



Legislation Details (With Text)

File #: 19-0428 **Version:** 2 **Name:** Stop Loss and Plan Design 2019
Type: Agenda Item **Status:** Approved
File created: 8/1/2019 **In control:** City Council
On agenda: 8/13/2019 **Final action:** 8/13/2019

Title: Consider and take action on a resolution approving the employee stop-loss insurance with Blue Cross Blue Shield (BCBS) for the period October 1, 2019 to September 30, 2020 and approving the final plan design changes for the City’s benefit options as a result of the movement to Blue Cross Blue Shield as the City’s medical Third Party Administrator (Director of Human Resources and Civil Service)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Data Sheet, 2. Proposed Resolution, 3. Stop Loss RFP Analysis/Plan Design, 4. Benefit Plan Design Recommendation 2019, 5. Benefit Premiums 2019

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------|----------|--------|
| 8/13/2019 | 2 | City Council | Approved | Pass |

Consider and take action on a resolution approving the employee stop-loss insurance with Blue Cross Blue Shield (BCBS) for the period October 1, 2019 to September 30, 2020 and approving the final plan design changes for the City’s benefit options as a result of the movement to Blue Cross Blue Shield as the City’s medical Third Party Administrator (Director of Human Resources and Civil Service)

Approval of this item will adopt stop loss insurance and authorize the City Manager to execute all contracts related to this program. In addition, final plan design changes for the City’s medical benefit options will also be approved.

On June 25, 2019, City Council approved the selection of BCBS as the City’s medical Third Party Administrator, and RxBenefits/ESI as the stand-alone pharmacy benefit manager, for the period of October 1, 2019 to September 30, 2020. At that time, costs that were presented did not include stop-loss reinsurance as it was still in the Request for Proposal (RFP) process. Additionally, for Stop-Loss insurance, providers require claims data that is at least within 90 days. The city needed the stop-loss data to finalize the plan design changes for our employees’ medical plan.

The Stop-Loss RFP was released on Monday, May 27, 2019 and closed on Tuesday, July 2, 2019. June final claims data was not available until mid-July with best and final offers submitted and received by July 26, 2019.

Stop-Loss Insurance

Responses were received from four vendors. Two finalists were identified following a request for best and final offers (BAFO): BCBS, and Stealth/American Fidelity. HUB conducted a financial analysis comparing the current rates with Cigna (Incumbent). Cigna only provides stop-loss reinsurance to their own customers and therefore was no part of the RFP.

Following the receipt of June claims, BCBS best and final offer came in at \$0.00 to the projected added cost of lasers (compared to Cigna’s current \$375,000 added cost) and the overall percentage change that was 12.8% less than Cigna’s current plan. This was due to the successful negotiation of lower overall claims attachment factors on the aggregate insurance. This did not include projected prescription rebates to the City for the plan year 2020.

BCBS is the recommended vendor at \$125,00 specific deductible based on the response provided and no proposed

Individual deductible laser. A comparison of expected annual funding rates between Cigna’s current expended annual funding rate and BCBS’ proposed is 10.7% less, equating to a decrease in funding by \$417,646.

Plan Design

As discussed during the June 25th Council meeting and the selection of BCBS as the City’s medical Third Party Administrator, and RxBenefits/ESI as the stand-alone pharmacy benefit manager, due to the cost savings, an added preferred network arrangement as the one put into place under Cigna with UTMB, is no longer needed. This does not prevent any employee from continuing to receive care from UTMB; UTMB remains an in-network option for our employees. In fact, as we continue our implementation plan, a quick review of our employees’ selection of providers indicate an in-network selection of more than 99 percent under BCBS extensive medical network of providers.

Additionally, with the carve out of a stand-alone pharmacy benefit manager, RxBenefits/ESI, and further analysis by HUB International, we will be able to provide premium increases of less than one percent for our employees. To keep things in perspective, had we renewed with Cigna, we would have seen an approximate 12 percent increase to our premiums. To further minimize any added impact to our employees and also better align to market and industry standards, particularly with the elimination of the UTMB arrangement, we are recommending the following changes to the plan design:

- Blending of In-Network Dependent Child Age 0-19 to \$10 copays (up from \$0 copays). Plan is to phase out in next year as there is no record of any special copay across benchmarks, both public and private sector.
- Blending of UTMB (10%) and In-Network coinsurance (20%) percentage. Co-Insurance percentage for in-network is now 15 percent.
- Blending of UTMB (\$10 Mid/\$10 Buy Up) and In-Network Co-pays (\$25 Mid/\$25 Buy Up) for PCP office visits, and UTMB (\$10 Mid/\$10 Buy Up) and In-Network Co-pays (\$50 Mid/\$40 Buy Up) for Specialist visits. New PCP office visits are now \$20 for both Mid and Buy Up plans; Specialist Co-pays are now \$35 Mid and \$25 Buy Up.
- Blending of UTMB Deductible and In-Network Deductible amounts for the Mid Plan and Buy Up Plan:

| | CURRENT PLAN | | NEW PROPOSED PLAN | |
|--------------|--|-------------------|--------------------|-------------------|
| MED BENEFITS | Buy Up Plan | Mid Plan | Buy Up Plan | |
| Mid Plan | | | | |
| | | | | |
| | Cigna | Cigna | BCBS | BCBS |
| Deductible | I= Individual | F = Family | | |
| | | | | |
| UTMB | \$500 I/\$1000 F | \$250 I/ \$500 F | N/A | N/A |
| | | | | |
| In-Network | \$1500 I/\$3000 F | \$750 I/ \$1500 F | \$1000 I/ \$2000 F | \$500 I/ \$1000 F |
| Non-Network | \$5000 I /\$10000 F \$2000 I/\$4000 F | \$5000 I/ \$10000 | \$2000 I/ \$4000 F | |

The following change was made in an effort to drive more selection of the High Deductible Health Plan/HSA plan, encouraging employees to be a more active participant in managing their health care options:

- Increase in Health Savings Account contribution: \$1000 to \$1500 for employee only, \$1500 to \$2000 for family. These amounts are more in line with industry/public sector standard.

The following are added changes to become more in line with industry standards and/or to drive care away from the use of the higher cost options.

- Urgent Care costs were not blended. In-Network co-pay remained at \$50 for both plans.
- Rehabilitative Therapy Co-pays were adjusted to match Specialist Co-pays: \$35 Mid and \$25 Buy Up.

Pharmacy costs remain unchanged.

The Employee Committee met at 9 a.m., Thursday, August 8, 2019 at the Civic Center, to provide them an overview of the above changes and premium information. The response was positive with discussion focused on the Co-Pay change for children 0-19. After a detailed discussion, the committee agreed that the recommended benefits changes were good. They liked the phase-out plan and blending of the UTMB and in-network rates, inclusive of the move from \$0 co-pay for children 0-19 to \$10 co-pay. The group was shown benchmark data in comparison to the League City recommended changes which clearly demonstrates how good our benefits are. Many voiced their appreciation of having an opportunity to provide inputs in this decision-making process.

Attachments:

1. Data Sheet
2. Proposed Resolution
3. Stop Loss RFP Analysis
4. Plan Design change comparison
5. Benefit Premiums

FUNDING{X} Funds are available from the Employee Benefit Fund, Health Insurance account 40301650-54650.

STRATEGIC PLANNING
{x} NOT APPLICABLE