

VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting

SUBJECT:	10/18/2022	SUBMITTED BY:
Employee Benefits Renewal Contracts and Medical Plan Amendments for FY2023		Lauren Linares Director of Human Resources

SYNOPSIS

Resolutions have been prepared to authorize approval of employee benefits renewal contracts and plan amendments for FY2023.

STRATEGIC PLAN ALIGNMENT

The goals for 2021-2023 include *Steward of Financial, Neighborhood and Environmental Sustainability*.

FISCAL IMPACT

The proposed FY2023 health insurance budget includes \$1,313,305 for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY2022 and FY2023 are itemized below:

Vendor	Contract Item	FY2023 Amount	FY2022 Amount
Blue Cross Blue Shield	Medical Claim Administration	(\$22,128)	(\$134,677)
Blue Cross Blue Shield	Specific and Aggregate Stop Loss	\$855,504	\$865,929
Subtotal		\$833,376	\$731,252
Blue Cross Blue Shield	Life Insurance	\$80,047	\$80,047
Blue Cross Blue Shield	Disability Benefits	\$24,732	\$24,732
MidAmerica	VEBA Health Savings	\$6,240	\$28,809
Humana	Retiree Carve Out	\$239,139	\$269,232
Professional Benefit Administrators	COBRA & Flexible Spending	\$10,385	\$9,276
Delta Dental	Dental Insurance Administration	\$20,490	\$20,092
Total		\$1,214,409	\$1,163,440

RECOMMENDATION

Approval on the October 18, 2022 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 \$8.1 million as shown in the FY2023 Proposed Budget. The budget also describes how the Village has positioned itself to effectively control health insurance costs.

A summary of the 2023 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 provided a renewal quote for 2023 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 health insurance plan is consumer centric, which includes an opportunity for employees to partake in a Wellness Screening initiative. Employee participation drives a Blue Cross one-time Wellness Credit to the plan. Total annual costs for medical claims administration for 2023 is a credit of \$22,128. Note, this credit diminished compared to FY2022, due to an increase in monthly administrative fees and a decrease in prescription drug rebate credit.
- *Stop Loss Coverage* – The Village purchases stop loss coverage to limit 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 2023, the consultant determined that the Village should remain at the current \$150,000 specific stop loss level. Despite a market Stop Loss premium increase of 9.9%, due to inflation, the Horton Group renegotiated our premium with a .8% savings compared to 2022 rates – a discount offered due to continued bundling of life insurance coverage with Blue Cross Blue Shield.
- *Vebe Health Savings* – Under the Village's medical program, employees may participate in a "VEBA Savings Plan" (oftentimes referred to as a health reimbursement account or HRA) by electing Blue Cross Blue Shield's 2500 deductible medical plan. In FY22, the Village contracted services with TASC for administration of the HRA. However, due to implementation issues with TASC's software upgrade in 2021, and other administrative issues throughout 2022, the Village's partnership with the vendor became burdensome. Encouraged by the Village's consultant, the Horton Group, the Village now

prepares to transition the “VEBA Savings Plan” to MidAmerica. This implementation will streamline administrative services, and also lower annual premium costs from \$28,809 to an estimated \$6,240.

- *Life Insurance* – Life Insurance is offered as an employee benefit and will continue at the same rate under Blue Cross Blue Shield through FY23.
- *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. In 2022, it was decided to change vendors to Blue Cross Blue Shield and will continue at the same rate through FY23.
- *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 become Medicare eligible at age 65. In 2012, the Village, through its Broker, found a Humana Supplement plan to offer Medicare eligible retirees, thereby transitioning this group away from the Village’s Self-Insurance Program. The Village pays the premium and invoices those premiums to the respective retirees. Employees that retired prior to the change in Village Ordinance on 9/9/2009, receive a credit of 50% of premium. The premium for 2023 is \$239,139. This premium amount decreased compared to FY22, totaling a savings of \$30,093. The cost savings is due to the Inflation Reduction Act, which will provide much needed financial relief and increase access to affordable drugs for those enrolled in Medicare.
- *COBRA & Flexible Spending* – Professional Benefit Administrators (PBA) provides medical and dependent flexible spending accounts for Village employees and the continuation of health coverage (COBRA) for separating employees and their families. Despite no change in rates for FY23, the premium is expected to increase by \$1,109 to account for COBRA fees related to employee turnover.
- *Dental Insurance* – 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 FY23 are \$20,490. This figure shows a slight increase of \$398, due to the increase in membership.

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 "Employer Group") and Blue Cross/Blue Shield of Illinois, (the "Company"), for stop loss insurance coverage effective January 1, 2023 through December 31, 2023, 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

APPLICATION AND POLICY SCHEDULE FOR STOP LOSS COVERAGE

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
Original Effective Date of Stop Loss Policy: 01/01/2011
Current Policy Effective Date: 01/01/2023
Current Policy Period The specifications set forth in this Application are for the Policy Period commencing on 01/01/2023 and ending on 12/31/2023.

The specifications below shall become effective on the first date 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 Application is superseded in whole or in part by a later executed Application.

A. Covered Employees:

Number of Single Coverage Units: 141
 Number of Family Coverage Units: 259

B. Individual Stop Loss Coverage:

1. New Coverage Renewal of Existing Coverage

2. Stop Loss coverage during the Current Policy Period

Choose an item
 Coverage for Claims incurred from _____ to _____ and Claims paid from _____ to _____.

For new coverage only, if a run-in contract as explained in the Stop Loss Policy (24/12, 18/12, or 15/12 coverage period) is purchased, claims paid by the Employer Group's prior claim administrator will be settled at the time of the annual stop loss settlement and must be reported by the Employer Group to the Company (Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) by the end of the Employer Group's Current Policy Period or stop loss coverage for these run-in claims will be forfeited.

(Paid Renewal Only) Claim Administrators Claims: Claims incurred on or after the Original Effective Date of Policy and paid during the Policy Period.

3. Covered Expenses includes:

- Medical Claims:
 - Claim Administrator's Provider Access Fees
 - Prescription Drug Claims with: Prime (Preferred PBM) _____
 - For **Hospital Employer Groups only**: Excludes _____% of Home Hospital Medical claims
 - Other (for example Dental/Vision): _____.

4. Individual Stop Loss Provisions

- a. Individual Stop Loss Deductible: \$150,000
Applies per Covered Person for the Employer Group's Current Policy Period.
- b. Aggregating Specific Deductible (if applicable): \$_____
- c. Lasered Individuals with Individual Stop Loss Deductible (if applicable):
Individual identifier, alternate Individual Stop Loss Deductible:

- d. Lasered Individuals excluded from Stop Loss Coverage (if applicable):
Individual identifier:

- e. If a run-in contract (24/12, 18/12, or 15/12 coverage period) is purchased, per Item 2. above, run-in claims are covered with a maximum liability of: \$_____ per Covered Person.

5. Terminal Liability Option (TLO) (does not apply to Employer Groups with 12/15, 12/18, or 12/24 contracts):
 Yes No

The following applies if the answer to item above is "Yes" (Terminal Liability Option):

Must be elected at Policy inception or renewal. Premium cost is calculated by taking the average enrollment for the last two months of the Current Policy Period multiplied by three times pre-termination Individual Stop Loss rate(s). Premium is due at the time of termination, payable by lump sum within 10 days of receipt of bill. Claims will accumulate and be combined under one Individual Stop Loss Deductible specified in item B.4.a above for the Current Policy Period and Terminal Period. The Settlement for the Final Accounting Period will be described in the section of the Policy entitled SETTLEMENTS.

6. Individual Stop Loss Premium
Monthly Individual Stop Loss Premium shall be equal to the amounts obtained by multiplying the number of Covered Employees for a particular Month by:
- \$178.23 Composite; or
\$_____ for each Single Coverage Unit
\$_____ for each Family Coverage Unit

- C. **Aggregate Stop Loss Coverage:** Yes No

If yes, complete Items 1. through 5. Below:

1. New Coverage Renewal of Existing Coverage

2. Stop Loss Coverage during the current Policy Period

Choose an item

Coverage for Claims incurred from _____ to _____ and Claims paid from _____ to _____.

For new coverage only, if a run-in contract as explained in the policy (24/12, 18/12, or 15/12 coverage period) is purchased, claims paid by the Employer Group's prior claim administrator will be settled at the time of the annual stop loss settlement and must be reported by the Employer Group to the Company (Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) by the end of the Employer Group's Current Policy Period or stop loss coverage for these run-in claims will be forfeited.

(Paid Renewal Only) Claim Administrators Claims: Claims incurred on or after the Original Effective Date of Policy and paid during the Policy Period.

3. Covered Expenses:

- Medical Claims
 Claim Administrator's Provider Access Fees
 Prescription Drug Claims with: Prime (Preferred PBM) _____
 For **Hospital Employer Groups only**: Excludes _____% of Home Hospital Medical claims
 Other (for example Dental/Vision): _____

4. Aggregate Claim Liability

- a. Attachment Factor 125% of the Average Claim Value
b. Aggregate Claim Factors:

Group Number:				
Composite; or	\$1567.28	\$	\$	\$
For each Single Coverage Unit	\$	\$	\$	\$
For each Family Coverage Unit	\$	\$	\$	\$

- c. Minimum Aggregate Point of Attachment: \$6,770,628

5. Terminal Liability Option (TLO) (does not apply to Employer Groups with 12/15, 12/18, or 12/24 contracts):
 Yes No

The following applies if the answer to item above is "Yes" (Terminal Liability Option):

Must be elected at Policy inception or renewal. Premium cost is calculated by taking the average enrollment for the last two months multiplied by three times pre-termination Aggregate Stop Loss rate(s). Premium is due at the time of termination, payable by lump sum within 10 days of receipt of bill.

The Final Settlement Point of Attachment shall equal the sum of the Employer's Aggregate Claim Liability amount for the Policy Period plus 15% of the Aggregate Claim Factor multiplied by 12, and then multiplied by the average enrollment for the last two (2) months of the Current Policy Period immediately preceding termination. Furthermore, for the Final Settlement Period, the Minimum Aggregate Point of Attachment shall be the Minimum Aggregate Point of Attachment in item C.4.c. above increased by 15%. The Settlement for the Final Accounting Period will be described in the section of the Policy entitled SETTLEMENTS.

6. Aggregate Stop Loss Premium:

- Monthly Premium

Monthly Aggregate Stop Loss Premium shall be equal to the amounts obtained by multiplying the number of Covered Employees for a particular Month by:

- \$_____ Composite; or
 \$_____ for each Single Coverage Unit
 \$_____ for each Family Coverage Unit

- Annual Premium (Due on the first day of the Current Policy Period): \$16,127

D. Additional Provisions (if elected):

1. Retirees Covered (select if included):
 Pre-65: or Post-65:
2. Home Hospital Employer Groups Only: Home Hospital Provider Number(s) subject to exclusion percentage per Item B.3. & C.3.: _____
3. Monthly Aggregate Accommodation: Yes No

Additional information: The rates shown in this Agreement reflect a volume-based discount in an amount up to 3% of the [Aggregate] [and] [Individual] Stop-Loss Premium for the Policy Period. If the ancillary coverage (BlueCare Dental, Basic Life, Short-Term Disability, Long-Term Disability, Accident, Critical Illness and/or Vision product(s)) lapses during the Policy Period, HCSC reserves the right to remove the discount on the [Aggregate] [and] [Individual] Stop-Loss Premium. In

such event, upon sixty (60) days prior written notice to Employer, the premium payment will revert to the non-discounted amount.

Fraud Notice: Any person who knowingly, with intent to injure, defraud or deceive any insurance company submits an application containing any false, incomplete, or misleading information, may be subject to prosecution and may be found guilty of a felony under state law and subject to punishment, including fines and/or imprisonment. Submission of false information in connection with this application may also constitute a crime under federal laws. All appropriate legal remedies will be pursued in the event of insurance fraud, including prosecution under Federal Mail or Wire Fraud statutes, and/ or the Federal Racketeer Influenced and Corrupt Organizations Act. Any false statements made herein may be reported to state and federal tax and regulatory authorities as is appropriate.

The undersigned person represents that he/she is authorized and responsible for purchasing Stop Loss Coverage on behalf of the Employer Group. It is understood that the actual terms and conditions of coverage are those contained in this Application and the Stop Loss Coverage Policy into which this Application 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 Group. Upon acceptance of this Application and issuance of the Stop Loss Coverage Policy, the Employer Group shall be referred to as the "Policyholder".

Dee Mastro Holzkopf
Sales Representative

Signature of Authorized Purchaser

Title of Authorized Purchaser

Date