

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
OCTOBER 5, 2010 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Blue Cross/Blue Shield Medical Claim Administration	✓ Resolution Ordinance Motion Discussion Only	Wesley Morgan, SPHR Director of Human Resources

SYNOPSIS

A resolution has been prepared to authorize approval of a contract with Blue Cross/Blue Shield for medical claim administration at an annual cost of \$219,993. The contractual arrangement will establish Blue Cross/Blue Shield as the Village's health insurance carrier, allowing plan participants access to a larger network with greater discounts on medical services and resulting in significant cost savings.

STRATEGIC PLAN ALIGNMENT

The 2010 Strategic Plan identified an *Exceptional Municipal Organization*. A supporting objective of this statement is to provide *Financially Sound and Sustainable Village Government*.

FISCAL IMPACT

Approval of this contract will result in a projected savings of \$1.3 million dollars compared with a continuation of the contracts associated with the current providers. The FY11 Proposed Budget includes \$219,993 in the Health Insurance Fund for the direct costs associated with this contract.

UPDATE & RECOMMENDATION

This item was discussed at the September 14, 2010 Village Council meeting. Staff recommends approval on the October 5, 2010 consent agenda.

BACKGROUND

The Village of Downers Grove maintains a partially self-funded medical plan and contracts with an outside vendor to provide claim administration on behalf of the Village. Claim administration includes medical and prescription drug claim adjudication, pre-certification and medical case management services. Staff routinely reviews the claims administration services received from the vendor, along with the relationship the vendor has with preferred provider organizations (PPO) to ensure that the discounts received through the PPO contracts are cost effective.

The current claim administrator for the Village of Downers Grove is Professional Benefit Administrators (PBA). PPO network discounts are received through PBA's relationship with PHCS/Multiplan, as well as an agreement between the Village and Advocate-Good Samaritan Hospital. In the review of services and costs for FY 2011, staff with the assistance with the Village's healthcare consultant, GCG Financial, identified and evaluated three alternative vendors that were able to provide claims administration and offer stronger PPO discounts than the current providers. The three vendors included:

- Blue Cross/Blue Shield of Illinois
- CIGNA HealthCare
- United HealthCare UMR

The following table summarizes the evaluation of the three vendors, as compared with 2011 projections for the current vendor:

	PBA/PHCS (Current)	Blue Cross/Blue Shield	Cigna HealthCare	United HealthCare
2011 Projected Avg. In-network discounts	38.2%	55.0%	55.0%	55.0%
Projected 2011 Claims (w/ discounts applied)	\$5,638,000	\$4,208,000	\$4,208,000	\$4,208,000
2011 Claims Administration Costs	\$ 121,500	\$ 219,993	\$ 167,884	\$158,775
Total Claims & Administration Costs	\$5,759,500	\$4,427,993	\$4,375,884	\$4,366,775
Savings Compared with Current Provider		\$1,331,507	\$1,383,616	\$1,392,725
Other Factors Considered In Evaluating Vendors		<ul style="list-style-type: none"> • Largest PPO Network in Illinois • Serves 70% of municipalities & school districts in Chicago area • Claim to have greatest discounts among competitors • Downers Grove-based employer 	<ul style="list-style-type: none"> • Concern that certain hospitals are not currently included in PPO network (Rush) 	<ul style="list-style-type: none"> • Limited presence in Illinois, no municipal references in the state

Staff recommends approval of the contract with Blue Cross/Blue Shield for the following reasons:

- Results in projected savings of \$1.3 million in the Village's Health Insurance Fund
- Establishes a contractual relationship with an industry leader and strong community partner that already has a presence in Downers Grove
- Allows for significant cost savings with very little impact to health insurance plan design or participant out-of-pocket cost.
- Minimizes risk of failure to perform due to poor customer service or claims disputes

ATTACHMENTS

Resolution

Blue Cross/Blue Shield Sample Agreement

Blue Cross/Blue Shield Interview Presentation Slides

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING EXECUTION OF
AGREEMENTS BETWEEN THE VILLAGE OF DOWNERS GROVE
AND BLUE CROSS/BLUE SHIELD OF ILLINOIS**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Administrative Services and Claim Administrator Business Associate Agreement (the “Agreements”), between the Village of Downers Grove (the “Employer”) and Blue Cross/Blue Shield of Illinois (the “Claim Administrator”), for medical claim administration services, as set forth in the form of the Agreements submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Agreements, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Agreements.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____

Village Clerk

Benefit Program Application (“ASO BPA”)

Applicable to Administrative Services Only (ASO) Group Accounts

administered by Blue Cross and Blue Shield of Illinois, a division of Health Care Service Corporation, a Mutual Legal Reserve Company, hereinafter referred to as “Claim Administrator” or “HCSC”

Employer Account Number (6-digits):

Employer Group Number(s):

Section Number(s):

Employer Name: Village of Downers Grove

(Specify the employer or the employee trust applying for coverage. Names of subsidiary or affiliated companies to be covered must also be included. AN EMPLOYEE BENEFIT PLAN MAY NOT BE NAMED.)

Address: 801 Burlington Avenue

City: Downers Grove

State: Illinois

Zip: 60515

Standard Industry Code (SIC):

Employer Identification Number (EIN): 36-6005857

Subsidiaries:

Affiliated Companies:

(If Affiliated Companies to be covered are listed above, a separate “Addendum to the Benefit Program Application Regarding Affiliated Companies” must be completed, signed by the Employer’s authorized representative, and attached to this Benefit Program Application.)

Administrative Contact: Wesley Morgan

Phone Number: 630-434-5536

Fax Number: 630-434-5484

Title: Human Resource Director

Email Address:

Blue Access for Employers (BAE) Contact:

Phone Number:

Fax Number:

(The BAE Contact is the Employee of the Account authorized by the Employer to access and maintain its account via BAE.)

Email Address:

ERISA Plan: Yes No

If yes, specify ERISA Plan Year:

ERISA Plan Administrator:

Plan Administrator’s address:

Effective Date of Coverage: January 1, 2011

Anniversary Date: January 1, 2012

SCHEDULE OF ELIGIBILITY

1. Eligible Person means:

A full-time employee of the Employer.

A full-time employee who is a member of:

(name of union)

Other: Retirees and Part-time employees budgeted to work 1000 hours or more per year

2. Full-Time Employee means:

A person who is regularly scheduled to work a minimum of 40 hours per week and who is on the permanent payroll of the Employer.

Other: part-time employees budgeted to work 1000 hours or more per year.

3. The Effective Date of termination for a person who ceases to meet the definition of Eligible Person:

The date such person ceases to meet the definition of Eligible Person.

The last day of the calendar month in which such person ceases to meet the definition of an Eligible Person.

Other:

4. Domestic Partners covered: Yes No

If yes: A Domestic Partner, as defined in the Plan, shall be considered eligible for coverage. The Employer is responsible for providing notice of possible tax implications to those Covered Employees with Domestic Partners.

If yes, are Domestic Partners eligible to continue coverage under COBRA? Yes No

If yes, are dependents of Domestic Partners eligible for coverage? Yes No

5. Limiting Age for covered unmarried children:

a) Applicable if Employer is an Illinois county, municipality, the State of Illinois, or subject to the Illinois School Code:

twenty-six (26) years; thirty (30) years if eligible military personnel as described in the Employer's Plan.

_____ years; _____ years if eligible military personnel as described in the Employer's Plan.

(The minimum allowable ages for this option are 26; 30 if eligible military personnel)

_____ years if a full-time student.

(The minimum allowable ages for this option are 26; 30 if eligible military personnel)

b) Applicable to all other Employers:

_____ ; _____ if a full-time student.

Other: _____

Coverage based on the Limiting Age(s) elected above terminates on:

The birthday on which the Limiting Age is reached.

The last day of the calendar month in which the Limiting Age is reached.

However, such coverage shall be extended in accordance with any applicable federal or state law.

6. The Eligibility Date for a person who becomes an Eligible Person after the Effective Date of the Employer's health care plan:

The date of employment.

The _____ day of employment.

The 1st day of the month following 1 month(s) or _____ days of employment.

The _____ day of the month following the date of employment.

Other: _____

7. Enrollment:

Special Enrollment: An Eligible Person may apply for coverage, Family coverage or add dependents within thirty-one (31) days of a qualifying event if he/she did not apply prior to his/her Eligibility Date or when eligible to do so. Such person's Coverage Date, Family Coverage Date, and/or dependent's Coverage Date will be the effective date of the qualifying event or, in the event of Special Enrollment due to termination of previous coverage, the date of application of coverage. In the case of a qualifying event due to loss of coverage under Medicaid or a state children's health insurance program, however, this enrollment opportunity is not available unless the Eligible Person requests enrollment within sixty (60) days after such coverage ends.

Late Enrollment: An Eligible Person may apply for coverage, Family coverage or add dependents if he/she did not apply prior to his/her Eligibility Date or did not apply when eligible to do so. Such person's Coverage Date, Family Coverage Date, and/or dependent's Coverage Date will be a date mutually agreed to by the Claim Administrator and the Employer.

Open Enrollment: Yes No

An Eligible Person may apply for coverage, Family coverage or add dependents if he/she did not apply prior to his/her Eligibility Date or did not apply when eligible to do so, during the Employer's Open Enrollment Period.

- Specify Open Enrollment Period: November 15 to December 15

Such person's Coverage Date, Family Coverage Date, and/or dependent's Coverage Date will be a date mutually agreed to by the Claim Administrator and the Employer. Such date shall be subsequent to the Open Enrollment Period.

8. Extension of benefits due to Temporary Layoff, Disability or Leave of Absence:

Temporary Layoff: 365 days Disability: 365 days Leave of Absence: 365 days

However, benefits shall be extended for the duration of an Eligible Person's leave in accordance with any applicable federal or state law.

9. COBRA Auto Cancel? Yes No

Member's COBRA/Continuation of Coverage will be automatically cancelled at the end of the member's eligibility period.

ASO STATUS

1. Group Status: New ASO Account

2. If a former HCSC Insured Group is converting to ASO, on what basis?

Basis: Select from Pull Down

LINES OF BUSINESS

(Check all applicable products)

- | | |
|---|--|
| <input checked="" type="checkbox"/> Participating Provider Option | <input checked="" type="checkbox"/> Outpatient Prescription Drugs: |
| <input type="checkbox"/> Point of Service (BlueChoice) | <input checked="" type="checkbox"/> Outpatient Prescription Drug Program |
| <input type="checkbox"/> Blue Choice Select | <input type="checkbox"/> Covered under the medical benefit |
| <input type="checkbox"/> Comprehensive Major Medical | <input type="checkbox"/> Dental |
| <input type="checkbox"/> Base Plus | <input checked="" type="checkbox"/> Blue Care Connection® |

FEE SCHEDULE

Fee Schedule Period

To begin on Effective Date of Coverage and continue for:

12 Months Other (please specify): Months

Administrative Charge(s)

% of Claim Payments or \$49.80 per Covered Employee per month

- Applies to all coverages
 Different percentage(s) or amount(s) for the following types of coverages. Please specify:

Subscriber Share Methodology for Illinois Network Provider Claims Applies: Yes No
(If no, a letter declining Subscriber Share Methodology for Claims processing must be attached to this Benefit Program Application.)

Claim Administrator Provider Access Fee(s)

Group Number(s): % of ADP Savings: **2.80%** \$ per Covered Employee per month: \$*Complete for Groups with multiple Provider Access Fees by products (i.e., CMM, PPO and/or POS plans):***Group Number(s):** % of ADP Savings: % \$ per Covered Employee per month: \$**BlueCard Program/Network access fees:** Available upon request.

Other Service and/or Program Fee(s)

Prescription Drug Rebate: \$10.39 per Covered Employee per month is the guaranteed Prescription Drug Rebate savings reflected as a Prescription Drug Rebate credit. Expected rebate amounts to be received by the Claim Administrator are passed back to the Employer with one hundred percent (100%) of the expected amount applied as a credit on the monthly billing statement on a per Covered Employee per month basis. Rebate credits are paid prospectively to the Employer and shall not continue after termination of the Prescription Drug Program. (Further information concerning this credit is included in the governing Administrative Services Agreement to which this ASO BPA is attached under the section titled "CLAIM ADMINISTRATOR'S SEPARATE FINANCIAL ARRANGEMENTS WITH PHARMACY BENEFIT MANAGERS.")

Reimbursement Provision: Yes No

If yes: It is understood and agreed that in the event the Claim Administrator makes a recovery on a third-party liability claim, the Claim Administrator will retain 25% of any recovered amounts other than recovered amounts received as a result of or associated with any Workers' Compensation Law.

Conversion Privilege: Yes No *If yes, conversion fee: \$6,000 per conversion.***Blue Care Connection ("BCC") Program****BCC Package:**

Enhanced

Fee: \$Included in Admin Fee per Covered Employee per month for administration of the program package.

BCC Package Upgrade(s):

Description:

Fee: \$ per Covered Employee per month for administration of the package upgrade.

Description:

Fee: \$ per Covered Employee per month for administration of the package upgrade.

Ancillary Program:

Select from Pull Down

Termination Administrative Charge

As applies to the Run-Off Period indicated in the Payment Specifications section below:

- i. **For service charges (including, but not limited to, access fees) billed on a per Covered Employee basis at the time of termination**, the Termination Administrative Charge will be the amount equal to ten percent (10%) of the annualized charges based on the service charges in effect as of the termination date and the Plan participation of the two (2) months immediately preceding the termination date. Such aggregate amount will be due the Claim Administrator within ten (10) days of the Claim Administrator's notification to the Employer of the Termination Administrative Charge described herein.
- ii. **For service charges (including, but not limited to, access fees) billed on a basis other than per Covered Employee at the time of termination**, the Termination Administrative Charge will be such service charges in effect at the time of termination to be applied and billed by the Claim Administrator, and paid by the Employer, in the same manner as prior to termination.

Termination Administrative Charges assume the continuation of the Plan benefit program(s) and the administrative

services in effect prior to termination. Should such Plan benefit program(s) and/or administrative services change, or in the event the average Plan enrollment during the three (3) months immediately preceding termination varies by ten percent (10%) or more from the enrollment used to determine the service charges in effect at the time of termination, the Claim Administrator reserves the right to adjust the rates for service charges (including, but not limited to, access fees) to be used to compute the Termination Administrative Charge.

Payment Specifications

Employer Payment Method: Online Bill Pay Electronic Check

Employer Payment Period: Weekly (cannot be selected if Check is selected as payment method above)
 Twice-Monthly Monthly Other (please specify):

Claim Settlement Period: Monthly Other (please specify):

Run-Off Period

Employer Payments are to be made for 12 months following end of Fee Schedule Period.
Standard is twelve (12) months.

Final Settlement: Final Settlement is to be made within 60 days after end of Run-Off Period.
Standard is sixty (60) days.

Broker/Consultant Compensation

The Employer acknowledges that if any broker/consultant acts on its behalf for purposes of purchasing services in connection with the Employer's Plan under the Administrative Services Agreement to which this ASO BPA is attached, the Claim Administrator may pay the Employer's broker/consultant a commission and/or other compensation in connection with such services under the Agreement. If the Employer desires additional information regarding commissions and/or other compensation paid the broker/consultant by the Claim Administrator in connection with services under the Agreement, the Employer should contact its broker/consultant.

HCSC COBRA ADMINISTRATIVE SERVICES

HCSC COBRA Administrative Services Purchased: Yes No

If yes, please complete the COBRA sections below. If no, the COBRA sections below do not apply.

<input type="checkbox"/> RENEWAL - NO CHANGES	COBRA Services
COBRA Administrative Billing Services Only:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
COBRA Administrative Full Services:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Notification Services included: (Full Services):	<input type="checkbox"/> Yes <input type="checkbox"/> No
Conversion Rights included: (Full Services):	<input type="checkbox"/> Yes <input type="checkbox"/> No
Monthly Reports* included: <i>*Paper reports provided by mail/electronic reports via email</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No <i>If Yes,</i> Email Address:
Effective date(s) of services if different from ASO Effective Date of Coverage:	

COBRA Service Charges

Billing Services Fee per Participant per month:	
<i>If Notification Services included (Full Services)</i>	
Notification Fee (per Participant for each notice):	
Monthly Administrative Fee:	
The Employer will pay HCSC a sum of One Hundred Dollars (\$100.00) per hour for any system programming costs associated with non-standard administration services.	\$100.00

COBRA Membership

Number of Active Members*:	
Number of current COBRA participants/members*:	
Number of current COBRA retiree participants/members*:	
<i>*Full Service Unit (FSU) set-up of participants/members in BlueStar required</i>	
FSU Location:	
FSU Contact:	Phone Number:
Email Address:	Fax Number:
Is all COBRA participant census information attached?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is all COBRA participant coverage(s) and level elected information attached?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is all dependent census information attached?	<input type="checkbox"/> Yes <input type="checkbox"/> No

COBRA Coverage

Are rates (SINGLE/FAMILY or TIERED) for all coverages attached?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Is 2% included in attached rates?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Does Employer have any non-HCSC coverage?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
<i>If Yes,</i>			
Other Carrier(s):			
Name:			
Address:			
City:	State:	Zip:	
Administrative Contact:	Phone Number:	Fax Number:	Email Address:
Name:			
Address:			
City:	State:	Zip:	
Administrative Contact:	Phone Number:	Fax Number:	Email Address:

COBRA coverage begins:	<input type="checkbox"/> On date of Qualifying Event <input type="checkbox"/> First of month following date of Qualifying Event		
Should 150% of the COBRA premium be charged to participants eligible for disability extension for the remaining 11 months of COBRA? <i>(Extension is from 18 months to 29 months when deemed disabled by Social Security)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Is contract provided and signed?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Prior COBRA administrator info:			
Name:			
Address:			
City:	State:	Zip:	
Administrative Contact:	Phone Number:	Fax Number:	Email Address:

OTHER PROVISIONS

1. Certificate of Creditable Coverage: Yes No

If yes: The Employer directs the Claim Administrator to issue to individuals, whose coverage under the Plan terminates during the term of the Administrative Services Agreement to which this ASO BPA is attached, a Certificate of Creditable Coverage. The Certificate of Creditable Coverage shall be based upon information required for issuance of a Certificate of Creditable Coverage to be provided to the Claim Administrator by the Employer and coverage under the Plan during the term of the Administrative Services Agreement.

2. Case Management Program/Medical Services Advisory: Yes No

If yes: The undersigned representative authorizes provision of alternative benefits for services rendered to Covered Persons in accordance with the provisions of the Administrative Services Agreement to which this ASO BPA is attached and the Employer's plan document.

3. Employer acknowledges and agrees to utilize Claim Administrator's standard list of services and supplies for which pre-certification is required: Yes No If no, Employer authorizes Claim Administrator to post Employer's pre-certification requirements on Claim Administrator's Website: Yes No

4. The Massachusetts Health Care Reform Act requires employers to provide, or contract with another entity to provide, a written statement to individuals residing in Massachusetts who had "creditable coverage" at any time during the prior calendar year through the employer's group health plan and to file a separate electronic report to the Massachusetts Department of Revenue verifying information in the individual written statements.

a. The Employer directs Claim Administrator to provide written statements of creditable coverage to its Covered Employees who reside, or have enrolled dependents who reside, in Massachusetts and file electronic reports to the Massachusetts Department of Revenue in a manner consistent with the requirements under the Massachusetts Health Care Reform Act. Such written statements and electronic reporting shall be based on information provided to the Claim Administrator by the Employer and coverage under the Plan during the term of the Administrative Services Agreement. The Employer hereby certifies that, to the best of its knowledge, such coverage under the Plan is "creditable coverage" in accordance with the Massachusetts Health Care Reform Act. The Employer acknowledges that the Claim Administrator is not responsible for verifying nor ensuring compliance with any tax and/or legal requirements related to this service. The Employer or its Covered Employees should seek advice from their legal or tax advisors as necessary.

Yes No

- b. If no: The Employer acknowledges it will provide written statements and electronic reporting to the Massachusetts Department of Revenue as required by the Massachusetts Health Care Reform Act.

5. Stop Loss Coverage purchased: Yes No *(If yes, complete a separate Exhibit to the Stop Loss Coverage Policy)*
6. Fort Dearborn Life Insurance purchased: Yes No *(If yes, complete separate Life application)*
7. Health Care Account (HCA) Administrative Services purchased: Yes No *(If yes, complete separate HCA application)*
8. This ASO Benefit Program Application (ASO BPA) is incorporated into and made a part of the Administrative Services Agreement with both such documents to be referred to collectively as the "Agreement" unless specified otherwise.

ADDITIONAL PROVISIONS:

A total credit of \$10,000 was applied to reduce the first year admin fee for the wellness credit - \$7,000 and the implementation credit - \$3,000. No additional wellness or implementation credits are available.

Admin Fee and Rx Drug Rebate assume the purchase of the Prescription Drug Benefit.

There is a cap on the second year admin fee of \$55.97.

Beth Young

 Sales Representative
 814 630-824-5509
 312-938-4647

 District Phone & FAX Numbers
 Catherine Loney

 Producer Representative
 GCG Financial, Inc

 Producer Firm
 3000 Lakeside Dr, Ste 200 South, Bannockburn
 IL 60015

 Producer Address
 847-457-3000 & 847-457-3146

 Producer Phone & FAX Numbers
 catherine.loney@gcgfinancial.com

 Producer Email Address
 363001763

 Tax I.D. No.

 Signature of Authorized Purchaser

 Title

 Date

PROXY

The undersigned hereby appoints the Board of Directors of Health Care Service Corporation, a Mutual Legal Reserve Company, or any successor thereof ("HCSC"), with full power of substitution, and such persons as the Board of Directors may designate by resolution, as the undersigned's proxy to act on behalf of the undersigned at all meetings of members of HCSC (and at all meetings of members of any successor of HCSC) and any adjournments thereof, with full power to vote on behalf of the undersigned on all matters that may come before any such meeting and any adjournment thereof. The annual meeting of members shall be held each year in the corporate headquarters on the last Tuesday of October at 12:30 p.m. Special meetings of members may be called pursuant to notice mailed to the member not less than thirty (30) nor more than sixty (60) days prior to such meetings. This proxy shall remain in effect until revoked in writing by the undersigned at least twenty (20) days prior to any meeting of members or by attending and voting in person at any annual or special meeting of members.

Group No.: _____ By: _____
Print Signer's Name Here
➡ _____
Signature and Title

Group Name: Village of Downers Grove
Address: 801 Burlington Avenue
City: Downers Grove State: IL Zip Code: 60515
Dated this _____ day of _____
Month Year