



## AGENDA MEMORANDUM

Action Item for the City Council Meeting June 14, 2022

**DATE:** June 14, 2022

**TO:** Peter Zaroni, City Manager

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**Service Agreement for Third-Party Administration of the City's Self-Funded Employee Health Insurance Plans**

**CAPTION:**

Motion authorizing a one-year extension with Blue Cross Blue Shield of Texas to provide third party administration of the City's self-funded employee health insurance plans with an estimated cost of \$1,784,776, effective October 1, 2022, with funding in the FY 2023 Proposed Budget from the Health Benefits Fund.

**SUMMARY:**

This motion authorizes the second and final of two one-year extension options for health benefits effective October 1, 2022.

**BACKGROUND AND FINDINGS:**

The first extension for employee health benefits will expire September 30, 2022. These benefits are for City employees including both Fire and Police labor groups. This proposal is to exercise the final one-year option agreement. City staff will complete a full Request for Proposals (RFP) process next year to ensure the best value for the City.

The BlueCross BlueShield administrative fees of \$48.17 per employee per month (PEPM) for medical enrollees and \$3.13 PEPM for dental enrollees include all services needed for health and dental plan administration including:

- Managing, processing, and paying an estimated \$22.5 million in medical insurance claims and \$1.5 million in dental claims according to the City's specified plan designs
- Providing access to BlueCross BlueShield network contract discounts
- Providing customer service and administering Wellbeing management services

The fees outlined in this agenda memo cover the budgeted health plan enrollment of 2,953 and dental enrollment of 2,072 employees. The medical administrative fee is increasing 0.8% over last year's fee. There is no increase in the dental administration fee.

The City paid BlueCross BlueShield third party administrative fees of \$1,702,107 in FY 2021 and \$1,677,474 in FY 2020. The administrative fee was \$47.78 in FY 2021 and \$49.01 in FY 2020.

Funding is provided for these items through City premium contributions, employee, retiree and COBRA contributions, and pharmacy rebates.

**PROCUREMENT DETAIL:**

This item is requesting the second and final extension granted under RFP Number 1484, which was released January 15, 2018. The five top scoring firms proposing to provide medical and pharmacy benefits were invited for interviews. Upon completion of the interviews, the five top firms were asked to submit their best and final offers (BAFOs). The BAFOs were evaluated, and final scores were tabulated for each firm to determine the highest-ranking firm offering the best value to the City for health benefits.

Human Resources will draft and complete an RFP over the next nine months, evaluating submissions for fixed and variable costs (including claims repricing), network discounts and network access, direct and narrow network contracts, ability to match current plan design structures, cost containment, claims processing, reporting capabilities, technology integration, communication, financial stability, and past performance.

**ALTERNATIVES:**

The Council may choose to not pass the motion.

**FISCAL IMPACT:**

There are no funds needed for this fiscal year as the contract extension will not begin until next fiscal year. The estimated value of this contract extension is \$1,784,776 for the one-year extension term.

**FUNDING DETAIL:**

Description	Fund	Fund Name	Accounting Unit	Account No.	Amount
<b>BCBS</b>					
<b>Third Party Administration Fees</b>					
TPA - Medical	5608	EmpHth Fire	5608-40602-213	537200	110,984
TPA - Medical	5608	EmpHth Fire	5608-40602-213	537201	19,075
TPA - Medical	5608	EmpHth Fire	5608-40606-213	537200	157,805
TPA - Medical	5608	EmpHth Fire	5608-40606-213	537201	5,202
TPA - Medical	5609	EmpHth Police	5609-40605-213	537200	257,806
TPA - Medical	5609	EmpHth Police	5609-40605-213	537201	15,607
TPA - Medical	5610	EmpHth Citicare	5610-40600-213	537200	674,862
TPA - Medical	5610	EmpHth Citicare	5610-40600-213	537201	4,624
TPA - Medical	5610	EmpHth Citicare	5610-40601-213	537200	460,987
		Other EE			
TPA - Dental	5614	Benefits	5614-40610-213	537205	34,067
		Other EE			
TPA - Dental	5614	Benefits	5614-40610-213	537206	<u>43,757</u>

**BCBS Total**

**\$ 1,784, 776**

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**RECOMMENDATION:**

Staff recommends approval of this motion, as presented.