



AGENDA MEMORANDUM

Action Item for the City Council Meeting of July 27, 2021

DATE: July 27, 2021

TO: Peter Zaroni, City Manager

FROM: Eyvon McHaney, Director of Human Resources
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Service Agreements for Employee Health Benefits

CAPTION:

Motion authorizing a one-year extension to provide third-party administration of the City's self-funded employee health benefits, pharmacy, fully insured Life and Disability Income insurance for an estimated value of \$37,493,100, with Blue Cross Blue Shield of Texas, Caremark PCS Health, LLC., and Madison National Life Insurance Company, Inc., effective October 1, 2021 with funding requested in the FY 2022 Proposed Budget through the Health Benefits Fund.

SUMMARY:

This motion authorizes the first of two one-year extension options for health benefits effective October 1, 2021.

BACKGROUND AND FINDINGS:

The current three-year contracts for employee health benefits are expiring. This proposal is to exercise a one-year option agreement. These benefits are for City employees including both Fire and Police labor groups.

The breakdown of the estimated total value of \$37,493,100 is as follows: the Blue Cross Blue Shield of Texas contract will total \$26,493,100 and is composed of \$1,739,700 in estimated medical plan administrative fees, \$23,938,400 in medical claims reimbursements, and \$815,000 in premiums for fully insured life plans. The CVS Caremark contract will be issued to not exceed \$10,710,000 in pharmacy claims reimbursements. The Madison National Life contract will not exceed \$290,000 in premiums for the fully insured Disability Insurance plan.

The third-party administration (TPA) processes insurance claims for the City based on various plan designs. The TPA also issues payments to service providers on behalf of the City. Additionally, the fee allows us the use of their Network physicians and discounts. The fee also provides extra customer service known as Benefits Value Advisors to guide employees step-by-

step through obtaining quality care at the most affordable cost. The TPA fees outlined in this agenda memo cover our budgeted health plan enrollment of 2,700 and dental enrollment of 2,100 employees.

The City provides Basic Life Insurance to all full-time employees. 2,961 employees are covered by Basic life as of today with coverage of \$146,548,000 that will cost the City an estimated \$90,000 in FY 2022. Employees may elect additional coverage at their own cost for themselves and their spouses.

Long-term disability is provided to full-time non-uniformed employees at a base plan of 50% of their base salary with a 6-month waiting period. Employees may buy up to other plans that have shorter waiting periods and cover up to 66.67% of their base salary.

PROCUREMENT DETAILS:

Contracts and Procurement conducted a competitive Request for Proposal to obtain qualified firms for vision, life and disability coverage for employees choosing benefit coverage. Sixteen firms submitted proposals for the three types of coverages. The selection committee was comprised of representatives from the Fire and Police Associations, Legal, and Human Resources departments.

During the evaluation process, it was determined that only the vision coverage would be considered for a new contract and that life and disability would be recommended for a renewal of the current contract. The original RFP included vision, life, and disability, but due to vendors declining to bid on the life contracts, and the disability rates from our current vender were great on the disability product it was decided to simply remove them from the RFP and request to exercise their one-year extension option.

ALTERNATIVES:

There is no alternative.

FINANCIAL IMPACT:

There are no funds needed for this fiscal year as the contracts will not begin until next fiscal year. The estimated value of these contracts is \$37,493,100 for the one-year extension term. Please note that the total contract cost of \$37,493,100 is an estimated amount based on medical, dental and pharmacy enrollment and utilization as well as employee participation in Life and LTD. programs. Fluctuation in utilization may alter the total cost.

FUNDING DETAIL:

Description	Fund	Fund Name	Accounting Unit	AcctNo.	Amount
BCBS					
Third Party Administration Fees					
TPA - Dental	5614	Other EE Benefits	5614-40610-213	537205	31,000.00
TPA - Dental	5614	Other EE Benefits	5614-40610-213	537206	48,700.00
TPA - Medical	5608	EmpHth Fire	5608-40602-213	537200	113,000.00
TPA - Medical	5608	EmpHth Fire	5608-40602-213	537201	29,000.00
TPA - Medical	5608	EmpHth Fire	5608-40606-213	537200	157,000.00
TPA - Medical	5608	EmpHth Fire	5608-40606-213	537201	5,500.00
TPA - Medical	5609	EmpHth Police	5609-40605-213	537200	268,000.00
TPA - Medical	5609	EmpHth Police	5609-40605-213	537201	18,500.00
TPA - Medical	5610	EmpHth Citicare	5610-40600-213	537200	790,000.00

TPA - Medical	5610	EmpHth Citicare	5610-40600-213	537201	5,000.00
TPA - Medical	5610	EmpHth Citicare	5610-40601-213	537200	274,000.00
BSBS Claims					
Medical Claims	5608	EmpHth Fire	5608-40602-213	537220	2,072,500.00
Medical Claims	5608	EmpHth Fire	5608-40606-213	537220	2,542,500.00
Medical Claims	5609	EmpHth Police	5609-40605-213	537220	3,327,900.00
Medical Claims	5610	EmpHth Citicare	5610-40600-213	537220	10,094,100.00
Medical Claims	5610	EmpHth Citicare	5610-40601-213	537220	2,795,500.00
Medical Claims	5608	EmpHth Fire	5608-40602-213	537221	920,000.00
Medical Claims	5608	EmpHth Fire	5608-40606-213	537221	143,800.00
Medical Claims	5609	EmpHth Police	5609-40605-213	537221	417,900.00
Medical Claims	5610	EmpHth Citicare	5610-40600-213	537221	278,500.00
Dental Claims	5614	Other EE Benefits	5614-40610-213	537225	287,300.00
Dental Claims	5614	Other EE Benefits	5614-40610-213	537226	1,058,400.00
BCBS Life					
Life	5614	Other EE Benefits	5614-00000-000	200541	725,000.00
Life	5614	Other EE Benefits	5614-40610-213	537350	90,000.00
BCBS Total					26,493,100.00
CVS					
Pharmacy	5608	EmpHth Fire	5608-40602-213	537227	755,100.00
Pharmacy	5608	EmpHth Fire	5608-40602-213	537228	495,200.00
Pharmacy	5608	EmpHth Fire	5608-40606-213	537227	871,200.00
Pharmacy	5608	EmpHth Fire	5608-40606-213	537228	78,200.00
Pharmacy	5609	EmpHth Police	5609-40605-213	537227	2,116,600.00
Pharmacy	5609	EmpHth Police	5609-40605-213	537228	171,200.00
Pharmacy	5610	EmpHth Citicare	5610-40600-213	537227	4,844,000.00
Pharmacy	5610	EmpHth Citicare	5610-40600-213	537228	22,600.00
Pharmacy	5610	EmpHth Citicare	5610-40601-213	537227	1,355,900.00
Pharmacy	5610	EmpHth Citicare	5610-40601-213	537228	-
Total CVS					10,710,000.00
Madison National/Ochs					
Disability	5614	Other Employee Benefits	5614-00000-000	200548	140,000.00
Disability	5614	Other Employee Benefits	5614-40610-213	537270	150,000.00
Total Madison National/Ochs					290,000.00
Grand Total					37,493,100.00

RECOMMENDATION:

Staff recommends approval of this motion, as presented.