

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
CLAIMS ADMINISTRATION AGREEMENT BETWEEN
PROFESSIONAL BENEFIT ADMINISTRATORS AND
THE VILLAGE OF DOWNERS GROVE**

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 Renewal Proposal (the "Agreement"), between the Village of Downers Grove (the "Client") and Professional Benefit Administrators ("PBA") to provide employee flexible benefit spending accounts and the administration of COBRA benefits after an employee's separation, as set forth in the form of the Agreement 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 Agreement, 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 Agreement.

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



Renewal Proposal for:

VILLAGE OF DOWNERS GROVE

Rate Effective Date: 1/1/2023

Administrative Fees:	Current	Renewal
COBRA Annual Fee / Bill every January	\$750.00	\$750.00
COBRA Enrollment Fee	\$7.50	\$7.50
COBRA PQB per Incident Fee	\$25.00	\$25.00
*Flex Fee - Active & Carry Over Participants	\$5.25	\$5.25
**Flex Annual Paper Enrollment Fee / Bill every January	\$500.00	\$500.00
***Flex Annual Fee / Bill every January	\$500.00	\$500.00

PBA Terms and Conditions:

- Any change in the PBM may result in a data integration fee. This could be a PEPM or an implementation fee.
- Any significant enrollment change or plan change could affect the above fee structure.
- *Minimum \$200 Monthly Fee Applies. "Active accounts" is defined as accounts for members who are actively enrolled, terminated members who are actively enrolled, terminated members in their run out period, and carry over participants.
- Flex Debit Card Replacement Fee is \$10.00/Card billed to EE's flex account.
- **The Flex Annual Paper Enrollment Fee would be dropped if enrollment is done online instead of paper.
- ***The Flex Annual Fee covers:
 - The review & compliance under ERISA and ACA and other regulatory changes
 - Providing guidance for Plan compliance and Plan Documents
 - Non-Discrimination for medical and dependent care accounts

Signature indicating client's acceptance of above terms

Date