



Legislation Text

File #: 21-1272, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Approve the recommendation by GCG Financial to award Medical Claim Administration renewal to Blue Cross Blue Shield of Illinois (BCBSIL) for an amount not to exceed \$2,566,776 in fixed costs, based on anticipated HMO and PPO enrollment, for a one-year term (Item 1 of 4)

DEPARTMENT: Human Resources

SUBMITTED BY: James Sheehan, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Three additional recommendations related to this item are detailed in this memorandum and presented on this agenda for City Council approval:

- **21-1307:** Dental insurance renewal award to Delta Dental
- **21-1308:** Specific Stop-loss Insurance Policy renewal award to Symetra Insurance Company
- **21-1309:** Pharmaceutical Benefits Management Services renewal award to CVS-Caremark

In April 2014, the City Council approved GCG Financial (GCG) as the City's benefits broker. At its meeting on September 21, 2021, the Council approved a new award to GCG to continue as broker for the next three years. One of the responsibilities of GCG is to price, negotiate, and recommend the renewal of medical insurance, including excess stop-loss insurance, pharmaceutical management and dental insurance contracts for the City.

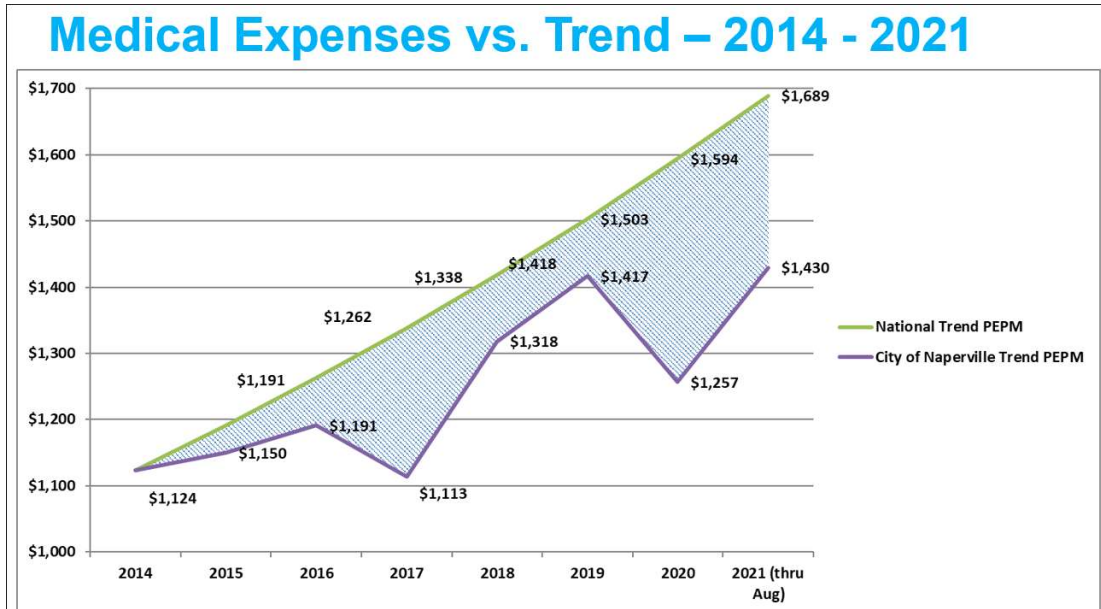
The City is a self-insured organization and responsible for all medical, dental and pharmaceutical expenses for each plan. As a self-insured organization, the City contracts for administration of the medical insurance program, while internally funding actual claim expenses. The City offers three medical plans, including:

1. HMO - Health Maintenance Organization
2. PPO - Traditional Preferred Provider Organization
3. PPO - High Deductible Health Plan (HDHP) with Health Savings Account (HSA)

To limit liabilities, the City maintains individual stop-loss reinsurance for individuals with catastrophic claims of more than \$200,000 for the HMO plan and \$300,000 for the PPO plans.

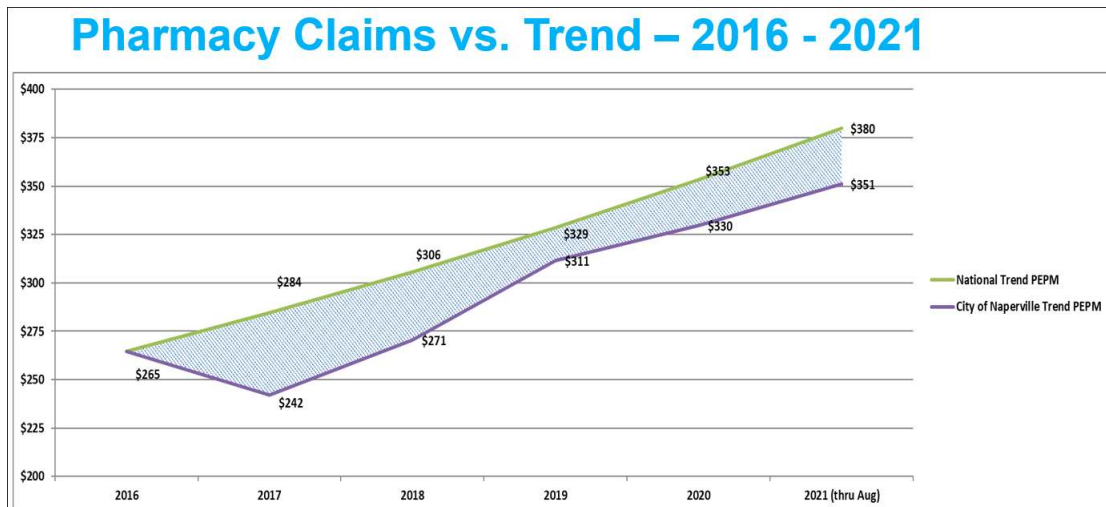
The City's medical expenses (since 2014) and pharmaceutical claims (since 2016, when the City

moved to CVS Caremark) outperformed national averages as set forth in the charts below:



If the City's medical expenses ran at national trend of approx. 6%, the plan would have paid \$14.8 million more in expenses since 2014

Please note: 2020 reflects reduced claim experience due to COVID-19.



If the City's pharmacy claims ran at national trend of approx. 7.5%, the plan would have paid \$1.95 million more in pharmacy claims since 2016

The City implemented significant changes in recent years to the healthcare program. Generally, changes were focused on plan design revisions, rebalancing participating premium contributions and offering a greater variety of voluntary cost-savings benefits. Specific examples of changes include:

- Implemented Medicare supplement plan providing enhanced benefits at a lower cost, saving approximately \$600,000 annually;

- Plan design changes to balance health care costs between the City and employees/retirees;
- Awarded dental administration to Delta Dental, increasing customer satisfaction with an expanded network that reduced overall costs to both the City and employees;
- Expanded wellness offerings and other voluntary wellness and health programs;
- Contracted with CVS-Caremark as pharmacy benefit manager to better manage drug costs;
- Outsourced stop-loss reinsurance to allow for negotiation of competitive pricing;
- Implemented prescription drug management programs with CVS-Caremark after review by a third-party pharmacy team;
- Eliminated an underperforming medical plan;
- Implemented CRX International pharmacy saving participants and the City over \$50,00 since its introduction;
- Implemented high performance network with BCBSIL and related tiered plan design;
- Added enhanced health management programs offered through BCBSIL.

DISCUSSION:

For 2022, staff, in consultation with GCG, recommends four key relationships to offer employees and their families comprehensive health benefits while managing overall costs. The first recommendation is to continue with BCBSIL to provide the HMO plan and administer the PPO plans. The second recommendation is to renew with CVS-Caremark for prescription drug administration for PPO plans. The third recommendation is to renew with Symetra as stop-loss insurance carrier for PPO plans. The fourth recommendation is to renew the contract with Delta Dental.

Blue Cross Blue Shield of Illinois (BCBSIL) - Medical

The City's medical insurance contract with BCBSIL expires December 31, 2021. The recommended renewal reflects a 1.5% increase for HMO administrative fees and 0.5% decrease for PPO administrative fees.

BCBSIL introduced Blue Choice as a network to the City, which provides additional savings for the City and participants utilizing services of medical providers in their preferred Blue Choice network. The program was implemented for non-union and certain union groups in 2021, and is being negotiated in the other union contracts for implementation. The program quickly provided significant savings to the City and participants.

Therefore, it is recommended to continue using BCBSIL for medical insurance in 2022. BCBSIL offers an extensive network of preferred medical providers at significant, negotiated cost savings and cost competitive administrative services. BCBSIL also offers enhanced health management programs for participants with chronic conditions or diseases to assist in managing their health while containing costs.

CVS-Caremark - Pharmacy Benefits Manager (PBM)

In 2017, the City began contracting with CVS-Caremark to act as PBM for the PPO plans. Since the switch, the City realized savings in prescription drug costs. CVS-Caremark is proactive in changes in the marketplace and offers education about new products and clinical strategies. CVS-Caremark has also promoted use of lower cost drugs, managed specialty drug spends and promote health and wellness to provide the best prescription drug options.

	BCBS	CVS				
	2016	2017	2018	2019	2020	2021 (First 6 Mths)
Gross Rx Claims*	\$2,415,587.31	\$2,452,833.00	\$2,270,015.00	\$2,473,806.00	\$2,594,868.88	\$1,403,633.00
Rebates	(\$220,961.78)	(\$331,245.00)	(\$295,268.00)	(\$461,635.00)	(\$547,307.82)	(\$327,948.84)
Net Rx Cost	\$2,194,625.53	\$2,121,588.00	\$1,974,747.00	\$2,012,171.00	\$2,047,561.06	\$1,075,684.16

*PPO-related claims and rebates only.

As noted in the chart above, CVS-Caremark provided pharmaceutical costs below the amounts the City paid in 2016 (BCBSIL was the provider in 2016) in every subsequent year. The results are better than the national trends in pharmaceutical costs.

Therefore, it is recommended to continue using CVS-Caremark as PBM in 2022. CVS-Caremark is working with City employees and retirees on tools to lower pharmaceutical expenses, including increased use of mail-order and generic pharmaceuticals. CVS-Caremark also offers extensive education programs to assist participants in choosing drugs and looking for non-prescription drug alternatives.

Symetra - Stop Loss Reinsurance

As discussed above, the City maintains individual stop-loss reinsurance for individuals with catastrophic claims of more than \$200,000 on the HMO plan (through BCBSIL) and \$300,000 on the PPO plans (through Symetra). BCBSIL requires the HMO stop-loss policy is contracted through BCBSIL. The City is permitted to market stop-loss coverage for PPO plans since the City is self-insured. The current stop-loss coverage policies for both plans are renewable annually.

GCG conducted a stop-loss marketing for PPO plans with 12 re-insurance providers, including BCBSIL. Three declined to bid, two requested additional claims history before quoting and seven responded with a preliminary quote, but requested additional claims history before submitting final quotes. Given the history of stop-loss coverage and use by the City and the risk of higher cost quotes following further claims experience in 2021, GCG recommends moving forward with Symetra.

Symetra quoted a 28% increase from 2021 to 2022 and agreed to lock in the rate prior to reviewing additional claim data. GCG did not recommend waiting for further claims information prior to locking in the rate and recommends the contract with Symetra for 2022.

Delta Dental - Dental

The City's dental insurance contract with Delta Dental expires December 31, 2021. The recommended renewal reflects 2.6% increase for administrative fees.

GCG conducted a dental insurance marketing with four dental providers. A thorough review of network utilization was completed. The review determined 85% of services used by participants were through an in-network provider with negotiated discounts. Delta Dental, the current provider, locked administrative fees at \$3.10 per employee per month (PEPM) with a three-year administrative fee guarantee and option of two one-year extensions. None of the providers could offer the combination of cost and in-network providers Delta Dental offered.

Delta Dental of Illinois

		Current	Renewal	GCG Recommendation
Projected Annual Claims			\$1,012,062.00	\$1,129,075.16
Projected Average Claim Value (ACV)			\$88.39	\$94.94
Percentage of In-Network Claims			36%-PPO/49%-Premier/15% OON	
Estimated Savings Percentage - PPO			46.5%-PPO/25.5%-Premier	
Administrative Fee (PEPM)			\$3.10	\$3.10
Annual Administrative Fees			\$36,865.20	\$36,865.20
Rate Guarantee (Admin. Fee Only)			3 years	3 years
Four Tier Premium		<u>Premier/PPO/OON</u>	<u>Premier/PPO/OON</u>	<u>Premier/PPO/OON</u>
Employee	305	13.2%	\$39.90	\$37.79
Employee + Spouse	195	17.3%	\$81.90	\$77.57
Single + One Child	44	3.9%	\$81.90	\$77.57
Single + Two or More Children	49	5.8%	\$110.00	\$104.19
Family	398	59.8%	\$138.60	\$131.28
Annual Premium	991	100.0%	\$1,107,556.80	\$1,049,039.16
				No Change

Therefore, it is recommended to continue using Delta Dental as the dental provider in 2022.

FISCAL IMPACT:

CIP: N/A

Healthcare costs are expensed to the Self-Insurance Fund based on the nature of each expense. GCG projected the total cost of all healthcare plans in 2022 at \$19.3 million, a 1.5% decrease over 2021 projections. Included in that projection is all administrative fees related to the HMO and PPO plans, as well the associated claims, prescription drug expenses and stop-loss coverage for PPO participants.

Fixed costs for healthcare are charged to administrative fee accounts for each plan and charged based on the number of enrollees. Claims are expensed to separate claims accounts and billed weekly based on use. The projected numbers provided by GCG were used in development of the 2022 Budget, which will be reviewed by Council later this year.

Dental costs are also expensed to the Self-Insurance Fund based on the nature of each expense. GCG projected \$1.08 million in total expenses in 2022, which includes fixed administrative fees for each enrollee, as well as weekly claims. The projection was also used in development of the 2022 Budget, pending Council approval.