

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: September 22, 2015		DATE SUBMITTED: September 8, 2015	
DEPARTMENT OF ORIGIN: Risk Management		SUBMITTED BY: Cindy Kirk	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input checked="" type="checkbox"/> QUALITY OF LIFE
AGENDA ITEM DESCRIPTION: Consider approving the 2016 Plan Year extension for Medical and Dental Health Plan Administrator and Provider Network agreement with Blue Cross and Blue Shield of Texas (BCBS) with an estimated annual cost of \$515,014.			
SUMMARY STATEMENT: The City of Bryan has a self-funded employee health insurance plan. This self-funded health plan has three components: 1. Administrative fees; 2. Re-insurance (stop loss premiums); and 3. Actual claims. This Council Action Form is for the first of the three components: administrative fees. Administrative fees include claims administration and preferred provider network fees.			
<p>In 2012, City staff and the City's Broker of Record conducted a competitive request for proposals (RFP) for employee health plan medical and dental claims administration and preferred provider network for a period of twelve (12) months beginning January 1, 2013, with the option to renew for four (4) additional years, subject to approval and funding. Five (5) companies responded: Blue Cross and Blue Shield of Texas, CIGNA, United HealthCare, First Care, and MetLife (dental only). After evaluating the proposals, it was concluded that Blue Cross and Blue Shield of Texas (BCBS) offered the most extensive network, the most aggressive discounts, and the best overall costs.</p> <p>The Bryan City Council approved the recommendation to award the health plan medical and dental claims administration and preferred provider network to BCBS effective January 1, 2013, for a period of twelve (12) months with the option to renew for four (4) additional years. Subsequently, the City Council has approved the first and second of four possible extensions; the approved extensions covered the calendar years of 2014 and 2015. Firms may bid on the City's health insurance plans with the expectation of a longer term commitment, although it is not in the agreement nor does the City make such guarantee. If the City bids each year or does not renew the extensions, the City may develop a reputation as an annual contract city, which could result in inflated prices.</p> <p>The third of four additional one (1) year terms begins January 1, 2016. BCBS initially proposed a 5% increase to the provider network and medical administration fee, which was reduced to a 1.9% increase after negotiation. BCBS has proposed a renewal rate for 2016 of \$45.70 (initially \$47.02) per member per month for provider network and medical administration and \$3.72 per member per month for dental administration. The combined medical, dental, and provider network renewal rate will increase from \$48.50 per member per month to \$49.42, a 1.9% increase. BCBS will also charge a flat annual fee of \$5,000 for the interface of a third party stop loss carrier (second component of the self-funded health plan). The 2016 Plan Year estimated administrative costs for the City is \$510,014 based on 860 members, plus \$5,000 for the stop loss interface fee, for a total estimated cost of \$515,014.</p> <p>If BCBS is selected as the stop loss provider, the stop loss interface fee will be waived and the total administration fee reduced by \$5,000. Proposals for the Health Plan Stop Loss will be requested in late September. While BCBS</p>			

will waive the stop loss interface fee if they are selected as the vendor, the City may see more cost savings by moving to a third party stop loss vendor. Stop loss vendor selection will be recommended after analysis of the stop loss proposals is complete. A separate City Council Action Form will be considered at a future City Council meeting to award the Health Plan Stop Loss.

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully requests the City Council approve extending the Medical and Dental Health Plan Claims Administrator and Provider Network agreement with Blue Cross Blue Shield of Texas for one (1) year beginning January 1, 2016, and ending December 31, 2016, at a total rate of \$49.42 per member per month plus \$5,000 for the stop loss interface fee, for a total estimated cost of \$515,014. Approving this expenditure allows the City to continue to provide quality health plan benefits to employees.

OPTIONS (In Suggested Order of Staff Preference):

1. Approve the third of four additional one (1) year extensions with Blue Cross Blue Shield of Texas (BCBS) beginning January 1, 2016, and ending December 31, 2016, for Health Plan Claims Administration and Provider Network at a total rate of \$49.42 per member per month plus \$5,000 for the stop loss interface fee, for a total estimated cost of \$515,014.
2. Do not approve the agreement extension and require staff to issue a RFP for medical and dental health plan claims administration and provider network. Note: the term of the current agreement ends December 31, 2015. A short-term agreement extension would be required to process health plan claims.
3. Do not approve the renewal and provide additional direction to staff.

Note: If Option 2 or 3 is selected, the City may develop a reputation as a city willing to only consider single year health insurance agreements. Such a reputation could have a detrimental impact on rates.

ATTACHMENTS: Blue Cross Blue Shield Administration Rates for 2011, 2012, 2013, 2014, 2015 and proposed 2016 (attached to this Council Action Form)

FUNDING SOURCE: FY2016 budget – Employee Benefits Fund

APPROVALS: Hugh R. Walker, 09/10/2015

APPROVED FOR SUBMITTAL: CITY MANAGER

APPROVED FOR SUBMITTAL: CITY ATTORNEY

**CITY OF BRYAN
BCBS ADMINISTRATION RATES**

	2016 (Proposed)	2015 (Current)	2014	2013	2012	2011
Medical Administration	\$45.70	\$44.78	\$43.69	\$42.42	\$42.42	\$40.79
Dental Administration	\$3.72	\$3.72	\$3.72	\$3.72	\$3.72	\$3.72
PPO Access Fee	Included	Included	Included	Included	Included	Included
Total Administration Fee	\$49.42	\$48.50	\$47.41	\$46.14	\$46.14	\$44.51
Percent increase over current	1.9%	2.3%	2.8%	0%	3.7%	4.6%
Total Monthly Medical, Dental, PPO Fee (average 860 members)	\$42,501	\$41,710	\$40,773	\$39,680	\$39,680	\$38,279
Annual Medical, Dental, PPO Fee (average 860 members)	\$510,014	\$500,520	\$489,271	\$476,165	\$476,165	\$459,343
Stop Loss Interface Fee	\$5,000 ¹	NA	NA	NA	NA	NA
Total Annual Administration Fee (average 860 members)	\$515,014 ¹	\$500,520	\$487,560	\$474,504	\$474,504	\$457,741

¹ Stop Loss Interface Fee waived if BCBS provides stop loss insurance