



City of Grand Island

Tuesday, July 24, 2012

Council Session

Item I8

#2012-197 - Approving Contract for Health Plan

Staff Contact: Brenda Sutherland



Jason Eley, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
HEALTH PLAN**

RFP DUE DATE: April 26, 2012 at 4:00 p.m.
DEPARTMENT: Human Resources
PUBLICATION DATE: March 22, 2012
NO. POTENTIAL BIDDERS: 13

SUMMARY OF PROPOSALS RECEIVED

BenefitMall Self Funded Division
Phoenix, AZ

Aetna
Woodland Hills, CA

Blue Cross Blue Shield
Omaha, NE

United Healthcare Company
Wausau, WI

Maxor Plus
Amarillo, TX

Coventry Health Care
Omaha, NE

HCC Life Insurance Company
Minnetonka, MN

US Script
Fresno, CA

Harrington Health
Wichita, KS

FMH CoreSource
Overland Park, KS

Regional Care, Inc.
Scottsbluff, NE

cc: Brenda Sutherland, Human Resources Director
Mary Lou Brown, City Administrator
Jason Eley, Purchasing Agent

Tami Herald, HR Risk Mgt/Benefits Cor.
Jaye Monter, Interim Finance Director

P1550

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director
Meeting: July 24, 2012
Subject: Health Insurance and COBRA Contract
Item #'s: I-8
Presenter(s): Brenda Sutherland, Human Resources Director

Background

The City of Grand Island has had a contract with Regional Care, Inc. (RCI) to provide administrative services for the City's health plan and COBRA administration. 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 RCI, 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 we are indeed getting the best buy for the dollar. The City has a health insurance committee that has been in place for several years that is comprised of union, non-union, management, and non-management personnel. The City is currently contracted with Strong Financial Resources, Inc. for consulting services and as part of those services, 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 plan and COBRA administration. The committee is proposing Blue Cross and Blue Shield of Nebraska (BCBSNE) as the new plan administrator. After careful review and consideration, the insurance committee has

determined that the proposal from Blue Cross and Blue Shield provided the best package for the price. The City will have access to deeper network discounts. The contract will commence on October 1, 2012. Strong Financial Resources has been chosen to be retained as the broker to assist the City and its employees with their daily needs and to provide professional assistance in an ever changing market. Per the City procurement rules, quotes were obtained and Strong Financial Resources had the most competitive pricing. The reinsurance will be provided by Blue Cross and Blue Shield. They will also act as fiduciary under this contract. Due to the size and strength of Blue Cross and Blue Shield of Nebraska, ancillary products such as our current transplant policy and our Dialysis PPO contract will no longer be needed. The City currently is contracted with American Healthways Services, Inc. to provide wellness physicals. That contract will be brought in under the Blue Cross umbrella and is referred to in the Blue Partners Program Agreement.

The plan structure will remain much the same as it is today. There are always changes in plan design when a new company is chosen, however, the changes experienced by the employees will be minor.

The contract with Blue Cross and Blue Shield of Nebraska (BCBSNE) specifies administrative fees of \$27 per employee per month for the first year and will increase to \$28.25 in year two and \$29.50 in year three. Stop loss coverage will cost \$61.25 per employee per month during the first year of the contract and is subject to change based on claims and the aggregate stop loss coverage will cost \$4.85 per employee per month with future increases to be based on claims paid as well. The contract with Strong Financial will cost \$1,500 per month in year one and will increase to \$1,575 in the second year and \$1,654 in the third year. COBRA administration will be handled by Discovery Benefits, Inc. (DBI) The cost for COBRA administration will be .70 per employee per month for the three year term of the contract. The fees associated with the wellness physicals will be lower under the Blue Cross contract and will be \$79.38 per participant for the duration of the three year contract.

While fixed costs are slightly higher than the current year, the offset in deeper network discounts outweigh the increase by a sizable margin. There will be an overall increase in the premium as has been identified in the proposed budget. Premiums have not increased since 2010. They are proposed to increase by 15%.

Contracts are on file in the City Clerk's office.

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 Blue Cross and Blue Shield of Nebraska, Strong Financial Resources, Discovery Benefits, Inc. and Bluepartners Program to administer the health insurance benefits, COBRA administration and wellness program for the City of Grand Island employees.

Sample Motion

Move to approve the contracts with Blue Cross and Blue Shield of Nebraska, Strong Financial Resources Discovery Benefits, Inc. and Bluepartners Program to administer the health insurance benefits for the employees of the City of Grand Island.

RESOLUTION 2012-197

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 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 has been selected by the health insurance committee to serve as the Third Party Administrator for the City's health insurance plan; and

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

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

WHEREAS, a Business Associate Agreement, an Administrative Service Agreement and a Bluepartners Program Agreement will be entered into with Blue Cross and Blue Shield of Nebraska; and a Business Associate Agreement and an Administrative Service Agreement will be entered into with Discovery Benefits, Inc., and a Health Insurance Broker Contract will be entered into with Strong Financial Resources, for the aforementioned contracts for insurance services;

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the contracts with Blue Cross and Blue Shield 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 is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, July 24, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk