

**Meeting Date** (?) 09/27/2016

**Subject Matter**\* (?) Consider approval of Plan Year 2017 extension of Health Plan Administration with BCBS  
This must match rolling agenda entry

**Department of Origin**\* RISK MANAGEMENT

**Submitted By**\* Cynthia Kirk

**Type of Meeting**\*  BCD  Special  Regular

**Classification**\*  Public Hearing  Consent  Statutory  Regular

**Ordinance**\*  None  First Read  Second Read  First & Only Read

**Strategic Initiative**\*  Public Safety  Service  
 Economic Development  Infrastructure  
 Quality of Life

**Agenda Item Description**\* Consider approving the 2017 Plan Year extension of 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 \$524,566.

**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.

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.

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, second, and third of four possible extensions; the approved extensions covered the calendar years of 2014, 2015, and 2016. 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.

The fourth and final of four additional one (1) year terms begins January 1, 2017. BCBS initially proposed a 4.3 % increase to the provider network and medical administration fee, which was reduced to a 2.1% increase after negotiation. BCBS has proposed a renewal rate for 2017 of \$46.63 (initially \$47.63) per member per month for provider network and medical administration, \$.48 stop loss interface fee (interface of a third party stop loss carrier), and \$3.72 per member per month for dental administration. The combined medical, stop loss interface, dental, and provider network renewal rate will increase from \$49.89 per member per month to \$50.83, a 1.9% increase. The 2017 Plan Year estimated administrative costs for the City is \$524,566 based on 860 members.

**Staff Analysis & 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, 2017, and ending December 31, 2017, at a total rate of \$50.83 per member per month for a total estimated cost of \$524,566. Approving this expenditure allows the City to continue to provide quality health plan benefits to employees.

Attached with this Council Action Form is a historical listing of BCBS administration rates.

**Options\***

(In Suggested Order of Staff Preference)

1. Approve the fourth and final of four additional one (1) year extensions with Blue Cross Blue Shield of Texas (BCBS) beginning January 1, 2017, and ending December 31, 2017, for Health Plan Claims Administration and Provider Network at a total rate of \$50.83 per member per month for a total estimated cost of \$524,566.

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, 2016. A short-term agreement extension would be required to process health plan claims. As a side note, a request for proposals (RFP) will be issued for Plan Year 2018.

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 short term health insurance agreements. Such a reputation could have a detrimental impact on rates.

**Funding Source\***

FY2017 budget – Employee Benefits Fund (as budgeted in the proposed budget)

**Attachments**

History of BCBS Administration Fees.docx 15.06KB

Please detail attachments and note attachments available for viewing in City Secretary's Office:

- 1. BCBS Administration Rates (history)

**Dept. Head Signature**



**Deputy City Manager Signature**



**City Manager Signature**



**City Attorney Signature**

