

**VILLAGE OF DOWNERS GROVE**  
Report for the Village

<b>SUBJECT:</b>	<b>10/1/2019</b>	<b>SUBMITTED BY:</b>
Employe Benefits Renewal Contracts and Medical Plan Amendments for FY 2020		Dennis Burke Director of Human Resources

**SYNOPSIS**

Resolutions have been prepared to authorize approval of employee benefits renewal contracts and plan amendments for FY 2020.

**STRATEGIC PLAN ALIGNMENT**

The goals for 2017-2019 include *Steward of Financial, Neighborhood and Environmental Sustainability*.

**FISCAL IMPACT**

The Proposed FY20 health insurance budget includes \$1,650,095 for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY19 and FY20 are itemized below:

<b>Vendor</b>	<b>Contract Item</b>	<b>FY2019 Amount</b>	<b>FY2020 Amount</b>
Blue Cross/Blue Shield	Medical Claim Administration	\$150,822.00	\$91,834.00
Blue Cross/Blue Shield	Specific and Aggregate Stop Loss	\$568,210.00	\$785,492.00
<b>Subtotal</b>		<b>\$719,032.00</b>	<b>\$877,326.00</b>
National Insurance Services Trust	Life Insurance	\$83,504.00	\$83,504.00
National Insurance Services Trust	Disability Benefits	\$23,746.00	\$23,746.00
TASC	Veba Health Savings	\$28,089.90	\$28,089.90
Humana	Retiree Carve Out	\$288,207.00	\$339,361.00
Eye Med	Vision	\$30,341.76	\$33,294.12
Perspectives	Employee Assistance Program	\$11,000.00	\$9,350.00
<b>Grand Total</b>		<b>\$1,183,920.66</b>	<b>\$1,394,671.02</b>

**RECOMMENDATION**

Approval on the October 1, 2019 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 FY20 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 2020 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 2020 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. The Village made positive changes to the plan design which was recognized by Blue Cross that provided a more positive renewal cost which includes an increase in prescription drug credits. Total annual costs for medical claims administration for 2020, which includes the PPO access fee, are \$91,834. This represents a decrease of \$58,988 from the previous year.
- *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 2020 the consultant determined that the Village should remain at the current \$150,000 specific stop loss level. Due to a high volume of claims that reached the \$150,000 stop loss level the Village expected an increase in the Stop Loss premium. The Village does obtain alternative quotes on stop loss coverage on an annual basis. Blue Cross's quote for stop loss totals \$785,492 annually. The increase of \$190,282 for stop loss from last year is due to 11 participants in the health plan exceeding the \$150,000 limit. Instead of red lining these four individuals at higher levels of stop loss at a higher rate, the underwriter added to the premium and kept all participants at \$150,000 stop loss, which is in the best interest of the Village's Health Plan.
- *Life Insurance* – Life Insurance is offered as an employee benefit. The premium for Life Insurance for 2020 is \$83,504. This premium reflects no increase from the previous year.
- *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 FY20 is \$23,746. This premium reflects no increase from the previous year.
- *VeBa 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 TASC for administration of the HRA. Administrative Fees for FY20 are \$28,089.90.

- *Retiree Carve Out* – Village employees and their eligible spouses that are on the Village's Health Insurance Plan go to the Retiree Carve Out when they reach Medicare age at 65 years old. In 2012, the Village through the Broker found a Humana Supplement plan for these retirees is provided thereby removing them from the Village's Self-Insurance Program. The Village pays the premium and invoices those premiums to the respective retirees. However, those employees that retired prior to the change in Village Ordinance on 9/9/2009 receive credit of 50% of premium. The premium for 2020 is \$339,361. The increase from the previous year is due to eleven (11) new plan participants and a tax of \$16.88 a month per participant.
- *Vision* – The Village provides employees a vision program which is administered by Eye Med Plan of Illinois. Under this program, employees utilize network providers where services are received at discounted rates and benefits are primarily paid in full two years for frames and one year for lenses. Fees for administration of the Eye Med program for 2020 are \$33,294.12. The increase of \$2,952.24 is reasonable according to the Village's Broker and the quote is for four (4) years to 2023.
- *Employee Assistance Program* – Perspectives provides employee assistance programs for all Village employees. These programs include individual Counseling, Family Counseling, Debt Consolidation, Legal Counseling and more. Because the Village has been a good customer, Perspectives has offered a three (3) year contract through December 31, 2022, as well as a 15% discount. The fee will be \$9,350. This is a decrease of \$1,650 from last year.

## **ATTACHMENTS**

Resolutions

Contracts

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION AUTHORIZING A RENEWAL AGREEMENT  
BETWEEN THE VILLAGE OF DOWNERS GROVE  
AND HUMANA  
FOR MEDICARE ADVANTAGE INSURANCE FOR RETIREES OVER 65**

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, 2020 through December 31, 2020, 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



8/7/2019

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

### **Renew Your Humana Group Medicare Advantage Plan**

Dear Dennis Burke,

Thank you for choosing the Humana Group Medicare Advantage Plan. We appreciate your continued business and your trust. Below is information related to your 2020 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, 2020. It is important that we receive acceptance of your renewal no later than September 1, 2019. 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 Group Medicare Advantage Plan Renewal" form no later than **September 1, 2019** 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 Management Professional  
502-551-3247

Enclosure: 2020 renewal package





## Humana Group Medicare Advantage Plan Renewal

In signing this document, you are accepting the renewal, effective January 1, 2020, of the Group Medicare plan(s) submitted by your Humana Account Executive and described in the enclosed renewal package.

### 2020 Plan/Option: LPP0 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: 1) 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), 2) the premium cannot vary for individuals within a given class of enrollees, and 3) 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). With regard to the Part D premium, different classes of enrollees cannot be based on eligibility for the Part D Low-Income Subsidy (LIS).
- 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.
- With regard to the Part D premium, the Plan Sponsor cannot charge an enrollee for prescription drug coverage provided under the PDP/MAPD 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).

Organization: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

**Important reminder:** Please sign and return your acceptance right away to ensure we receive it by **September 1, 2019**. 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 Medicare Employer Plan – Premium Information

### VILLAGE OF DOWNERS GROVE - PPO

**Date:** 8/4/2019  
 Humana Medicare Employer Plan

**Plan Names:** Passive PPO 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 - 20800

Plan Year	Blended Rate (excluding ACA Health Insurer Fee)	ACA Health Insurer Fee	Premium Stabilization Adjustment	Total Blended Rate (Per Member Per Month)
1/1/2020 - 12/31/2020	\$375.94	\$33.68	(\$16.84)	\$392.78

### Passive PPO 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. The benefits presented above are a high-level summary. Please consult the Plan Design Exhibit for a more detailed list of covered services, member cost shares, services subject to deductibles and any plan limitations.\*\*\*



## Humana Medicare Employer Plan – Rating Assumptions and Stipulations

### VILLAGE OF DOWNERS GROVE - PPO

#### Proposal Terms

The benefits presented on the previous page are a high-level summary. Please consult the Plan Design Exhibit for a more detailed outline of the benefits proposed. Final benefits may differ due to annual changes in CMS benefit requirements.

For members with End Stage Renal Disease (ESRD), the Humana Group Medicare Advantage Plan is only offered to eligible members who are diagnosed and enrolled in a manner that is consistent with applicable Medicare secondary laws, and the rules and regulations set forth by CMS.

The rates provided do not reflect any potential premium adjustments provided by Center for Medicare and Medicaid Services (CMS) or federal regulations based on a Medicare beneficiary's income.

Humana will hold the proposed rate(s) unless there are material changes to existing or implementation of new federal regulations that would impact Group Medicare.

**Humana will hold the proposed rates, assuming all of the information provided is accurate, and could be subject to change should any of the following differ:**

All members are retired and enrolled in Medicare Part A and Part B.

A minimum average employer contribution level of 50% of the proposed premium for the plan.

A majority of members' (51% or more) primary residence is in an adequate Humana Medicare Advantage network service area. Humana will monitor network adequacy throughout the year to confirm standards are met.

Enrolled membership should not change from current, or differ from the information provided, by more than 10% per year.

Humana's Medicare Advantage plan is the only plan offered and there is no additional secondary plan wrapping around or offered in conjunction with this plan for all current and future Medicare eligible retirees.

Part D, administered by Humana Pharmacy Solutions, will utilize Humana's Group Plus formulary and include utilization management programs such as: 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.

Benefits, deductibles, maximum out of pocket accumulators, and any applicable pharmacy TrOOP accumulators will be reset on January 1 each year.

We are pleased to present this Humana Group Medicare Advantage proposal to you and assume all information provided is accurate with the understanding if there is a material change from the current offering environment, Humana has the right to revise or rescind the quote.