Group. If applicable, the Lasered individuals are listed in Part II.A. above.

**Master Group Contract:** The document which describes the benefits payable for Covered Services to a Covered Person.

**Net Paid Claims:** The amount determined after subtraction of any discount and other adjustments made to the allowable charge for Covered Services; pursuant to the contractual provision between BCBSNE and the contracting providers, or in accordance with other Master Group Contract provisions.

**Plan:** A self-funded plan of benefits which a plan sponsor provides for eligible employees and their dependents.

**Total Benefits:** The total amounts payable under the Master Group Contract for expenses incurred for Covered Services provided while the Master Group Contract is in effect.

City of Grand Island  
"THE GROUP"

October 1, 2014  
Effective Date

**FUNDING RATES**

The amount of recommended monthly charges to be collected and retained by THE GROUP shall be determined by THE GROUP. BCBSNE will not be held liable for insufficient funding on the part of THE GROUP.

City of Grand Island  
"THE GROUP"

October 1, 2014  
Effective Date

**RESERVE FOR UNREPORTED AND PENDING CLAIMS  
AT THE END OF THE TERM OF THIS AGREEMENT**

The current estimate by BCBSNE of the potential liability, excluding Administrative Expense, of THE GROUP in the event of termination of this Agreement during, or at the end of the Term of this Agreement is:

Health Coverage: \$556,147



RESOLUTION 2014-231

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 duration of the 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 City will make a contribution on behalf of the employee participating in the Qualified High Deductible Health Plan with an added Health Savings Account (HSA) contribution of \$1250 for single coverage and \$2500 for family coverage to be reduced by a quarterly sliding scale for newly hired employees; and

WHEREAS, the contract with Blue Cross and Blue Shield of Nebraska (BCBSNE) specifies administrative fees of \$29.50 per employee per month. Stop loss coverage will cost \$130.36 per employee per month and the aggregate stop loss coverage will cost \$5.48 per employee per month. The contract with Strong Financial will cost \$1,654 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.

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 HSA contributions are hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, August 19, 2014.

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Jay Vavricek, Mayor

Attest:

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RaNae Edwards, City Clerk