

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
NOVEMBER 16, 2010 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Employee Benefits Renewal Contracts and Medical Plan Amendments for FY2011	✓ Resolution Ordinance Motion Discussion Only	Wesley Morgan, SPHR Director of Human Resources

SYNOPSIS

Resolutions have been prepared to authorize approval of the following employee benefits renewal contracts and plan amendments for 2011:

- ING Employee Benefits – stop loss coverage for medical claims exceeding \$125,000 in the amount of \$393,815
- Delta Dental Plan of Illinois – dental program claim administration in the amount of \$17,740
- TruAssure Insurance Company – vision program claim administration in the amount of \$42,500
- National Insurance Services – long term disability insurance in the amount of \$33,000

In addition, a resolution has been prepared authorizing a plan amendment to the Village of Downers Grove VEBA Health Savings Plan.

UPDATE & RECOMMENDATION

This item was discussed at the November 9, 2010 Council meeting. Staff recommends approval on the November 9, 2010 active agenda.

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

The proposed FY11 health insurance budget is \$5,671,000. The total FY11 cost for the proposed employee benefit contracts is \$487,055. These costs are itemized below:

Provider	Services Provided	Annual Premium
ING Employee Benefits	Stop Loss Coverage for Claims Exceeding \$125,000	\$ 393,815
Delta Dental Plan of Illinois	Dental Program Claim Administration	\$ 17,740
TruAssure Insurance Company	Vision Program Claim Administration	\$ 42,500
National Insurance Services	Long Term Disability Insurance	\$ 33,000
TOTAL FOR EMPLOYEE BENEFIT CONTRACTS:		\$ 487,055

BACKGROUND

A summary of the 2011 employee benefits contracts is provided below:

- *Stop Loss Coverage* - As a partially self-funded health plan, the Village purchases specific stop loss coverage to limit its financial exposure. Specific stop loss coverage provides insurance for

catastrophic medical claims of participants in the Village's group health care plan, which is open to eligible employees and retirees. Specific stop loss insurance also provides a point at which time the insurance company becomes responsible for any claims after an individual insured reaches the pre-determined limit in the contract year. As part of the annual bidding process, staff directs the Village's consultant, GCG Financial, to recommend to the Village the most appropriate attachment point for the Village's group. The consultant reviews specific claim data on the Village's group and determines if it is cost effective for the Village to take on additional claim exposure. The consultant determined that it would not be beneficial for the Village of Downers Grove to move from the current \$125,000 stop loss level. For the 2011 plan year, the consultant recommended that the Village contract with ING, the low responsible stop loss provider bidder. ING's proposed contract has an annual premium of \$393,815.

- *Dental* – The Village provides employees a dental program administered by Delta Dental Plan of Illinois. Under this program, employees utilize PPO network providers where services are received at discounted rates and benefits are primarily paid in full. Employees also have the flexibility of going out-of-network; however, they would receive coverage that is less comprehensive. Fees for administration of the Delta Dental program will not increase this year. The total annual cost is estimated at \$17,740.
- *Vision* - The Village contracts with TruAssure Insurance Company (a subsidiary of Delta Dental Plan of Illinois) for vision services. Employees use providers within TruAssure's EyeMed PPO network and pay a modest co-payment or receive discounted rates on various services. Employees also have the flexibility to go outside of the EyeMed network, but receive a less comprehensive benefit. Premium costs for 2010 are estimated to be \$42,438 reflecting no increase in current premium costs.
- *Long Term Disability* – The Village of Downers Grove contracts with National Insurance Services (NIS) to provide long term disability (LTD) coverage to eligible Village personnel. The Village has requested an additional one-year renewal on LTD services to bring it in line with the Village's life/AD&D contract, also administered by NIS. NIS has agreed to renew the LTD for one additional year at no increase in premium. Premium costs for LTD services in 2011 are estimated to be at \$33,000.
- *Plan Amendment for VEBA Health Savings Plan* – Under the Village of Downers Grove medical program, employees are able to choose from one of three PPO plans. One of these PPO plans is a \$2,500 deductible plan with a "VEBA Savings Plan" (often referred to as a health reimbursement account). Under the Patient Protection and Affordable Care Act (PPACA) signed into law on March 23, 2010, there are required modifications to this plan. These modifications refer to the "definition of dependent" and "definition of health care expense" and are outlined in the attached amendment.

ATTACHMENTS

Reliastar Life Insurance Company Excess Risk Application (ING Stop Loss Coverage)
ING Employee Benefits Disclosure Agreement
Delta Dental/TruAssure Renewal Package
Amendment #3 to NIS Joinder Agreement
Amendment to the Village of Downers Grove VEBA Health Savings Plan

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING EXECUTION OF A PLAN AMENDMENT
TO THE VILLAGE OF DOWNERS GROVE
VEBA HEALTH SAVINGS PLAN**

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 Plan Amendment (the "Amendment") to the Village of Downers Grove Veba Health Savings Plan, as set forth in the form of the Plan Amendment submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Mayor and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Plan Amendment, 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 Plan Amendment.

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

**AMENDMENT TO
The Village of Downers Grove VEBA Health Savings Plan**

BY THIS AGREEMENT, the Village of Downers Grove VEBA Health Savings Plan
(herein referred to as the "Plan") is hereby amended as follows:

1. **EFFECTIVE DATE.** These amendments to the Plan shall be effective on dates provided below.
2. **DEFINITION OF DEPENDENT.** Effective September 1, 2010, the definition of the term "Dependent" as contained in the Plan is hereby amended as follows:

Dependent means an individual (other than the Participant and the Participant's Spouse) with respect to whom group health plan benefits are excluded from the Participant's income under Section 105(b) of the Code. As of the effective date of this amendment, these individuals include:

- (1) the Participant's "dependent" as determined under Section 152 of the Code (without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof), and
- (2) the Participant's child (as defined in Section 152(f)(1) of the Code) who has not attained age 27 as of the end of the taxable year.

A child may be a Dependent under clause (2) above regardless of the child's marital status, but such child's spouse and children shall not be Dependents unless they satisfy the requirements of clause (1) above in their own right.

3. **DEFINITION OF HEALTH CARE EXPENSE.** Effective with respect to expenses incurred on or after January 1, 2011, to the extent "Health Care Expense" (as currently defined in the Plan) includes over-the-counter drugs and medicines, the definition of "Health Care Expense" is hereby amended to include only prescribed drugs and medicine, as required by Section 106(f) of the Code.
4. **SUPERCEDING EFFECT.** The provisions contained herein shall apply notwithstanding any language in the Plan to the contrary.

IN WITNESS WHEREOF, this Amendment has been executed this _____ day of _____,
2010.

By _____