

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
AMENDMENT #3 TO JOINDER AGREEMENT BETWEEN
THE VILLAGE OF DOWNERS GROVE
AND NATIONAL INSURANCE SERVICES TRUST
FOR LONG TERM DISABILITY INSURANCE**

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 Amendment (the "Amendment"), between the Village of Downers Grove (the "Village") and National Insurances Services Trust, ("National Insurance Services Trust"), for long term disability insurance, effective January 1, 2017 through December 31, 2017, as set forth in the form of the Amendment 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 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 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 #3 TO
NATIONAL INSURANCE SERVICES TRUST
JOINDER AGREEMENT FOR
LONG-TERM DISABILITY INSURANCE**

Carrier No: 1190

Carrier: MNL

Employer Name: DOWNERS GROVE VILLAGE

State: IL

Employee Classification: All Insured Classifications

This Amendment effective January 1, 2017, made part of the National Insurance Services Trust Joinder Agreement (the "Agreement") by and between the Administrator of the National Insurance Services Trust and **DOWNERS GROVE VILLAGE**, (the "Employer"), amends certain provisions of the "Agreement" as specified below. Provisions under this Amendment are subject to all the terms and conditions, limitations and exclusions of the entire contract, unless otherwise stated herein.

Benefit Change(s): None

Rates: The premium rate will remain unchanged at .200% (.00200) of covered payroll.

The above rates are guaranteed until December 31, 2017. This rate guarantee will not pertain to adjustments in premium rate due to amendments requested by the Employer.

This Amendment becomes a part of the entire contract. It shall continue in force under the same provisions that govern the entire contract. All other terms, provisions and conditions of the entire contract remain unchanged except as stated above.

Accepted this _____ day of _____, 20____, for the above-named Employer.

By: _____
SignatureBy: _____
Signature_____
Print Name and Title_____
Print Name and Title

Accepted for
NATIONAL INSURANCE SERVICES TRUST
by Administrator, National Insurance
Services of Wisconsin, Inc.



Date: October 5, 2016

This signed and executed Amendment must be returned within 20 working days of the date of the Administrator's signature in order to insure acceptance of the Amendment as outlined.