

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

<b>SUBJECT:</b>	<b>SUBMITTED BY:</b>
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:

<b>Vendor</b>	<b>Contract Item</b>	<b>FY2016 Amount</b>	<b>FY2017 Amount</b>	<b>Difference</b>
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	_____
<b>Subtotal</b>		\$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
<b>Total</b>		<b>\$993,502.48</b>	<b>\$1,024,795.24</b>	<b>\$31,292.76</b>

## 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 RENEWAL OF A  
GROUP DENTAL INSURANCE CONTRACT BETWEEN  
THE VILLAGE OF DOWNERS GROVE  
AND DELTA DENTAL 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 Renewal Contract (the "Renewal"), between the Village of Downers Grove (the "Village") and Delta Dental of Illinois ("DDIL"), for renewal of the employee dental insurance program effective January 1, 2017 through December 31, 2018, 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



[www.deltadentalil.com](http://www.deltadentalil.com)

September 23, 2016

RE: VILLAGE OF DOWNERS GROVE, Contract #8338

Renewal Notification: 1/1/2017

Enclosed is Delta Dental of Illinois' renewal package for VILLAGE OF DOWNERS GROVE. It includes your group's renewal rates and underwriting assumptions.

We are including two DeltaVision® quotes for one of our most popular plans for your review. The quote with the lower rates is based on the employer contributing at least 51% of the vision premium, and the quote with the higher rates is based on the employer contributing less than 50% of the vision premium.

We are giving Illinois residents without access to a group-based dental insurance plan a reason to smile. They can now enjoy the same great benefits that more than 2 million other Delta Dental of Illinois members do with individual dental insurance from Delta Dental of Illinois. Plans focus on preventive care and offer flexible coverage options, the freedom for members to select the dentist of their choice (the most out-of-pocket savings will be realized by using a Delta Dental PPO dentist), affordable rates and convenient automatic monthly withdrawals.

Also, we have recently partnered with Amalgamated Life Insurance Company (White Plains, NY, [amalgamatedlife.com](http://amalgamatedlife.com)), a leading provider of life and health insurance with its 39th consecutive "A" (Excellent) Rating from A.M. Best Company. Through this new partnership, Delta Dental of Illinois is now offering Amalgamated's life and disability insurance plans.

This new partnership brings fiscal strength and a demonstrated commitment to superior customer service and claims management, as you have come to expect from Delta Dental of Illinois. We would appreciate the opportunity to provide you with a life and disability quote. The required data elements necessary for a life quote are attached.

I welcome the opportunity to meet with you to review this information. If you have any questions or would like to schedule a meeting to discuss your renewal, please contact me. After you have reviewed the enclosed information, please indicate your acceptance of this renewal by signing and returning a copy of the signature page to us.

The entire Delta Dental of Illinois team values your business. We are honored that you selected us as your dental benefits carrier and we look forward to continuing our relationship for many years to come.

Sincerely,

Kathy Nelson  
Senior Account Manager  
Tel: 630-718-4774  
Fax: 630-983-4174  
[knelson@deltadentalil.com](mailto:knelson@deltadentalil.com)



**Renewal Package  
for  
VILLAGE OF DOWNERS GROVE**

**Presented By  
Delta Dental of Illinois (DDIL)**

**Kathy Nelson  
Senior Account Manager  
Delta Dental of Illinois  
111 Shuman Boulevard  
Naperville, IL 60563  
630-718-4774  
knelson@deltadentalil.com**

**This renewal is effective  
January 1, 2017  
through  
December 31, 2018**

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**Confidentiality Agreement**

By accepting this renewal, you agree that all information is confidential and has been provided by Delta Dental of Illinois for your use or that of the specified client only. Therefore, you agree not to disclose any information (except to the specified client, broker, consultant or agent) without the express written permission of Delta Dental of Illinois. It is acknowledged that information to be furnished in this renewal is in all respects confidential in nature, other than information that is available in the public domain through other means. Use or disclosure of information contained in this plan is strictly forbidden without obtaining written consent of Delta Dental of Illinois.

## Proposed Self Insured Renewal -- Current Plan

**\*\*CONCESSION PROVIDED 9/23/16**

Delta Dental PPO With Delta Dental Premier "Safety Net"			
	Current Rate	Proposed Rate	% Change
Admin Fee	\$4.53	\$4.53	0.0%

Administration fee is guaranteed **1/1/2017 through 12/31/2018**

	Current Premium Equivalent	Recommended Premium Equivalent	% Change
Single	\$38.67	\$41.26	6.7%
Family	\$119.36	\$127.35	6.7%

## Underwriting Assumptions

1. The proposed renewal fees are in effect **01/01/17** through **12/31/18**
2. Projections are based on 106 Singles, 263 Families.

Projected Annual Incurred Claims:	<b>\$434,331</b>
Projected Annual Administration Fee:	<b>\$20,059</b>
Projected Total Annual Cost:	<b>\$454,390</b>

3. All of our standard processing policies, limitations and exclusions apply.
4. During the current experience period, VILLAGE OF DOWNERS GROVE averaged 370 enrollees. If enrollment changes by more than 10% we reserve the right to revise our ASO fee.
5. Please acknowledge your acceptance of these terms and rates by signing below and returning this page.

**You can fax this letter to 630-983-4174, or mail attn: Kathy Nelson, Delta Dental of Illinois, 111 Shuman Boulevard, Naperville, IL 60563**

**If we do not receive notification from you at least 30 days prior to your renewal date, Delta Dental of Illinois will assume you agree to the proposed ASO fees and renew your current dental benefit plan.**

***AGREED AND ACCEPTED:***

VILLAGE OF DOWNERS GROVE, Contract #8338

By: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_



## Contact Sheet

**For questions about your renewal, please contact:**

Kathy Nelson, Senior Account Manager

630-718-4774

knelson@deltadentalil.com

Your Account Specialist will be able to assist you with any account-related questions you may have, as well as enrollment activities and fulfillment. **For questions about ongoing account administration, claims and other account inquiries, please contact:**

Leslie Tyson

Account Specialist

630-718-4766

ltyson@deltadentalil.com

**Your enrollees can reach Delta Dental of Illinois' Customer Service department by calling**

**1-800-323-1743**