



City of Grand Island

Tuesday, August 25, 2009

Council Session

Item G15

#2009-200 - Approving Contract for Health and Dental Plan

Staff Contact: Brenda Sutherland

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director

Meeting: August 25, 2009

Subject: Health and Dental Insurance Contract

Item #'s: G-15

Presenter(s): Brenda Sutherland, Human Resources Director

Background

The City of Grand Island has had a contract with Mutual of Omaha and Coventry Health and Life Insurance Company to provide administrative services for the City's health and dental plan. 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 certain limit. The City has paid a third party, in this case Coventry, 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.

Discussion

As a part of routine practice, the City advertises through the RFP process to shop its various benefit packages on a three year cycle. As it has been three years since the health insurance was shopped, it seemed 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 Regional Care,

Inc. of Scottsbluff, Nebraska as the new plan administrator. After careful review and consideration, the insurance committee has determined that the proposal from Regional Care, Inc. provided the best package for the price. The City will have a lower overall cost than it has with its current vendor. The contract will commence on October 1, 2009. Regional Care, Inc. has guaranteed their administrative fees for a three year term. Strong Financial Services has been chosen to act as the broker to assist the City and its employees with their daily needs and to provide professional assistance in an ever changing market. The reinsurance will be provided by American National Life Insurance Company of Texas and the transplant policy will be provided by National Union Fire Insurance Company of Pittsburgh, PA.

The plan structure will remain much the same as it is today with a few of the following changes; Gastric bypass surgery will no longer be covered, infertility will have a \$10,000 lifetime limit, allergy injections will be subject to deductible and then 80/20 co pay, the limit for annual physicals provided in a doctor's office will be increased to \$500, out of pocket limits will increase to \$1600 for single coverage and \$3200 for family coverage, RX co pays will be \$10 for generic, \$25 for formulary, \$40 for non-formulary and \$50 plus 20% with a maximum of \$100 for specialty drugs, and a smoking cessation benefit will be added to include one course of medication as long as it is combined with counseling.

After discussion with Council through the budget process, the employee's share of the monthly premium will be increased from 15% to 16% unless otherwise specified in a labor agreement.

The contract with RCI (Regional Care, Inc.) specifies administrative fees of \$21.65 per employee per month for three years. Currently the City pays \$34.83 per month per employee for administrative fees. The fixed cost for the new contract which includes all insurance and administrative fees will have a net reduction of nearly \$125,000.

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 contracts with Regional Care, Inc, Strong Financial, National Union Fire Insurance Company of Pittsburgh and American National Life Insurance Company of Texas to provide the health and dental insurance benefits for the City of Grand Island employees.

Sample Motion

Move to approve the contracts administered by Regional Care Inc, of Scottsbluff Nebraska to provide medical and dental insurance benefits for the employees of the City of Grand Island.



Wes Nespor, Purchasing Agent

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Better Tomorrow, Today*

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

RFP DUE DATE: May 29, 2009 at 4:00 p.m.
DEPARTMENT: Human Resources
PUBLICATION DATE: April 13, 2009
NO. POTENTIAL BIDDERS: 11

SUMMARY OF PROPOSALS RECEIVED

A+ Brokerage, Inc. Lincoln, NE – Tammy Buffington
Blue Cross/Blue Shield – Omaha

Mutual of Omaha – Omaha, NE – Christy Lemmers
Dental Bid Only

Strong Financial Services – Aurora, NE – Cal Strong
Aetna
Blue Cross/Blue Shied – Omaha
Regional Care, Inc. – Scottsbluff
Principal Financial Group
CNIC Health Solutions
UMR

Primark - Grand Island, NE – Tom Strand and Dennis McCarty
American Administrators

Blue Cross/Blue Shield – Omaha - Brad Utoft
Blue Cross/Blue Shield direct quote

Ryder, Rosacker, McCue and Huston – Grand Island, NE - Ryan Hansen

Blue Cross/Blue Shield
UMR
Cypress
American Administrators
Principal Financial Group

Coventry Health Care – Omaha, NE – Brian Bergman

Coventry quote

Krull Agency – Hastings, NE – Dan Schwartzkopf

Mid American Benefits
Blue Cross/Blue Shield
Principal Financial Group

Regional Care, Inc. – Scottsbluff, NE

RCI Bid

National Insurance Services, Omaha, NE – Mike Boden

Dental and Stop Loss Bid

Wilcox Financial Services – McCook, NE

Blue Cross/Blue Shield
MMSI – Mayo Clinic
Mid American Benefits
Three Rivers Benefits Corporation
First Administrators
Great West – Cigna
UMR
Wellness Partners (Wellness piece)

cc: Brenda Sutherland, Human Resources Director
Jeff Pederson, City Administrator
Dale Shotkoski, City Attorney

Tami Herald, HR Specialist
David Springer, Finance Director
Wes Nespor, Purchasing Agent

RESOLUTION 2009-200

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 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 consisting of union and non-union, management, and non-management employees, along with the Human Resources Director, the Finance Director, and the 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, Regional Care, Inc. of Scottsbluff, Nebraska 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 proposals being in the amount of \$21.65 per employee per month from October 1, 2009 through September 30, 2012 or administrative fees; and

WHEREAS, The reinsurance coverage is provided under a contract with American National Life Insurance Company of Texas and the transplant coverage is provided under a contract with National Union Fire Insurance Company of Pittsburgh, PA, and the broker is Strong Financial Services, however all contracts would be administered by Regional Care, Inc; and

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

WHEREAS, a Business Associate Agreement and a Administrative Service Agreement will be entered into with Regional Care, Inc. in addition to the aforementioned contracts for other insurance services; 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 Human Resources Director be designated as such plan administrator; and

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of Regional Care, Inc. for the administration of health and dental insurance as set out by the contracts is hereby approved.

Adopted by the City Council of the City of Grand Island, Nebraska, August 25, 2009.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk