

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 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 "Plan Sponsor") and Humana (the "Company"), for Medicare Advantage insurance for retirees over 65, effective January 1, 2023 through December 31, 2023 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



Lauren Linares
 Village of Downers Grove
 801 Burlington Ave
 Downers Grove, IL 60515

Humana Group Medicare Advantage Plan Renewal

In signing this document, you are accepting the renewal, effective January 1, 2023, of the Group Medicare plan(s) submitted by your Humana Account Executive and described in the enclosed renewal package. **The new rate is effective January 1, 2023. It is important that we receive acceptance of your renewal no later than September 1, 2022. This will ensure we meet CMS requirements and provide on-time delivery of member materials.**

2023 Plan/Option: PPO 079 066 with Rx 66 2023 Rate: \$229.06

You, the Plan Sponsor, understand, acknowledge, and agree that:

- You have carefully reviewed 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: Village of Downers Grove

Signature: _____

Title: _____

Date: _____

Important reminder:

Please sign and return the enclosed "Humana Group Medicare Advantage Plan Renewal" form no later than **September 1, 2022** to accept the plan's benefits and rates and continue the plan in the coming year.

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