

VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting
10/18/2016

SUBJECT:	SUBMITTED BY:
Employee Benefits Renewal Contracts and Medical Plan Amendments for FY2017	Dennis Burke Director of Human Resources

SYNOPSIS

Resolutions have been prepared to authorize approval of employee benefits renewal contracts and plan amendments for FY2017.

STRATEGIC PLAN ALIGNMENT

The goals for 2015-2017 include *Steward of Financial, Environmental and Neighborhood Sustainability*.

FISCAL IMPACT

The FY17 health insurance budget includes \$1,065,095 for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY16 and FY17 are itemized below:

Vendor	Contract Item	FY2016 Amount	FY2017 Amount	Difference
Blue Cross/Blue Shield	Medical Claim Administration	\$235,887.36	\$230,378.28	(\$5,509.08)
Blue Cross/Blue Shield	Specific and Aggregate Stop Loss	\$374,189.76	\$410,988.60	\$36,798.84
Delta Dental	Dental Program Claim Administration	\$20,602.44	\$20,602.44	_____
Subtotal		\$630,679.56	\$661,969.32	\$31,289.76
Humana	Medicare Advantage Program for Retirees over 65	\$241,381.92	\$241,381.92	_____
National Insurance Services Trust	Life Insurance	\$83,504	\$83,504	_____
National Insurance Services Trust	Disability Benefits	\$27,666	\$27,666	_____
Perspectives LTD	Employee Assistance Program	\$10,271	\$10,274	\$3.00
Total		\$993,502.48	\$1,024,795.24	\$31,292.76

RECOMMENDATION

Approval on the October 18, 2016 consent agenda.

BACKGROUND

The recommended contracts provide the necessary administration and support for the Village's Health Insurance program, which has a total budget of \$6.8 million as shown in the FY17 Proposed Budget. The budget also describes how the Village has positioned itself well to effectively control health insurance costs and respond to the requirements of the Patient Protection Affordable Care Act.

A summary of the 2017 employee benefits contracts is provided below:

- *Medical Claim Administration* – The Village has a 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. On an annual basis, staff reviews the claim administration services received from the vendor. Also reviewed is the relationship the vendor has with preferred provider organizations (PPO) to ensure the discounts received through the PPO contracts are cost effective to both the employee and the Village. The Village has contracted with Blue Cross/Blue Shield of Illinois for these services since 2011. Blue Cross has provided a renewal quote for 2017 for claims administration at \$47.40 per employee/per month. Blue Cross also charges a fee to access their PPO network. This fee is offset by the significant savings the Village realizes through the Blue Cross PPO discounts. Total annual costs for medical claims administration for 2017 which includes the PPO access fee are \$230,378.28.
- *Stop Loss Coverage* - The Village purchases stop loss coverage to limit its financial exposure. Stop loss coverage provides insurance for catastrophic medical claims of participants in the Village's group health care plan. There are two types of stop loss coverage, specific and aggregate. Specific stop loss insurance provides a point at which time the insurance company becomes responsible for any claims after an individual insured reaches a pre-determined limit in the contract year. As part of the annual review, staff directs the Village's consultant, the Horton Group, to recommend to the Village the most appropriate point for specific stop loss coverage. 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. For 2017 the consultant determined that the Village should remain at the current \$150,000 specific stop loss level. This means that the Village uses its own funds to pay the first \$150,000 of medical expenses for each individual on the plan. If a plan participant exceeds the \$150,000 threshold, the stop loss insurance policy provided by BCBS becomes activated and the bills are paid through an insurance policy. This year, four individuals exceeded the \$150,000 threshold thereby requiring BCBS to pay for their medical expenses. Therefore, BCBS could have increased the stop loss amount for these individuals to \$400,000 each, meaning that the Village could potentially have to pay up to \$400,000 of its own funds before the insurance policy would begin paying. Instead, BCBS has agreed to increase the overall premium for 2017 by \$30,000 thereby bringing the premium total to \$410,988.60. Ultimately, this will save the Village money, and is in the best interest of the Village's Health Plan.
- *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 for 2017 are \$20,602.

- *Retiree Program* – Medicare Advantage Program for Retirees over 65 – State law requires that the Village offer health insurance to retirees. Currently, retirees over 65 go into a fully insured carve-out plan through Humana. Retirees are expected to pay full premium except for those employees who retired prior to September 9, 2009 who pay 50% premium. The premium costs for 2017 are \$241,381. The Village will recover 50% of the cost through the premiums paid by the retirees.
- *Long Term Disability Insurance (LTD)* – LTD is a benefit for all full time employees except sworn Police or Fire employees who are covered through the pension plan. Premium costs for FY17 are \$27,666.
- *Life Insurance* - Life Insurance is offered as an employee benefit. The premium for Life Insurance for 2017 is \$83,504.
- *Employee Assistance Program (EAP)* - is offered to assist employees for multiple issues including marital problems, children behavioral issues, finances, personal mental health issues and more. For 2017 Perspectives LTD is offering a 3 year contract at \$10,274 per year or a total for 3 years at \$30,822

ATTACHMENTS

Resolutions

Contracts

RESOLUTION NO. _____**A RESOLUTION AUTHORIZING EXECUTION OF A RENEWAL AGREEMENT BETWEEN THE VILLAGE OF DOWNERS GROVE AND BLUE CROSS/BLUE SHIELD OF ILLINOIS FOR STOP LOSS INSURANCE COVERAGE**

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 Stop Loss Coverage Policy Renewal (the "Renewal"), between the Village of Downers Grove (the "Policyholder") and Blue Cross/Blue Shield of Illinois, (the "Company"), for stop loss insurance coverage effective January 1, 2017 through December 31, 2017, as set forth in the form of the Renewal 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 Renewal, 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 Renewal.

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

**BlueCross BlueShield
of Illinois**

**EXHIBIT TO THE
STOP LOSS COVERAGE POLICY**

(ASO Accounts Only)

Employer Group Name: Village of Downers Grove
Employer Group Address: 801 Burlington Avenue
City: Downers Grove **State of Situs:** IL **Zip Code:** 60515-4782
Account Number: 365058
Employer Group Number(s): P65060, P65061
Effective Date of Policy January 1, 2017
Policy Period: These specifications are for the Policy Period commencing on January 1, 2017 and ending on December 31, 2017

The specifications below shall become effective on the first day of the Policy Period specified above and shall continue in full force and effect until the earliest of the following dates: (1) The last day of the Policy Period; (2) The date the Policy terminates; or (3) The date this Exhibit is superseded in whole or in part by a later executed Exhibit.

A. Aggregate Stop Loss Insurance: Yes No
 If yes, complete items 1. through 9. below.

1. New Coverage Renewal of Existing Coverage

2. Stop Loss Coverage Period:

New Coverage (Select one from below):

Standard: Claims incurred and paid during the Policy Period.

Standard with "Run-in" included: Claims incurred on or after _____ and paid during the Policy Period.

"Run-in" includes claims paid by Policyholder's prior claim administrator: Yes No

If yes, such claims must be reported by the Policyholder to the Company (Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) within 12 months of the Effective Date of Policy and paid by the Policyholder's prior claim administrator within 6 months after the Effective Date of Policy.

Renewal of Existing Coverage:

Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Aggregate Stop Loss Insurance shall apply to:

Medical Claims Vision Claims

Outpatient Prescription Drug Claims Dental Claims

A Division of Health Care Service Corporation, a Mutual Legal Reserve Company
 an Independent Licensee of the Blue Cross and Blue Shield Association

For Hospital Employer Groups only: *Excludes* _____% of Home Hospital Medical claims

Other (please specify): _____

4. Average Claim Value: 1030.63 (per employee per month)

Includes Claim Administrator's Provider Access Fee

Excludes Claim Administrator's Provider Access Fee

Attachment Factor: 125% of the Average Claim Value

5. Aggregate Attachment Claim Liability:

Employer's Claim Liability for each Policy Period shall be the sum of the Monthly amounts obtained by multiplying the number of Individual and Family Coverage Units for each Month by the following factor:

\$1288.29 for each Coverage Unit

6. Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims: Yes No

Run-Off Attachment Claim Liability Factors:

Employer's Run-Off Claim Liability shall be an amount equal to 15% of the annualized Employer Claim Liability based on the participation of the two calendar months immediately preceding termination. Settlement for the final accounting period will be described in the section of the Policy entitled SETTLEMENTS.

7. Aggregate Stop Loss Coverage:

a. The amount of Paid Claims during the current Policy Period, less Individual (Specific) Stop Loss Claims, if any, that exceed the Point of Attachment. The Point of Attachment shall equal the sum of the Employer's Claim Liability amounts calculated Monthly as described in Item 5. above for the indicated Policy Period. However, for the indicated Policy Period the minimum Point of Attachment shall be \$5,662,807.

b. The following applies if the answer to item 6. above is "Yes:" (Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims):

In the event of termination at the end of a Policy Period, Aggregate Stop Loss Coverage shall equal the amount of Final Settlement Paid Claims that exceed the Final Settlement Point of Attachment. Final Settlement Paid Claims shall equal the sum of the Paid Claims during the Final Policy Period and the Paid Claims during the Run-Off Period, less Individual (Specific) Stop Loss Claims, if any. The Final Settlement Point of Attachment shall equal the sum of the Employer's Claim Liability amount for the Final Policy Period and the Employer's Run-Off Claim Liability calculated as described in items 5. and 6. above. However, for the Final Settlement Period the minimum Point of Attachment shall be the minimum Point of Attachment in item 7.a. above increased by 15%.

8. Premium (Select one):

Annual Premium (Due on the first day of the Policy Period): \$11,948.00.

The following applies if the answer to item 6. above is "Yes:" (Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of a Policy Period, an additional premium amount equal to 15% of the Annual Premium will be due within 10 calendar days of receipt of the billing.

Monthly Premium shall be equal to the amounts obtained by multiplying the number of Individual and Family Coverage Units for a particular Month by:

\$_____ for each Coverage Unit

The following applies if the answer to item 6. above is "Yes:" (Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims):

In the event of termination at the end of a Policy Period, an additional premium amount equal to 15% of the annualized Premium based on the participation of the two months immediately preceding termination will be due within 10 calendar days of receipt of the billing.

9. The premium is based upon a current membership of 142 Individual Coverage Units and 263 Family Coverage Units.

B. Individual (Specific) Stop Loss Insurance: Yes No

If yes, complete items 1. through 6. below.

1. New Coverage Renewal of Existing Coverage

2. Stop Loss Coverage Period:

New Coverage (Select one from below):

Standard: Claims incurred and paid during the Policy Period.

Standard with "Run-in" included: Claims incurred on or after _____ and paid during the Policy Period.

"Run-in" includes claims paid by Policyholder's prior claim administrator: Yes No

If yes, such claims must be reported by the Policyholder to the Company (Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) within 12 months of the Effective Date of Policy and paid by the Policyholder's prior claim administrator within 6 months after the Effective Date of Policy.

Renewal of Existing Coverage:

Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Individual (Specific) Stop Loss Insurance shall apply to:

Medical Claims Vision Claims

Outpatient Prescription Drug Claims Dental Claims

For Hospital Employer Groups only: *Excludes* _____% of Home Hospital Medical claims

Other (please specify): _____

4. Individual (Specific) Stop Loss Coverage

a. Individual Stop Loss Coverage equals the amount of Paid Claims for a Covered Person during the current Policy Period in excess of the Point of Attachment of \$150,000 per Covered Person. Such amount shall apply for the Policy Period.

Point of Attachment Includes Claim Administrator's Provider Access Fee

Excludes Claim Administrator's Provider Access Fee

b. Employer's Claim Liability equals the sum of Paid Claims for a Covered Person during the Policy Period up to the Point of Attachment specified in 4.a. above.

5. Individual Stop Loss Coverage includes coverage of Run-Off Paid Claims: Yes No

The following applies if the answer to item 5. above is "Yes" (Individual Stop Loss Coverage includes coverage of Run-Off Paid Claims):

a. In the event of termination at the end of the Policy Period, Individual Stop Loss Coverage shall equal the amount of Final Settlement Paid Claims that exceed the Point of Attachment specified in 4.a. above. Final Settlement Paid Claims shall equal the sum of Paid Claims for a Covered Person during the Final Policy Period and the Run-Off Period.

b. In the event of termination at the end of the Policy Period, Employer's Final Settlement Claim Liability equals the sum of Paid Claims for a Covered Person during the Final Policy Period and Run-Off Period up to the Point of Attachment specified in Item 4.a. above.

Settlement for the final accounting period will be described in the section of the Policy entitled SETTLEMENTS.

6. Premium (select one):

Annual Premium (Due on the first day of the Policy Period): \$_____.

The following applies if the answer to item B.5. is "Yes" (Individual Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of a Policy Period, an additional premium amount equal to 20% of the Annual Premium will due within 10 calendar days of receipt of the billing.

Monthly Premium shall be equal to the amounts obtained by multiplying the number of Individual and Family Coverage Units for a particular Month by:

\$84.15 for each Coverage Unit

The following applies if the answer to item B.5. above is "Yes" (Individual Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of a Policy Period, an additional premium amount equal to 20% of the annualized Premium based on the participation of the two months immediately preceding termination will be due within 10 calendar days of receipt of the billing.

7. The premium is based upon a current membership of 142 Individual Coverage Units and 263 Family Coverage Units.**Additional Provisions:**

Renewal effective 1-1-17

1) Rate changes as shown above.

The undersigned person represents that he/she is authorized and responsible for purchasing stop loss coverage on behalf of the Employer Group. It is understood that the actual terms and conditions of coverage are those contained in this Exhibit and the Stop Loss Coverage Policy into which this Exhibit shall be incorporated at the time of acceptance by Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company ("HCSC"). Upon acceptance, HCSC shall issue a Stop Loss Coverage Policy to the Employer Group. Upon acceptance of this Exhibit and issuance of the Stop Loss Coverage Policy, the Employer Group shall be referred to as the "Policyholder."

Dee Mastro Holzkopf
Sales Representative

Signature of Authorized Purchaser

Brian Kafka
Name of Underwriter

Title of Authorized Purchaser

Date

INTERNAL USE ONLY

Date Application approved by Underwriting:
Name of Underwriter: