



# City of Grand Island

Tuesday, June 27, 2006

Council Session

## Item G10

**#2006-183 - Approving Contract for Health and Dental Plan Services**

Staff Contact: Brenda Sutherland

# **Council Agenda Memo**

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

**Meeting:** June 27, 2006

**Subject:** Contract for Health and Dental Plan

**Item #'s:** G-10

**Presenter(s):** Brenda Sutherland, Human Resources Director

## **Background**

The City of Grand Island has had a contract with Aetna, Inc. to provide administrative services for the City's health and dental plan. The current plan was approved by Council and put into place on August 1, 1999. The City has a self-funded plan, meaning that claims are actually paid for by the premium dollars generated through the plan. The City has paid a third party, in this case Aetna, to administer and pay claims and provide stop loss coverage.

The City's current "specific limit" or stop loss is \$100,000 per participant. This means that the first \$100,000 of claims for a plan participant is paid for by the premium dollars generated by the City and employees and then Aetna picks up the claims that go over that amount. The "attachment point" is the total amount of overall claims or worst case scenario that could be paid through the plan before Aetna steps in and pays the balance.

## **Discussion**

As a part of routine practice, the City advertises through the RFP process to shop its various benefit packages. As it has been seven years since the health insurance was shopped, administration thought it prudent to take a look at the market to see if there was the ability to retain same or similar benefits at a better price. The City has a health insurance committee that has been in place for several years that is comprised of union, non-union, management, non-management Human Resources personnel, Finance and Legal personnel. The City retained Phares Financial Services, Inc. as a consultant to assist with the breakdown of the proposals, compilation of the information and contract negotiations.

The committee held interviews with finalists based on the proposals that were submitted. Negotiations ensued and the committee has a recommendation before the Council for the

administration of the health and dental plan. The committee is proposing Mutual of Omaha as the new plan administrator. After careful review and consideration, the insurance committee has determined that the proposal from Mutual of Omaha provided the best package for the price. The City will have a lower overall cost than it has with its current vendor and the ability to incorporate a Health Screening and Support Services (wellness) package as part of the program. PPO discounting also played a significant part in the decision making process. Year one of the contract will commence on August 1, 2006 and go through September 30, 2007. After that the contract will run with the fiscal year, October 1 through September, 30. The proposed contracts with United of Omaha Life Insurance Company for the health and health screening and support services (wellness) benefits and United Concordia Companies, Inc. for the dental benefit, all to be administered by Mutual of Omaha, is for a three year term.

The plan will stay the same with the exceptions of the dental limit being raised to \$1500 per participant and the City raising its specific point to \$125,000 The City has also negotiated for a defined wellness plan which may be implemented at a later date if approved Another change would be the deletion of retiree coverage for all but grand fathered eligible retirees and their dependents after October 1, 2006. Grand fathered eligible retirees shall include all employees who retire prior to October 1, 2006 and members of the IBEW #1597 covered by the current labor agreement which runs through September 30, 2008. All employees who are currently covered by retiree health insurance will be allowed to keep it at their current level of benefits.

The plan calls for administrative fees of \$33.89 per employee per month the first year, \$37.32 per employee per month , the second year and \$39.23 per employee per month the third year. Currently the City pays \$44.24 per month per employee for administrative fees. The fixed cost for the new contract which includes the stop loss premium will have a net reduction of nearly \$40,000. The attachment point for the new contract will have a net reduction of nearly \$775,000 which is tied to group demographics.

The contracts are on file at the City Clerk's office for review.

## **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 contract with Mutual of Omaha for the administration and associated stop loss coverage of the City's health and dental plan.

## **Sample Motion**

Motion to approve the contract with Mutual of Omaha to provide administration of the City's health and dental plan.



Dale M. Shotkoski, Assistant City Attorney

*Working Together for a  
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL  
FOR  
HEALTH AND DENTAL PLAN**

**RFP DUE DATE:** March 6, 2006 at 4:00 p.m.  
**DEPARTMENT:** Human Resources  
**PUBLICATION DATE:** February 23, 2006  
**NO. POTENTIAL BIDDERS:** 15

**SUMMARY OF PROPOSALS RECEIVED**

**Mutual of Omaha**  
Omaha, NE  
Matt Jetter  
Brad Utoft  
JJ Green

**Regional Care, Inc. (RCI)**  
Scottsbluff, NE  
Doug Leafgreen  
Health & Dental

**Krull Agency, Inc.**  
Hastings, NE  
Dan Schwartzkopf  
(Blue Cross Blue Shield)  
(Midwest Securty, Inc.)  
(Coventry Health Care of NE, Inc.)

**Ryder, Rosacker, McCue & Huston**  
Grand Island, NE  
Mark McCue  
(Coventry Health Care of Nebraska, Inc.)  
(Blue Cross Blue Shield)

**North Central Underwriting Team**  
Minnetonka, MN  
Rene Roth  
(Aetna)

**HDM Benefit Solutions**  
Omaha, NE

**Ryder, Rosacker, McCue & Huston**  
Grand Island, NE  
Jamie Cole

**Strong Financial Resources**  
Aurora, NE  
Calvin Strong  
(Blue Cross Blue Shield)

**Primark, Inc.**  
Grand Island, NE  
JJ Green  
(Blue Cross Blue Shield)

cc: Brenda Sutherland, Human Resources Director  
David Springer, Finance Director

Gary Greer, City Administrator  
Dale Shotkoski, Purchasing Agent



RESOLUTION 2006-183

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

WHEREAS, the City of Grand Island invited proposals for a Health and Dental Plan, according to the City's Request for Proposal on file with the City Clerk; and

WHEREAS, an Insurance Committee was formed consisting of union and non-union management and non-management employees, along with the Human Resources Director, the Finance Director, and the City Attorney/Purchasing Agent to review and evaluate the proposals, interview vendors and select the most favorable vendor; and

WHEREAS, Phares Financial Services, Inc. of North Platte was retained by the City in a consulting capacity to assist City staff with specialized knowledge in this area; and

WHEREAS, Mutual of Omaha submitted a proposal for Administration of the Health and Dental Insurance Coverage in accordance with the terms of the advertisement for proposals and the plans and specifications and all other statutory requirements contained therein, such proposal being in the amount of \$33.89 per employee per month from August 1, 2006 through September 30, 2007, \$37.32 per employee per month from October 1, 2007 through September 30, 2008, and \$39.23 per employee per month from October 1, 2008 through September 30, 2009; and

WHEREAS, the health insurance and health screening and support services (wellness) coverage would be provided under contracts with United of Omaha Insurance Company and the dental insurance coverage would be provided under contract with United Concordia Companies Inc., however all contracts would be administered by Mutual of Omaha; and

WHEREAS, contracts are necessary for the provision of such services and associated stop loss coverage; and

WHEREAS, such contracts also require the City of Grand Island to designate a plan administrator to provide routine administration of the plan documents; and

WHEREAS, it is recommended that the City Administrator be designated as such plan administrator.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of Mutual of Omaha for the administration of health insurance and health screenings and support services (wellness) coverage through United of Omaha Insurance Company and a dental insurance plan through United Concordia Companies Inc. as set out in the contracts is hereby approved.

BE IT FURTHER RESOLVED, that the City Administrator is hereby designated as the plan administrator for the City of Grand Island as required in the contracts.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such contracts for such health insurance, health screenings and support services (wellness), and dental insurance coverage on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, June 27, 2006.

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Jay Vavricek, Mayor

Attest:

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RaNae Edwards, City Clerk