

**VILLAGE OF DOWNERS GROVE**  
**Report for the Village Council Meeting**  
**10/17/2017**

<b>SUBJECT:</b>	<b>SUBMITTED BY:</b>
Employee Benefits Renewal Contracts and Medical Plan Amendments for FY2018	Dennis Burke Director of Human Resources

**SYNOPSIS**

Resolutions have been prepared to authorize approval of employee benefits renewal contracts and plan amendments for FY18.

**STRATEGIC PLAN ALIGNMENT**

The goals for 2017-2019 include *Steward of Financial Sustainability*.

**FISCAL IMPACT**

The FY18 Proposed budget includes \$1,136,937 in the Health Insurance Fund (Page 4-7, Lines 17 and 18) for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY17 and FY18 are itemized below:

<b>Vendor</b>	<b>Contract Item</b>	<b>FY2017 Amount</b>	<b>FY2018 Amount</b>	<b>Difference</b>
Blue Cross/Blue Shield	Medical Claim Administration	\$230,378	\$193,008	(\$37,370)
Blue Cross/Blue Shield	Specific and Aggregate Stop Loss	\$410,989	\$506,390	\$95,401
<b>Subtotal</b>		\$641,367	\$699,398	\$58,031
Humana	Medicare Advantage Program for Retirees over 65	\$241,382	\$299,214	\$57,832
National Insurance Services Trust	Life Insurance	\$83,504	\$83,504	--
National Insurance Services Trust	Disability Benefits	\$27,666	\$27,666	--
Genesis		\$20,200	\$20,200	--
<b>Total</b>		<b>\$1,014,119</b>	<b>\$1,129,982</b>	<b>\$115,863</b>

**RECOMMENDATION**

Approval on the October 17, 2017 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 FY18 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 2018 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 2018 for claims administration. Blue Cross also charges a fee to access their PPO network. The fee is offset by the significant savings the Village realizes through the Blue Cross PPO discounts. Total annual costs for medical claims administration for 2018 which includes the PPO access fee are \$193,008.

*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. The Village does obtain alternative quotes on stop loss coverage on an annual basis. Blue Cross's quote for stop loss totals \$506,390 annually. The increase for stop loss from last year is due to four (4) participants in the health plan exceeding the \$150,000 limit. Rather than increasing the stop loss amount for these individuals, meaning the Village could pay more of its own funds before the insurance policy would begin paying, BCBC has agreed to increase the overall premium for 2018. Ultimately, this will save the Village money, and is in the best interest of the Village's Health Plan.

- *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 2018 are \$299,214. The increase on premium is due to ten (10) people going off the Village's Self Insured Plan into Humana. 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 FY18 are \$27,666.

- *Life Insurance* - Life Insurance is offered as an employee benefit. The premium for Life Insurance for 2018 is \$83,504.
- *Vebe Health Savings* – Under the Village of Downers Grove medical program, employees are able to participate in a “VEBA Savings Plan” (oftentimes referred to as a health reimbursement account or HRA). The Village contracts with Genesis America’s VEBA for administration of the HRA. Administrative fees for 2018 are \$20,200.

## **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, 2018 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

**BlueCross BlueShield  
of Illinois**

**EXHIBIT TO THE  
STOP LOSS COVERAGE POLICY**

**Employer Group Name:** Village of Downers Grove  
**Employer Group Address:** 801 Burlington Avenue  
**City:** Downers Grove **State of Situs:** IL **Zip Code:** 60515  
**Account Number:** 365058  
**Employer Group Number(s):** P65060, P65061  
**Current Effective Date of Policy** January 1, 2018  
**Current Policy Period:** These specifications are for the Policy Period commencing on January 1, 2018 and ending on January 1, 2019

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 Coverage:**  Yes  No  
 If yes, complete items 1. through 9. below.

1.  New Coverage  Renewal of Existing Coverage

2. Stop Loss Coverage during the current Policy Period:

New Coverage (Select one from below):

Incurred and paid during the Policy Period: Claims incurred and paid from \_\_\_\_\_ to \_\_\_\_\_

Run-in coverage: Claims incurred from \_\_\_\_\_ to \_\_\_\_\_  
 and Claims paid from \_\_\_\_\_ to \_\_\_\_\_

If coverage is for claims incurred prior to the effective date of the Policy and paid by Policyholder's prior claim administrator, then 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) and paid by the Policyholder's prior claim administrator by the end of the current Policy Period.

Renewal of Existing Coverage:

Claim Administrator's Claims: Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Aggregate Stop Loss Coverage shall apply to:

Medical Claims

Vision Claims

Outpatient Prescription Drug Claims with Company's Pharmacy Benefit Manager

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

Outpatient Prescription Drug Claims with Policyholder's Pharmacy Benefit Manager: \_\_\_\_\_

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:

a. 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

\$\_\_\_\_\_ for each Family 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 (2) 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 Claims:

a. The amount of Paid Claims during the current Policy Period, less Individual (Specific) Stop Loss Claims if any, that exceeds the Aggregate Point of Attachment. The Aggregate Point of Attachment shall equal the sum of the Employer's Claim Liability amounts calculated Monthly as described in item A.5. above for the current Policy Period. However, for the current Policy Period the minimum Aggregate Point of Attachment shall be \$5,565,412.

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

In the event of termination at the end of the current Policy Period, Aggregate Stop Loss Coverage shall equal the amount of Final Settlement Paid Claims that exceed the Final Settlement Aggregate 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 A.5. and A.6. above. However, for the Final Settlement Period the minimum Aggregate Point of Attachment shall be the minimum Aggregate Point of Attachment in item A.7.a. above increased by 15%.

c. The amount of "Run-in" Claims that is excluded from Individual (Specific) Stop Loss Coverage in item B.2. is also not eligible for Aggregate Stop Loss coverage.

8. Stop Loss Premium (Select one):

Annual Premium (Due on the first day of the current Policy Period): \$12,374.

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

\$\_\_\_\_\_ for each Family Coverage Unit

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

In the event of termination at the end of the current Policy Period, an additional Premium amount equal to 15% of the annualized Premium based on the participation of the two (2) months immediately preceding termination will be due within ten (10) calendar days of receipt of the billing.

9. The premium is based upon a current membership of 131 Individual Coverage Units and 269 Family Coverage Units.

**B. Individual (Specific) Stop Loss Coverage:**  Yes  No

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

1.  New Coverage  Renewal of Existing Coverage

2. Stop Loss Coverage during the current Policy Period:

New Coverage (Select one from below):

Incurred and paid during the Policy Period: Claims incurred and paid from \_\_\_\_\_ to \_\_\_\_\_

Run-in coverage: Claims incurred from \_\_\_\_\_ to \_\_\_\_\_ and Claims paid from \_\_\_\_\_ to \_\_\_\_\_

If coverage is for claims incurred prior to the effective date of the Policy and paid by Policyholder's prior claim administrator, then 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) paid by the Policyholder's prior claim administrator by the end of the current Policy Period.

Renewal of Existing Coverage:

Claim Administrator's Claims: Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

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

Medical Claims  Vision Claims

Outpatient Prescription Drug Claims with Company's Pharmacy Benefit Manager  Dental Claims

Outpatient Prescription Drug Claims with Policyholder's Pharmacy Benefit Manager:

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

Other (please specify): \_\_\_\_\_

4. Individual (Specific) Stop Loss Claims

For each other Covered Person:

- a. Individual (Specific) Stop Loss Coverage equals the amount of Paid Claims for a Covered Person during the current Policy Period in excess of the Individual Point of Attachment of \$150000 per Covered Person. Such amount shall apply for the current 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 current Policy Period up to the Point of Attachment specified in item B.4.a. above.

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

The following applies if the answer to item B.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 current Policy Period, Individual (Specific) Stop Loss Coverage shall equal the amount of Final Settlement Paid Claims that exceed the Point of Attachment specified in B.4. 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 (beginning on \_\_\_\_\_ and ending on \_\_\_\_\_).
- b. In the event of termination at the end of the current 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 B.4.a. above.

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

6. Stop Loss Premium (select one):

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

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

\$102.92 for each Coverage Unit

\$\_\_\_\_\_ for each Family Coverage Unit

The following applies if the answer to item B.5. above is "Yes" (Individual (Specific) Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of the current Policy Period, an additional premium amount equal to 20% of the annualized Premium based on the participation of the two (2) months immediately preceding termination will be due within ten (10) calendar days of receipt of the billing.

7. The premium is based upon a current membership of 131 Individual Coverage Units and 269 Family Coverage Units.

**Additional Provisions:**

Retirees Covered: Yes  No

Renewing effective 01/01/2018

The undersigned person represents that he/she is authorized and responsible for purchasing stop loss coverage on behalf of the Employer. 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. Upon acceptance of this Exhibit and issuance of the Stop Loss Coverage Policy, the Employer shall be referred to as the "Policyholder."

Dee Mastro Holzkopf  
Sales Representative

Signature of Authorized Purchaser

Annette Norkus  
Name of Underwriter

Title of Authorized Purchaser

Signature of Underwriter

Date

INTERNAL USE ONLY	Date Application approved by Underwriting: Name of Underwriter:
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