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INTEROFFICE MEMORANDUM

Date: 10/21/2019
To: Seguin Employee Benefit Trustees
Cc: Douglas Faseler, City Manager
From: Kristy Lehnert, Director of Human Resources
RE: Award of contract for 2020 Group Health, Dental and Life insurance benefits

On October 8, 2019, staff opened sealed proposals for group health insurance. Proposals were sought after receipt of a renewal from United Healthcare (UHC) that proposed a 29% increase in rates. Four proposals were received, including submittals from United Healthcare, Blue Cross Blue Shield of Texas (BCBSTX), Humana and Aetna.

GROUP HEALTH

The City has and continues to see an increase in claims, which impacts the City's loss/claim ratios. Due to this scenario all the proposals received included significant increases which range from 20% to 29%.

Of the proposals received, Blue Cross Blue Shield of Texas's proposal was the lowest in cost (15% overall increase) and it included no plan changes. Also, Blue Cross Blue Shield of Texas provided an expense credit of \$100k to offset transitional costs and a "bundle" discount of 2% off the medical proposal to contract the group Medical, Life/AD&D, and Dental as a package.

Staff considered the following factors in formulating their recommendation:

1. BCBSTX offers an expansive network of providers, locally, statewide and nationally making it easy for employees to access medical providers.
2. Employees are already accustomed to seeking care from in-network providers only due to out-of-network providers not being covered in our insurance program with UHC last year.
3. No coverage changes are happening from last year's health plan to this year's health plan.

For these reasons staff is recommending that the City of Seguin Employee Benefit Trustee's award the 2020 contract for group health coverage to Blue Cross Blue Shield of Texas. A budget adjustment will be necessary in order to address the additional funding needed.

DEPENDENT COVERAGE

Typically, the City's contribution towards dependent coverage is 20% however due to the significant increase of premiums, staff recommends that the City contribution towards dependent

coverage increase to 25%. With this additional 5% towards dependent coverage the per pay period cost to the employees will only increase as followed: coverage for spouse will increase by approximately \$22.44 per pay period, coverage for children will increase by approximately \$16.16 per pay period and family coverage will increase by approximately \$31.59 per pay period. To manage the increase in premiums as well as dependent coverage amounts for the upcoming year(s) staff is working with Robert Tracy, of Gallagher Benefit Services, Inc. on the possibility of offering two health plans for the City next year.

LIFE & DENTAL COVERAGES

Staff is recommending that changes be made to the carrier for the self-funded dental plan and life insurance coverage. Our current provider for dental and life insurance coverage is United Healthcare and staff recommends Blue Cross Blue Shield of Texas as our carrier due to the package savings discount provided and the decrease in fees or rates. Since our dental plan is self-funded and after further review of this past year's activity, staff recommends an increase to dental rates to cover administrative fees and claims. The per pay period cost for dental coverage to the employees will only increase as followed: coverage for spouse would increase by approximately \$2.67 per pay period, coverage for children will increase by approximately \$2.98 per pay period and family coverage will increase by approximately \$5.33 per pay period. Staff will continue to keep efficiency in that all the group benefits will continue to be provided by one carrier.

RECOMMENDATIONS

Following review of the proposals, and the analysis prepared by the consultant, recommendations for the 2020 employee benefit plan are as follows:

1. Award contract for health to Blue Cross Blue Shield of Texas; and
2. Award contract for ASO/self-funded dental and fully insured life insurance to Blue Cross Blue Shield of Texas;
3. Continue to pay entire cost of employee health, dental and life coverage; and
4. Increase City contribution for dependent health insurance at 25% of premium.
5. Continue to work with Gallagher Benefit Services, Inc. on the possibility of offering two health plans next year.

Staff included a 5% increase in the FY 2019 insurance budget. That increase, in addition to a budget adjustment, will cover the cost of the proposed renewal. Staff requests your approval of the above recommendations and the approval of the attached resolution authorizing the Mayor/Trust Chairman (or his designee) to execute the contract with Blue Cross Blue Shield of Texas for group health, dental and life/AD&D coverage for plan year 2020.

I would be glad to answer any questions you may have regarding these recommendations.