



## Legislation Text

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File #: 18-648, Version: 1

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### CITY COUNCIL AGENDA ITEM

#### **ACTION REQUESTED:**

Approve the recommendation by GCG Financial to award the dental insurance renewal to Delta Dental of Illinois for a three-year term and for an amount not to exceed \$108,900

**DEPARTMENT:** Human Resources

**SUBMITTED BY:** James Sheehan, Director

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

N/A

#### **BACKGROUND:**

The City of Naperville's current dental insurance contract with Delta Dental of Illinois (Delta Dental) will expire on December 31, 2018. With the return to Delta Dental in 2016, the City has experienced:

- A 13.6% reduction in fixed costs from \$3.39 to \$2.93 per employee per month
- A reduction in claims experience from \$1,003,000 expected in 2016 under the Blue Cross Dental Plan to \$908,240 total costs in 2016 and \$930,528 total costs in 2017.

These savings have been realized through lower administration fees, broader in-network providers and pre-negotiated discounts through Delta Dental.

The City's network utilization with the prior dental insurance provider, Blue Cross, was 54.5%, including a 35.3% network discount. With the move to Delta Dental, the City has realized 87% participation with Delta preferred provider (PPO or Premier) networks.

#### **DISCUSSION:**

GCG recommends continuing to use Delta Dental as the dental insurance administrator for 2019 through 2021. The administration fee, which was fixed at \$2.93 per employee per month during the initial term (2016 - 2018), will increase approximately 3% to \$3.02 per employee per month. Delta Dental has a strong network of discount providers which provides substantial savings to the City and its participants.

In the most recent 12 months of claims, 46.6% of the 5,851 dental claims were serviced through a Premier dental provider resulting in approximately 20.2% in savings. An additional 40.4% were serviced through a PPO dental provider, realizing approximately 43.4% in savings. Only 13% of the claims were completed by an out-of-network provider. The total administration and claims costs for the program in 2017 were \$930,528 and are expected to be higher for the full-year 2018. Projected administration and claims for 2019 are expected to be \$1,080,285. With this increase in costs, the City plans to raise premiums in 2019 by 10%. Additionally, the City will offer some additional

preventive health enhancements to the program to make the dental benefits more consistent with the market. The cost of the enhancements are expected to be less than \$19,700.

The term of this contract is three years from January 1, 2019 through December 31, 2021.

**FISCAL IMPACT:**

CIP: N/A

Administration expenses for dental insurance are expensed to the administration fees account listed below. Administrative fees are collected monthly throughout the duration of the contract term, which begins January 1, 2019. These expenses will be included in the 2019 budget proposal.