



Legislation Details (With Text)

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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 \$2,256,464 in fixed costs, based on enrollment, for a one-year term (Item 1 of 3)

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
9/15/2020	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 \$2,256,464 in fixed costs, based on enrollment, for a one-year term (Item 1 of 3)

DEPARTMENT: Human Resources

SUBMITTED BY: James Sheehan, Human Resources Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

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

- 20-881: Pharmaceutical Management Services renewal with CVS-Caremark
- 20-882: Specific Stop-loss Insurance Policy with Symetra Insurance Company

On April 15, 2014, City Council approved GCG Financial (GCG) as the City's benefits broker. One of the duties of GCG is to price, negotiate, and recommend the renewal of medical insurance and pharmaceutical management contracts for the City.

The City is a self-insured organization and responsible for all medical and pharmaceutical expenses for each plan. As a self-insured organization, the City contracts for administration of the medical

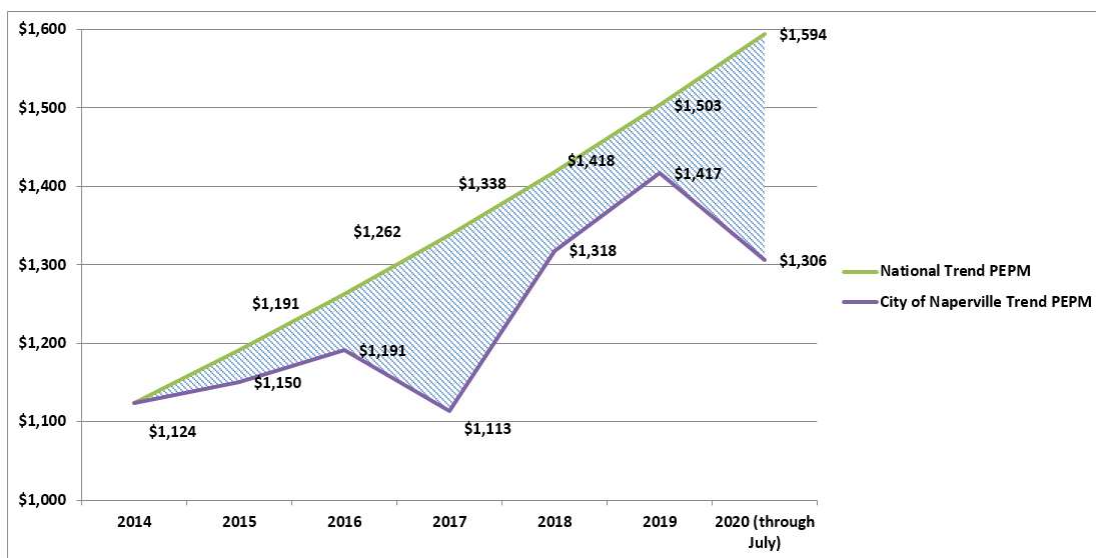
insurance program, while internally funding actual claim expenses. The City offers three medical plans, including:

1. HMO - Health Maintenance Organization
2. PPO - Traditional Preferred Provider Organization
3. PPO-HDHP - High Deductible Health Plan with a 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.

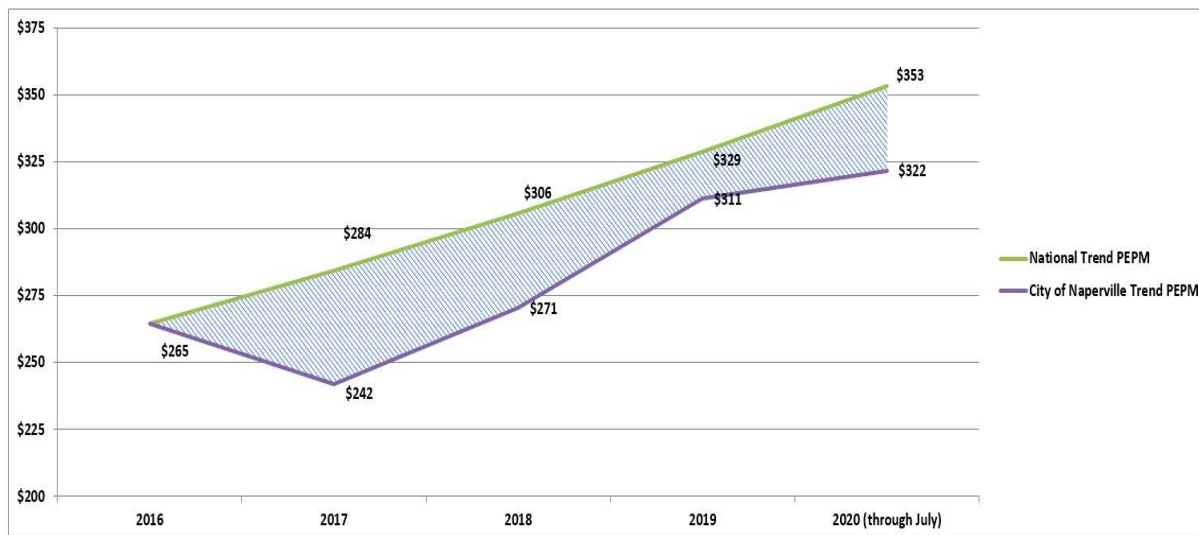
Since 2014, the City's medical and pharmaceutical plans outperformed national averages as set forth in the charts below:

Medical History (Per Employee Per Month - PEPM)



Gross Prescription Drug History (PEPM)

Figures do not reflect prescription drug rebates from carrier.



The City implemented significant changes in recent years to the healthcare program. Changes include plan design revisions, rebalancing participant premium contributions, and a greater variety of voluntary cost-saving benefits. Examples of the changes include:

1. Implemented Medicare supplement plan providing enhanced benefits at a lower cost, saving approximately \$600,000 annually
2. Implemented plan design changes to balance health care costs between the City and employees/retirees
3. Awarded the dental contract to Delta Dental, increasing customer satisfaction with network and reducing costs to both the City and employees
4. Expanded wellness offerings and other voluntary wellness and health programs
5. Contracted with a pharmacy benefit manager (CVS-Caremark)
6. Outsourced stop-loss reinsurance for competitive pricing
7. Implemented prescription drug management programs with CVS-Caremark after review by a third-party pharmacy team
8. Removed an underperforming health plan
9. Implemented CRX International pharmacy saving participants and the City approximately \$12,940 through July 2020
10. Increased the number and frequency of benefit and wellness education initiatives to supplement annual open enrollment communications

DISCUSSION:

To help mitigate cost increases while still offering access to comprehensive benefits, staff, in consultation with GCG, recommends the following action for 2021:

Insurance premiums increase

Staff met with representatives from GCG to review the estimated financial position of the City's insurance programs. When reviewing the claim experience of 2019 and first three months of 2020, the City recommends a 4.8% increase to premiums for participants that will have the new plan changes applicable in 2021. The City will continue to negotiate with other participants to maximize the number of participants on the updated plan designs.

Furthermore, staff in consultation with GCG, recommends approving the following three key partnerships for 2021:

1. Continue with Blue Cross Blue Shield of Illinois (BCBSIL) as provider of the HMO plan and administrator of the PPO plans

The City's medical insurance contract with BCBSIL expires December 31, 2020. The recommended renewal reflects a 1.5% increase for the HMO plan and 3% increase for the PPO plans in administrative fees.

Therefore, it is recommended to continue to use BCBSIL for medical insurance in 2021 due to the strong network provided to employees and competitive administration costs. The City also recommends moving the PPO plans to the BCBSIL Blue Choice program, which is a narrow network of providers and hospitals. Currently, 88% of employees are using a Blue Choice provider. GCG and BCBSIL estimate utilizing the Blue Choice program will produce net savings of more than \$425,000 in 2021 for the PPO plans. Employees who do not use the Blue Choice network will pay a higher deductible and co-insurance.

In addition, HMO participants will see an increase in co-payments for doctors and hospitals, and HMO and PPO participants will see an increase in prescription drug co-payments. The proposed plan design changes are aligned with national benchmark averages.

2. Renew with CVS-Caremark for prescription drug administration on PPO plans

The City contracted with CVS-Caremark beginning in 2017 to act as pharmacy benefits manager (PBM) for the PPO plans. Since that time, the City realized savings in prescription drug costs while most other plan sponsors experienced substantial cost increases. CVS-Caremark is proactive with changes in the marketplace offering education about new products and clinical strategies, promoting use of lower cost drugs, managing specialty drug spend and promoting health and wellness in order to provide the best prescription drug options.

	BCBS	CVS			
	2016	2017	2018	2019	2020 (First 6 Mths)
Gross Rx Claims*	\$2,415,587.31	\$2,452,833.00	\$2,270,015.00	\$2,473,806.00	\$1,193,420.00
Rebates	(\$220,961.78)	(\$331,245.00)	(\$295,268.00)	(\$461,635.00)	(\$142,282.00)
Net Rx Cost	\$2,194,625.53	\$2,121,588.00	\$1,974,747.00	\$2,012,171.00	\$1,051,138.00

*PPO-related claims and rebates only.

Therefore, staff and GCG recommends continuing to use CVS-Caremark as PBM for the PPO plans in 2021. The City will expand use of the tools and clinical guidelines to continue optimizing pharmacy costs and manage prescription drug utilization. CVS-Caremark is working with our employees and retirees on tools to lower pharmaceutical expenses, including increased use of mail-order and generic pharmaceuticals.

To help combat the rising costs of prescription drugs, the City intends to implement a new cost share structure for the specialty drug category. Prescriptions under the PPO plans will be reimbursed at 85% up to a maximum of \$10-generic/\$40-formulary brand/\$60-non-formulary brand with \$100 for specialty drugs.

3. Renew with Symetra as stop-loss insurance carrier for the PPO plans

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. The current stop-loss policy for the PPO plans is up for renewal.

GCG conducted a stop-loss marketing with 13 re-insurance providers. Ten declined, including BCBSIL, to bid; three requested additional claims history; and one responded with a quote. Symetra, the current provider, quoted a 45% increase from 2020 to 2021. Symetra, upon further review of the impact of BCBSIL Blue Choice plan changes, lowered its renewal increase to 42%. Symetra also included a guaranteed rate for 2022 not to exceed 60% over the current premium. Based upon the review, GCG recommends the renewal contract with Symetra for the 2021 plan year.

FISCAL IMPACT:

CIP: N/A

Overall, total healthcare costs for 2021 are projected at \$19.6 million, a 4.7% decrease from the 2020 budget. The majority of the projected expenses are associated with medical claims. GCG estimates total fixed costs for administration of the program at approximately \$2.2 million.

All medical expenses are applied to the Self-Insurance Fund. Fixed costs are charged to administrative fee accounts for each plan and charged based on the number of enrollees each month. Claims are expensed to claim accounts set up for each plan and billed weekly based on use.

The additional stop-loss coverage for the PPO plans is expensed as an administrative fee. The City is billed monthly for the coverage based on the number of enrollees. Given current enrollment, total cost projections for the PPO plans stop loss is \$882,417, which is a 42% increase from 2020. The total cost projection for HMO plan stop loss is \$309,208, which is 8.5% higher than 2020. The amounts make up more than half of the fixed costs projected for 2021.

Prescription drug costs for the PPO plans are expensed to a pharmaceutical claims account and billed weekly based on claims by the PBM, CVS-Caremark. GCG projects prescription drug expenses for the PPO plans at \$2.29 million in 2021, including \$462,000 in rebates. The total is a 22% increase from the 2020 budget. Prescription drug expenses for the HMO plan are estimated at \$1.8 million, a 6.8% increase from 2020.

All projected expenses detailed in the recommended medical program will be included in the 2021 Budget, which will be presented to the City Council later this year.