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 A RENEWAL AGREEMENT BETWEEN THE VILLAGE OF DOWNERS GROVE AND HUMANA

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 Medicare Advantage Employer Plan Renewal (the "Renewal"), between the Village of Downers Grove (the "Policy Holder") and Humana (the "Company"), for Medicare Advantage insurance for retirees over 65, effective January 1, 2017 through December 31, 2017, as set forth in the form of the documents 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

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Humana.

08/03/2016

Dennis Burke
Village of Downers Grove
801 Burlington Grove
Downers Grove, IL 60515

Renew Your Humana Medicare Advantage Employer Plan

Dear Dennis Burke,

Thank you for choosing the Humana Medicare Advantage Employer Plan. We appreciate your continued business and your trust. Below is information related to your 2017 renewal.

We work continuously to provide your retirees with benefits above and beyond Original Medicare and keep your group's medical costs below unmanaged secondary plans. As one of the largest Medicare Advantage plan carriers in the country, we feel strongly that our plans continue to offer long term, sustainable value for clients like you.

Humana uses several methods to mitigate the cost of care while improving the well-being of your retirees. Our integrated care delivery model offers an enhanced patient experience through sophisticated clinical program outreach and value-based physician partnerships that improve health outcomes and create long-term value. Humana is actively and efficiently engaging your members in these activities whenever possible.

Several factors can affect your rate, including:

- CMS reimbursement changes
- Current costs of care in your area
- Group demographics and risk score
- Utilization of services

The new rate is effective January 1, 2017. It is important that we receive acceptance of your renewal no later than September 1, 2016. This will ensure we meet CMS requirements and provide on-time delivery of member materials.

If you'd like to know how we could assist more of your retirees or offer additional products and services, please contact me. Please also sign and return the enclosed "Humana Medicare Advantage Employer Plan Renewal" form no later than **September 1, 2016** to accept the plan's benefits and rates and continue the plan in the coming year.

If you have any questions, please let me know.

Sincerely,

Chi Phan
Account Executive
502-580-5136

Enclosure: 2017 renewal package

Humana.

Humana Medicare Advantage Employer Plan Renewal

In signing this document, you are accepting the renewal, effective January 1, 2017, of the Group Medicare plan(s) submitted by your Humana Account Executive and described in the enclosed renewal package.

2017 Plan/Option: LPPO 079/066 RX 66

You, the Plan Sponsor, understand, acknowledge, and agree that:

- You have carefully reviewed the renewal letter and the enclosed renewal package.
- Only individuals who meet the eligibility requirements of the plan are eligible to maintain coverage.
- Providing incomplete, inaccurate, or untimely information may void, reduce, or increase premium, or terminate an individual's coverage or the plan coverage.
- The Plan Sponsor can subsidize different premium amounts for different classes of enrollees in a plan provided such classes are reasonable and based on objective business criteria, such as years of service, date of retirement, business location, job category, and nature of compensation (e.g., salaried vs. hourly). Different classes cannot be based on eligibility for the Part D Low-Income Subsidy (LIS). The premium cannot vary for individuals within a given class of enrollees.
- With regard to the Part D premium, the Plan Sponsor cannot charge an enrollee for prescription drug coverage provided under the MA plan more than the sum of his or her monthly beneficiary premium attributable to basic prescription drug coverage and 100% of the monthly beneficiary premium attributable to his or her non-Medicare Part D benefits (if any).
- Also with regard to the Part D premium, the Plan Sponsor must pass through any direct subsidy payments received from CMS to reduce the amount that the beneficiary pays (or in those instances where the subscriber to or participant in the plan pays premiums on behalf of a Medicare eligible spouse or dependent, the amount the subscriber or participant pays).
- If plan enrollees are entitled to a reduction of their premium as Part D LIS enrollees and Humana receives a Low-Income Premium Subsidy for such enrollees, Humana will pass the Low-Income Premium Subsidy amount through to the LIS enrollees to reduce their premiums.

Organization: _____

Signature: _____

Title: _____

Date: _____

Important reminder: Please sign and return your acceptance right away to ensure we receive it by **September 1, 2016**. Be sure to keep a copy for your records.

Humana is a Medicare Advantage organization with a Medicare contract. Enrollment in a Humana plan depends on contract renewal.

Humana®

Humana Medicare Employer Plan – Premium Information

VILLAGE OF DOWNERS GROVE - PPO

Date:	10/12/2016
Plan Year:	January 1, 2017 through December 31, 2017
	Humana Medicare Employer Plan
Plan Names:	Passive LPPO 079 066 with Rx66 $10/$30/$60/33% from $0 to Catastrophic
	Passive Waiver 079 066 with Rx66 $10/$30/$60/33% from $0 to Catastrophic
Rx Formulary:	Group Plus Formulary - 17800

Blended Rate	**$388.33 Per Member Per Month**

Passive LPPO 079 066 Medical and Rx Benefit Overview

	(In-Network Benefits match Out-of-Network Benefits)
Deductible	None
Inpatient Acute Hospital	$0 Copayment per Admission
Skilled Nursing Facility	$0 Copayment (Days 1-100)
Physician Office Visits	$10 Copayment
Specialist Office Visits	$20 Copayment
Outpatient Surgical	$0 Copayment
Ambulance	$0 Copayment
Emergency Room	$0 Copayment
Medical Maximum Out of Pocket	$1,000 Combined (Medicare Covered Services)
Prescription Drugs (Retail 30 day supply)	Rx66 $10/$30/$60/33% from $0 to Catastrophic

Passive Waiver 079 066 Medical and Rx Benefit Overview

	(In-Network Benefits match Out-of-Network Benefits)
Deductible	None
Inpatient Acute Hospital	$0 Copayment per Admission
Skilled Nursing Facility	$0 Copayment (Days 1-100)
Physician Office Visits	$10 Copayment
Specialist Office Visits	$20 Copayment
Outpatient Surgical	$0 Copayment
Ambulance	$0 Copayment
Emergency Room	$0 Copayment
Medical Maximum Out of Pocket	$1,000 Combined (Medicare Covered Services)
Prescription Drugs (Retail 30 day supply)	Rx66 $10/$30/$60/33% from $0 to Catastrophic

See attached sheet for rating assumptions and stipulations

Humana

Humana Medicare Employer Plan – **Rating Assumptions and Stipulations**

VILLAGE OF DOWNERS GROVE - PPO

The following assumptions and stipulations apply to the rates provided:

The quoted rates are valid only for the specified effective date and are offered for the time period specified.

In the event that the effective date is other than 01/01/2017-12/31/2017, the rates are subject to change.

In order to implement this plan effectively, an implementation meeting must be held with Humana 90 days prior to the effective date.

The premium(s) and plan(s) quoted cannot be altered or adjusted in any way, up or down, without Humana's approval.

This proposal assumes all members are retired and enrolled in Medicare Part A and Part B.

This quote is on an incurred basis. Humana will be responsible for all eligible claims incurred on or after the effective date through the end of the contract period.

These rates are based on the assumption there is no secondary plan wrapping around Humana's Medicare Advantage plan and/or Part D plan.

This proposal is based on a minimum average Employer contribution to premium of 26%.

Humana follows CMS rules and regulations regarding enrollment and eligibility into the Medicare Employer plans. CMS has strict guidelines in regards to a carrier's ability to accept members with a diagnosis of End Stage Renal Disease (ESRD). Outside of the initial open enrollment period and "aging-in" to the plan, there are very few times when Humana can accept Medicare members with an ESRD diagnosis.

The benefits presented on the previous page are a high-level summary. Please consult the summary of benefits for a more detailed list of benefits provided in the Humana MA plan and or the prescription drug plan (MAPD and PDP). Due to annual changes in CMS mandated benefits, final benefits may differ for certain service categories.

Although this proposal may include multiple plans/options for the Employer Sponsored Medicare Advantage Plan, Humana reserves the right to limit the number of plans/options based on the offering environment and the total number of Medicare eligible retirees. For example, the group cannot offer an MAPD plan in combination with an MA only. Final plan selection requires approval by underwriting prior to implementation.

The rates are contingent upon the majority of retirees (51% or more) residing in a Humana MedicareAdvantage network service area. The enrollment will be based on the retiree’s primary residence as defined by CMS.

The information and materials provided for evaluation of this quote were assumed to be correct. If material errors or omissions are found after the quote is issued, Humana reserves the right to revise or rescind the quote.

Should there be any changes in the Patient Protection and Affordable Care Act or other federal regulations or CMS instructions or interpretation that affect Medicare Advantage (and/or Part D) products and/or reimbursements, Humana reserves the right to adjust the proposed rates and/or benefits.

Humana Medicare Employer Plan – **Rating Assumptions and Stipulations**

VILLAGE OF DOWNERS GROVE - PPO

The following assumptions and stipulations apply to the rates provided:

The quoted rates are valid only for the specified effective date and are offered for the time period specified. Federal regulations enable Social Security to charge higher Medicare Part B and Part D premiums for beneficiaries considered “higher-income.” (Medicare beneficiaries with modified adjusted gross income above specific thresholds.) If applicable, this amount is typically deducted from the beneficiary’s monthly Social Security payment and is not factored into the Medicare Advantage rates listed above.

The group/member premium includes an ACA Industry Fee imposed by the Patient Protection and Affordable Care Act. (Not Applicable in 2017)

The quoted rates do not include a possible reduction for those eligible for the Center for Medicare and Medicaid Services (CMS) regulated low income subsidy.

Humana has quoted our Group Plus formulary. This proposal assumes a Humana Pharmacy solutions standard Group Plus drug list with standard utilization management programs including quantity limits, prior authorization and step therapy. Humana continually updates its drug list and quantity limits, and ensures these updates are in accordance with CMS regulations. Pricing is subject to change in the event the group elects to deviate from the above assumptions.

The quoted rates are based on Humana’s MA plan being the only option for Medicare eligible retirees.

If the enrolled membership differs from the census by more than 10%, Humana reserves the right to revise or rescind the quote.