



# **City of Grand Island**

**Tuesday, September 14, 2010**

**Council Session**

## **Item G19**

**#2010-253 - Approving Renewal of Health Insurance Contracts**

**Staff Contact: Brenda Sutherland**

# **Council Agenda Memo**

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

**Meeting:** September 14, 2010

**Subject:** Health Insurance Contracts Annual Renewal

**Item #'s:** G-19

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

## **Background**

The City manages a general insurance fund within which the Worker's Comp., General Insurance, and Health Insurance are contained. As part of our continuous effort to manage the fund in the combined best interest of the City and its employees, we continually look for ways to provide a meaningful benefit at the best possible price. The changes being proposed in this annual renewal are a direct reflection of our commitment to sustainability and also compliance with health care reform.

The majority of City benefits have an October 1 renewal to coincide with the fiscal year. This is the case for the City's health plan. The City Council recently approved a new administrator for the dental plan which will also take place with the new fiscal year. Last year, the City moved its health and dental plan to Regional Care, Incorporated. As the lack of a dental network drove claims, a recommendation was recently brought to Council to move the dental benefit to Delta Dental of Nebraska. That recommendation was approved. The renewal being brought forward will continue with RCI as the third party administrator for the health plan.

## **Discussion**

The budget that was recently adopted by Council did not include an increase in the amount budgeted for health and dental insurance. In order to maintain this level of appropriation and also to be compliant with health care reform, a few changes are being made to the health plan. A discussion about plan changes was held with the City Council at the August 24<sup>th</sup> Council meeting. These changes include the following:

- Allowing young adult children under the age of 26 to be eligible as a dependent under the employee on the plan
- Removing pre-existing condition limitations on children under the age of 19

- Removing the co-payment and calendar year maximum on in-network preventative services
- Removing the \$1,000,000 overall lifetime maximum on essential services
- Removing the \$5,000 outpatient lifetime limit or 30 day inpatient lifetime maximum on Hospital Care
- Removing the lifetime and donor limit on organ transplants
- Increasing the doctor office co-pays to \$35 for general practice physicians and \$50 for specialists
- Eliminating coverage for infertility treatments

As of January 1, 2011 the following changes will occur:

- The calendar year deductible will increase to \$500 per person and \$1,000 per family (in network) and \$1,000 per person, \$2,000 per family (out of network).
- The maximum out of pocket per year will increase to \$1,800 per person, \$3,600 per family (in network), and \$2,950 per person and \$5,900 per family (out of network).

The cost of reinsurance is showing an increase due to our current claims and impending health care reform changes. We are experiencing approximately a 32% increase in the cost of reinsurance. While this sounds high, and it is, the important thing to remember is that the cost of reinsurance is a small fraction of our overall cost to provide health insurance benefits. Fixed costs (reinsurance and administration) account for about 8% of the overall cost. Actual claims is where the majority of cost comes in with a partially self insured plan. RCI and Strong Financial shopped the reinsurance market and the numbers we were seeing initially were quite a bit higher. The current vendor came in with the most competitive price. The renewal also includes an additional \$250.00 charge for a plan document restatement which is necessitated by all of the plan changes.

All other contracts that support the health plan have remained at the same or lower cost as was approved by Council last year when the City moved to RCI. The issue before Council tonight is a routine annual renewal of contracts to provide health insurance benefits for employees at the City of Grand Island. Recommendation is made to renew contracts with the following vendors: Regional Care, Incorporated, Strong Financial, American National Life Insurance Company of Texas and National Union Fire Insurance Company of Pittsburgh, PA.

Should Council not approve the annual renewal employees would cease to have health coverage as of October 1, 2010

### **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 annual renewal of insurance contracts to provide health insurance benefits to City employees.

### **Sample Motion**

Move to approve annual renewal of health insurance contracts.

**AMERICAN NATIONAL LIFE INSURANCE COMPANY OF TEXAS**

**One Moody Plaza • Galveston, Texas • 77550**

(Herein called "The Reinsurer")

WE, AMERICAN NATIONAL LIFE INSURANCE COMPANY OF TEXAS  
BY THIS TREATY OF EXCESS LOSS REINSURANCE

TREATY NUMBER: ANTX-44055

ISSUED TO: City of Grand Island

agree to pay the Excess Loss Reinsurance benefits provided herein upon receipt of satisfactory written proof of loss with respect to the reinsured Employer named above, insofar as such loss relates to the self-insured Plan established by the Employer.

The consideration for coverage under this Excess Loss Reinsurance Treaty is the Employer's application and payment of the required premiums as they become due

This Treaty takes effect on 10/01/2010 ("Inception Date"), which will be the effective date and the date of issue. This Treaty shall end on 09/30/2011 ("Expiration Date"). All periods indicated in this Treaty begin and end at 12:01 A.M. standard time at the office of the Employer.

The provisions and conditions of the pages that follow will form a part of this Treaty as fully as if recorded in detail above the signature(s) appearing below.

Signed at the Administrative Office of the Reinsurer,



**SECRETARY**



**PRESIDENT**

**TREATY CANCELLABLE BY THE REINSURER; NON-RENEWABLE**

AMERICAN NATIONAL LIFE INSURANCE COMPANY OF TEXAS  
SCHEDULE OF EXCESS LOSS REINSURANCE

Employer Identification Number: 47-6006205

Employer ("You"): City of Grand Island

Address: 100 E First Street, Grand Island, NE 68801

		<u>Inception Date</u>	<u>Expiration Date</u>
Treaty Period:		<u>10/01/2010</u>	<u>09/30/2011</u>
Expense Incurrence Period:	Aggregate:	<u>10/01/2009</u>	<u>09/30/2011</u>
	Specific:	<u>10/01/2009</u>	<u>09/30/2011</u>
Expense Payment Period:	Aggregate:	<u>10/01/2010</u>	<u>09/30/2011</u>
	Specific:	<u>10/01/2010</u>	<u>09/30/2011</u>

Maximum Amount for Run-In Claims: Aggregate: N/A

Actively at Work Provision (waived or applied): Waived

**A. AGGREGATE EXCESS LOSS REINSURANCE**

**Reinsurer's Limit of Liability** (Aggregate Maximum Limit):

(1) 100% of paid aggregate losses which are in excess of the Aggregate Retention Amount, subject to a maximum limit of \$1,000,000

(2) Maximum Amount Per Covered Person applicable to Aggregate Excess Loss Reinsurance \$150,000.

**Aggregate Retention Amount**

(3) Retention Factor: Employee only: \$476.25 Ee + Dep: \$887.72  
Family: \$1,348.26

(4) Minimum Aggregate Retention Amount: \$5,667,753

(5) Lines of Coverage: ☒ Medical ☐ Dental ☒ Rx card ☐ Vision  
☐ Short Term Disability ☐ Other \_\_\_\_\_

**B. AGGREGATE EXCESS LOSS PREMIUM**

- (1) Aggregate premium rate per employee \$5.00
- (2) Deposit Premium N/A
- (3) Minimum Premium (per coverage period) N/A

**C. SPECIFIC EXCESS LOSS REINSURANCE**

**Reinsurer's Limit of Liability** (Specific Maximum Limit):

(1) 100% of paid specific losses which are in excess of the Specific Retention Amount,  
Subject to a maximum limit per Covered Person of N/A

(2) Specific Retention Amount: \$150,000 Per Covered Person;  
Aggregating Specific: \$ 50,000\*

**\*Amounts paid as part of the Aggregating Specific will not be covered under the Aggregate.**

(3) Lines of Coverage: ☒ Medical ☐ Dental ☒ Rx card ☐ Vision  
☐ Short Term Disability ☐ Other \_\_\_\_\_

**D. SPECIFIC EXCESS LOSS PREMIUM**

Specific Premium:

Employee only: \$ 27.67  
Employee + Dep: \$ 48.60  
Family: \$ 72.03

**E. CLAIMS ADMINISTRATOR**

Name: Regional Care, Inc.

Address: 905 West 27th Street, Scottsbluff, NE 69361

Accepted by Employer: \_\_\_\_\_  
(signature)

By: \_\_\_\_\_  
(please print name)

Title: \_\_\_\_\_

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

# AMERICAN NATIONAL LIFE INSURANCE COMPANY OF TEXAS

One Moody Plaza • Galveston, Texas 77550  
(herein called the "Reinsurer")

## APPLICATION FOR EXCESS LOSS REINSURANCE

Company: City of Grand Island Proposal Date: 08/25-2010  
Address: 100 E First Street Treaty Inception Date: 10/01/2010  
Treaty Expiration Date: 09/30/2011  
Treaty Number: ANIX-44055  
City: Grand Island State: NE Zip Code: 68801

Application is hereby made for a reinsurance Treaty as specified below, subject to approval by the Reinsurer. Coverage is only applicable to the category for which a retention amount is shown, and such retention amount is applicable only to the Treaty Period. If the Treaty is renewed, the retention amounts for subsequent Treaty Periods will be determined annually by the Reinsurer, and a new Application will be signed. If no retention amount is shown, coverage is not provided for that category.

### (A) SPECIFIC EXCESS COVERAGE—MEDICAL & Rx

- 1) Specific Retention Amount per Covered Person for the Treaty Period \$ 150,000  
Aggregating Specific Retention Amount \$ 50,000  
**Amounts paid as part of the Aggregating Specific are not covered under the Aggregate**
- 2) Reimbursement Factor: Percent of payments in excess of the Specific Retention Amount 100 %
- 3) Specific Maximum Limit per Covered Person \$ Unlimited
- 4) Treaty Payment Basis  
☐ Incurred on or after the Inception Date of the Treaty Period and Paid within the Treaty Period  
☐ Incurred within the Treaty Period and Paid within the Treaty Period plus XX months following the Expiration Date of the Treaty Period  
☐ Paid within the Treaty Period  
☒ Paid within the Treaty Period, with Claims limited to those incurred 12 months prior to the Treaty Inception Date  
And to N/A per Covered Person



- 5) Specific Excess Loss Premium Rates Payable for the Treaty Period  
Payment Mode:

☒ Monthly ☐ Annually

Covered Unit		Number of Units
<input type="checkbox"/> Single	\$ 27.67	105
<input type="checkbox"/> Ee + Dep	\$ 48.60	175
<input type="checkbox"/> Family	\$ 72.03	198

- 6) Minimum Reinsurance Treaty Period  
Specific Stop Loss Premium

\$ N/A

(B) AGGREGATE EXCESS COVERAGE

- 1) Coverages of the Benefit Plan to be included:

☒ Medical ☐ Dental ☐ Short Term Disability ☐ Vision  
☒ Prescription (pre-paid) Card Service (included in medical if shown on proposal)  
 Through Med Trak  
 (Name of Service Company)

- 2) Monthly Aggregate Retention Amount Factor:

	Medical/Rx	Dental	STD	Other
Single	\$ 476.25	\$	\$	\$
Ee + Dep	\$ 887.72	\$	\$	\$
Family	\$1,348.26	\$	\$	\$

- 3) Number of Initial Covered Units:

	Medical/Rx	Dental	STD	Other
Single	105			
Ee + Dep	175			
Family	198			

- 4) Estimated Initial Annual Aggregate Retention Amount \$ 5,667,753  
 5) Minimum Annual Aggregate Retention Amount \$ 5,667,753  
 6) Percentage Applicable to Minimum Annual Aggregate Retention Amount 100 %  
 7) Reimbursement Factor: Percent of payments in excess of the Annual Aggregate Retention Amount 100 %  
 8) Maximum Limit of Reimbursement Liability \$ 1,000,000

- 9) Benefit Payment Basis

☐ Incurred on or after the Inception Date of the Treaty Period and Paid within the Treaty Period  
☐ Incurred within the Treaty Period and Paid within the Treaty Period plus XX months following the Expiration Date of the Treaty Period  
☐ Paid within the Treaty Period  
☒ Paid within the Treaty Period, with claims limited to those incurred 12 months prior to the Treaty Inception Date and to N/A

- 10) Composite Monthly Aggregate Premium Rate  
Per Employee Per Month \$ 5.00 PEPM
- 11) Aggregate Accommodation Option ☐ Yes ☒ No \$ 0.00 PEPM
- 12) Aggregate Terminal Liability Option ☐ Yes ☒ No \$ 0.00 PEPM
- 13) Total Aggregate Premium \$ 5.00 PEPM

Aggregate Premium Payment Mode: ☒ Monthly ☐ Annually

- (C) PERSONS TO BE COVERED—Unless otherwise indicated and approved by the Reinsurer, this Treaty covers employees who are Actively at Work and dependents who are not hospital confined. This Treaty is not intended to cover persons who cannot meet a “normal life activity” requirement whether a covered employee/dependent, retired employee or COBRA beneficiary. Disabled persons are excluded unless disclosed and endorsed on the Qualification of the Offer.

Application is made to cover:

	Yes	No
Retired Employees	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COBRA Beneficiaries	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disabled Persons	<input checked="" type="checkbox"/>	<input type="checkbox"/>

- (D) THIRD PARTY ADMINISTRATOR OF THE PLAN

Name: Regional Care, Inc.  
 Address: 905 West 27th Street  
 City/State/Zip: Scottsbluff, NE 69361  
 Telephone: (308)635-2260

- (E) MANAGING GENERAL UNDERWRITER (MGU)

Name: USBenefits Insurance Services, LLC.  
 Address: 43 Corporate Park, Suite 101  
 City/State/Zip: Irvine, CA 92606  
 Telephone: (877)877-4872

- (F) DEPOSIT

A Deposit of \$\_\_\_\_\_ is enclosed to apply toward Applicant's obligations under this Treaty.

This Application and attached Qualification of the Offer (if any) are an integral part of this Treaty.

Signed at \_\_\_\_\_

\_\_\_\_\_ Date

City of Grand Island

Applicant (correct legal name)

\_\_\_\_\_  
 By (Officer's name and title)

\_\_\_\_\_  
 Applicant's Agent of Record

# Administrative Service Agreement

Addendum to EXHIBIT A

October 1, 2010

## Monthly Service Fee

A monthly Service Fee per Employee Participant will be charged as follows:

Medical Administration	\$ 12.00
COBRA/HIPAA	\$ 1.00
Utilization Review/Pre-certification	\$ 2.00
Network Access Fee (Midland's Choice)	\$ 4.65
National Network Access Fee (MultiPlan)	16% of Savings effective 10/1/2010
Broker Fee – Payable to Strong Financial	\$1500.00 per Month
Dental Run-Out Fee	WAIVED
Plan Document Restatement	\$250.00

**\*\*Regional Care, Inc. has agreed to three (3) year Administrative Rate Guarantee (exp. 10/1/2012)\*\***

When covered services are performed out of network, discounts for these services may be negotiated through other existing networks (including the RCI network). In the event no other network(s) can be accessed such claims may also be directly negotiated by RCI. In either circumstance the fee for accessing other networks or directly negotiating discounts will be based on each respective network's access fee or 25% of savings, whichever is less.

## These fees cover the cost of the following services:

Invoicing and fund accounting of plan claims  
Record keeping and invoicing of fixed costs  
Benefit administration  
Correspondence, record keeping, documentation  
Reporting on claims and financial reports relative to the Plan  
Routine assistance to Plan sponsor  
COBRA and HIPAA administration as identified in Agreement.  
Issuing 1099's to providers  
Inpatient Utilization Review conducted by Regional Care, Inc.  
Pre-admission, Concurrent, Retrospective Review  
Large Case Management Referral

## Costs Not Covered Under Monthly Fee

Cost of insurance/stop-loss coverage.  
Actuarial review of Plan/Plan audit/legal expense  
Large Case Management Fees  
Dispensing fees charged by prescription drug card plans.  
Costs associated with restating Plan and related documents after the initial Plan set-up.

## Reinsurance Rates Effective 10/01/2010

Specific Single	\$27.67*	Single Transplant Premium:	\$ 5.62*
Specific Single + Spouse or + Child (ren)	\$48.60*	Family Transplant Premium:	\$12.91*
Specific Family	\$72.30*	Composite Aggregate Premium:	\$ 5.00*

## **\*Rates are NET of Commissions**

\_\_\_\_\_ For City of Grand Island - Mayor  
\_\_\_\_\_ Date

\_\_\_\_\_ For City of Grand Island - Attorney  
\_\_\_\_\_ Date

\_\_\_\_\_ For Regional Care, Inc.  
\_\_\_\_\_ Date

\_\_\_\_\_ For City of Grand Island - Clerk  
\_\_\_\_\_ Date

RESOLUTION 2010-253

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, 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 meet and review plan changes and vendor selection; and

WHEREAS, Regional Care, Inc. of Scottsbluff, Nebraska is the Third Party Administrator; 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 are necessary for the provision of such services and associated stop loss and transplant coverage; and

WHEREAS, a Business Associate Agreement and an Administrative Service Agreement will be entered into with Regional Care, Inc. and all costs associated with providing insurance services are listed on the Administrative Services Agreement, for the aforementioned contracts for other insurance services;

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

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Adopted by the City Council of the City of Grand Island, Nebraska, September 14, 2010.

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Margaret Hornady, Mayor

Attest:

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RaNae Edwards, City Clerk

Approved as to Form <input type="checkbox"/> _____ September 10, 2010 <input type="checkbox"/> City Attorney
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