

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

SUBJECT:	SUBMITTED BY:
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:

Vendor	Contract Item	FY2017 Amount	FY2018 Amount	Difference
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
Subtotal		\$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	--
Total		\$1,014,119	\$1,129,982	\$115,863

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 AMENDMENT #1 TO NATIONAL
INSURANCE SERVICES TRUST JOINDER AGREEMENT
FOR GROUP LIFE 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 #1 to a Joinder Agreement (the "Amendment"), between the Village of Downers Grove (the "Village") and National Insurance Services Trust ("National Insurance Services Trust"), for group life insurance, effective January 1, 2018 through December 31, 2018, 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 #1 TO
NATIONAL INSURANCE SERVICES TRUST
JOINDER AGREEMENT FOR
GROUP TERM LIFE INSURANCE**

Employer Plan No: 4116

Carrier: MNL

Employer: Village of Downers Grove

State: IL

Employee Class: All Insured Classifications

This Amendment effective January 1, 2018, made part of the National Insurance Services Trust Joinder Agreement (the "Agreement") by and between the Administrator of the National Insurance Services Trust and **Village of Downers Grove**, (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:

- Employee Basic Life: Rate shall remain unchanged at \$0.14/\$1,000.
- Employee Basic AD&D: Rate shall remain unchanged at \$0.03/\$1,000.
- Retiree Basic Life: Rate shall remain unchanged at \$0.14/\$1,000.

The above rates are guaranteed until December 31, 2018. 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: _____
Signature

By: _____
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, 2017

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.