



## Legislation Details (With Text)

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**On agenda:** 9/17/2019      **Final action:** 9/17/2019  
**Title:** Approve the recommendation by GCG Financial to award the Medical Insurance Renewal to Blue Cross Blue Shield of Illinois (BCBSIL) for an amount not to exceed \$3,136,509.92 and for a one-year term (Item 1 of 3)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Medical Insurance Spend Trends, 2. PPO Pharmaceutical Spend

Date	Ver.	Action By	Action	Result
9/17/2019	1	City Council	approved	Pass

### CITY COUNCIL AGENDA ITEM

#### **ACTION REQUESTED:**

Approve the recommendation by GCG Financial to award the Medical Insurance Renewal to Blue Cross Blue Shield of Illinois (BCBSIL) for an amount not to exceed \$3,136,509.92 and for a one-year term (Item 1 of 3)

**DEPARTMENT:** Human Resources

**SUBMITTED BY:** James Sheehan, Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

The two other items on the City Council agenda related to this item are:

- 19-886: Pharmaceutical Management Services renewal with CVS-Caremark
- 19-887: Specific Stop-Loss Reinsurance Policy with Symetra Insurance Company

On April 15, 2014, City Council awarded Contract 14-007, Benefits Broker, to GCG Financial (GCG). As the City's benefits broker, GCG is responsible for pricing, negotiating and recommending the renewals of medical insurance contracts for the City. The City renewed the contract with GCG on March 19, 2019 for a term ending December 31, 2021.

The City offers three medical plans, including:

- HMO - Health Maintenance Organization

- PPO - Traditional Preferred Provider Organization
- PPO-HDHP - High deductible health plan with a health savings account (HSA).

To limit liabilities, the City maintains individual stop-loss reinsurance for individuals with claims of more than \$200,000 on the HMO plan and \$300,000 on the PPO plans. Overall, total healthcare costs for 2020 are projected at \$20.59 million, a 25 percent increase over 2019 projections.

Since 2014, the City's medical and pharmaceutical plans have outperformed the national averages, meaning that the City's per employee costs have been less than the national trends. Attachment 1 provides additional detail regarding the spend trends.

The reduction in costs due in part to the significant changes the City implemented in recent years to the medical insurance program. Changes include plan design revisions, higher participant premium contributions and education.

Examples of specific changes include:

- Implementing Medicare supplement plan to provide enhanced benefits at a lower cost, saving approximately \$600,000 annually;
- Implementing plan design changes to balance health care costs between the City and employees/retirees;
- Expanding wellness initiatives and increasing educational forums;
- Contracting with a pharmacy benefit manager (CVS-Caremark) for the PPO plans; and
- Removing an underperforming health plan.

### **DISCUSSION:**

For 2020, staff, in consultation with GCG, recommends three key relationships to help mitigate cost increases, while still offering access to comprehensive benefits. The first recommendation is to continue the relationship with BCBSIL to provide the HMO plan and administer the PPO plans. The second recommendation is to renew the prescription drug administration for PPO plans with CVS-Caremark. The third recommendation is to move to a new stop-loss insurance carrier, Symetra, for the PPO plans.

### **Blue Cross Blue Shield of Illinois**

The City's medical insurance contract with BCBSIL expires December 31, 2019. The recommended renewal reflects a 4.7 percent increase in total administrative fees for both the HMO and PPO plans compared to the 2019 award. GCG estimates administration fees at approximately \$3.136 million, compared to the 2019 award of \$3.022 million.

Staff, in consultation with GCG, recommends continuing to use BCBSIL for medical insurance in 2020 due to the strong network provided to employees and competitive administrative costs. More than 99 percent of the City's participants use an in-network physician, which resulted in more than 55.7 percent savings compared to out-of-network services.

### **Pharmacy Benefit Manager - CVS-Caremark**

The City began working with CVS-Caremark in 2017 to act as the City's Pharmacy Benefits Manager (PBM) for PPO plans. CVS-Caremark is proactive in the marketplace offering education about new products, clinical strategies, promoting use of lower cost drugs, managing the City's specialty drug spend and promoting health and wellness.

Staff, in consultation with GCG, recommends continuing to use CVS-Caremark as PBM for the PPO plans in 2020. The City will expand the use of tools and clinical guidelines to continue improving pharmacy costs and managing prescription drug use. Attachment 2 provides additional details on pharmaceutical expenses for the PPO plans since 2016.

In addition to the current pharmaceutical services offered, the City for 2020 will promote a voluntary prescription drug program called CRX International (CRX). The CRX program encourages employees to directly purchase lower cost drugs primarily for maintenance prescriptions. Off-shore prescriptions are filled through contracts in Canada, the United Kingdom and Australia.

### **Stop Loss Reinsurance - Symetra**

The City maintains individual stop-loss reinsurance for individuals with claims of more than \$200,000 on the HMO plan and \$300,000 on the PPO plans. The current policy is up for renewal.

GCG conducted a stop-loss marketing request with 15 insurance providers. Two providers responded with a quote, 11 declined and two did not have enough claims history to provide a quote. Optum, the current provider, quoted a 95 percent increase compared to 2019. Symetra's quote was approximately 32 percent higher than Optum's 2019 coverage and included a guaranteed rate for 2021 of no more than a 50 percent increase provided the City agreed to a \$500,000 attachment for a participant that reached the stop-loss limit in 2019. Based upon the two offers, GCG recommends the contract with Symetra for the 2020 plan year.

### **Insurance Premiums**

Staff met with representatives from GCG to review the estimated financial position of the City's insurance programs. Due to an extremely high claim experience over the last six months of 2018 and first six months of 2019, the City recommends a 15 percent increase to premiums for all plans in 2020.

### **FISCAL IMPACT:**

Overall, total healthcare costs for 2020 are projected at \$20.59 million, a 25.5 percent increase over 2019 projections. Medical claims represent the majority of projected expenses.

Medical insurance costs are expensed based on the nature of charges. Administrative fees are billed at the end of every month, while claims are billed weekly. Administrative costs are the only fixed cost associated with the medical plan and determined by the number of enrollees, while claims are billed based on use. The City maintains a dedicated account for each plan for both claims and administrative fees.

Stop-loss coverage is billed monthly. Based upon enrollment, total cost projection for the coverage is \$606,010, which is a 31.4 percent increase over current year projections.

Prescription drug costs are expensed to a pharmaceutical claims account. Expenses are incurred weekly and based only on claims. No administration costs are associated with CVS-Caremark, as the program is a supplement to the PPO plans. GCG projects total cost for the year at \$1.87 million, which is a 17 percent decrease in claims over 2019.

The 2020 Budget will be built based on the recommendations provided by GCG and Council's plan approvals. GCG estimates total medical claims expenses for next year at \$20.59 million.

Projected expenses will be used as part of the 2020 Budget, which is currently being developed for Council approval later this year.