

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: October 22, 2013		DATE SUBMITTED: October 8, 2013	
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 checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input 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 2014 Plan Year renewal for Medical and Dental Health Plan Administrator and Provider Network agreement with Blue Cross and Blue Shield of Texas (BCBS) with a projected annual cost of \$494,282.			
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>Last year, 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. 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 first additional one (1) year term begins January 1, 2014. BCBS initially proposed a 5% increase to the provider network and medical administration fee, which was reduced to 3% after negotiation. BCBS has proposed a renewal rate for 2014 of \$43.69 (initially \$44.54) per member per month for provider network and medical administration, \$3.72 per member per month for dental administration, and a \$1.00 per member per month for the interface of a third party stop loss carrier (second component of the self-funded health plan). The combined medical, dental, and provider network renewal rate will increase from \$46.14 per member per month to \$48.41, a 4.92% increase. The 2014 projected costs for the City is \$493,782 based on 850 members.</p> <p>If BCBS is selected as the stop loss provider, the stop loss fee will be reduced by \$1.00 per member per month for a total savings of \$10,200. Proposals for the Health Plan Stop Loss have been requested. While BCBS will remove the \$1.00 stop loss 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</p>			

complete. A separate City Council Action Form will be considered at the November 18, 2013, City Council meeting to award the Health Plan Stop Loss.

The City offers a traditional PPO Plan to all full-time regular employees. The City implemented a High Deductible Health Plan paired with a Health Savings Account (HSA) as an alternative to the traditional PPO Plan beginning in 2011. The claims administration and network fees apply to the both the PPO Plan and the High Deductible Health Plan. BCBS, through BenefitWallet, administers HSA accounts for employees. Employer fees are associated with the HSA including a setup fee of \$5.00 per enrolled account. The total estimated HSA cost, based on 100 enrollees, is \$500. These HSA fees (\$500) along with the combined medical, dental, and provider network renewal listed above (\$493,782) bring the total estimated cost to \$494,282.

In summary, the estimated annual cost for administering the traditional PPO Plan and the High Deductible Health Plan paired with a Health Savings Account, based on 100 employees participating in the HSA account, is \$494,282.

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully requests the City Council approve renewing 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, 2014, and ending December 31, 2014, at a total rate of \$48.41 per member per month, and HSA account fees of \$5.00 for setup per account. The estimated annual administrative cost is \$494,282. 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 additional one (1) year renewal with Blue Cross Blue Shield of Texas (BCBS) beginning January 1, 2014, and ending December 31, 2014, for Health Plan Claims Administration and Provider Network at a total rate of \$48.41 per member per month and a HSA setup fee of \$5.00 per account. The estimated 2014 annual administrative cost is \$494,282. This fee will be reduced by \$1.00 per member per month, the stop loss interface fee, if BCBS is the stop loss insurance provider.
2. Do not approve the one year renewal term 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, 2013. An agreement extension would be required to process health plan claims.
3. Do not approve the first year 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:

1. Blue Cross Blue Shield Administration Rates for 2010, 2011, 2012, 2013, and proposed 2014 (attached to this Council Action Form)

FUNDING SOURCE: FY2014 budget – Employee Benefits Fund

APPROVALS: Hugh R. Walker, 10/08/2013

APPROVED FOR SUBMITTAL: CITY MANAGER Kean Register, 10/14/2013

APPROVED FOR SUBMITTAL: CITY ATTORNEY Janis K. Hampton 10/14/2013

**CITY OF BRYAN
BCBS ADMINISTRATION RATES**

	2010	2011	2012	2013 (Current)	2014 (Proposed)
Medical Administration	\$38.82	\$40.79	\$42.42	\$42.42	\$43.69
Dental Administration	\$3.72	\$3.72	\$3.72	\$3.72	\$3.72
PPO Access Fee	Included	Included	Included	Included	Included
Stop Loss Interface Fee	-	-	-	Waived	\$1.00 ¹
Total Administration Fee	\$42.54	\$44.51	\$46.14	\$46.14	\$48.41 ¹
Percent increase over current	0%	4.6%	3.7%	0%	4.92%
Total Monthly Administration Fee (average 850 members)	\$35,946	\$37,611	\$39,988	\$38,988	\$41,148.50 ¹
Annual Administration Fee (average 850 members)	\$431,352	\$451,332	\$479,856	\$749,856	\$493,782 ¹
HSA Account Setup Fees (100 members)	-	\$850	\$850	\$850	\$500
Projected Annual Administration & HSA Fees	\$431,352	\$452,182	\$480,706	\$480,706	\$494,282 ¹

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