
INTEROFFICE MEMO

DATE: 11/9/2015
TO: SEGUIN EMPLOYEE BENEFIT TRUSTEES
CC: DOUGLAS FASELER, CITY MANAGER
FROM: TAMMY GARCIA, DIRECTOR OF HUMAN RESOURCES
RE: AWARD OF CONTRACT FOR 2016 GROUP HEALTH, DENTAL AND LIFE INSURANCE BENEFITS

On October 13, 2015 staff opened sealed proposals for group health insurance. Proposals were sought after receipt of a renewal from Blue Cross Blue Shield which included a 17% increase in rates. Four proposals were received including submittals from Aetna, Nippon Life, Texas Municipal League and United Healthcare.

GROUP HEALTH

Of the proposals received, Nippon Life's proposal was the lowest cost with a net decrease in premiums of 3.5% with Aetna being the second lowest cost with rates equal to the current. United Healthcare and Texas Municipal League came in at +6% and +9% respectively.

Staff has evaluated the top two companies and has identified some concerns with the proposal submitted by Nippon Life. Although Nippon Life is a very large and financially stable company and their proposal meets the specifications established by the City, staff is concerned about the overall experience and lack of name recognition of Nippon due to their being relatively new to the Texas market. Specific concerns include:

1. The transition to a carrier who currently does not have other business in our local medical community and the potential claims problems that could occur (this was mentioned as a problem by another City who has utilized Nippon since 2014);
2. Increased administrative responsibility in order to resolve issues that may arise in the enrollment and claims process;
3. The transition of employees from Blue Cross, a well respected carrier, to a carrier that is less well known and the resulting perception that employees and candidates for employment may have of a less known carrier;
4. Lack of integration - Nippon's services are not as fully integrated as Aetna's in that they utilize the Aetna provider network; and contract with three (3) separate third party providers for billing, administration and claims services, large case and utilization management, and wellness services.

For these reasons staff is recommending that the City of Seguin Employee Benefit Trustee's award the 2016 contract for group health coverage to the second lowest proposal, Aetna with no

change in benefits. Aetna's proposal, at the current premium rates, represents a cost to the City of \$77,142 more than the proposal submitted by Nippon Life.

Staff anticipated a rate increase for 2016 based upon the market and the group's claims experience and budgeted a 10% increase effective January 1, 2016. Therefore the Aetna proposal is within budget and will allow for the trust fund balance to be increased in preparation for expected future rate increases.

DEPENDENT COVERAGE

Staff is proposing that the benefit trust's (City) contribution towards dependent coverage be reduced to 22% as per the plan established by City Council in 2013 to reduce this contribution by 1% per year until the City's contribution is at 20%. Employee pay period rates will increase as follows: coverage for spouse will increase by \$5.67 per pay period, coverage for children will increase by \$4.09/pay period and family coverage will increase by \$7.99 per pay period.

LIFE & DENTAL COVERAGES

Staff is recommending that no change be made to the carriers for the self funded dental plan and life insurance coverage. United Healthcare who is the current carrier for both of these benefits has renewed the coverage at a favorable rate for 2016. Staff has been satisfied with the service provided by this vendor and would like to avoid the cost and disruption involved with changing vendors.

RECOMMENDATIONS

Following review of the proposals and the analysis prepared by Mr. Sunday, staff recommendations for the 2016 employee benefit plan are as follows:

1. Award contract for health to Aetna; and
2. Renew contract with United Healthcare for ASO/self-funded dental and fully insured life insurance;
3. Continue to pay entire cost of employee health, dental and life coverage; and
4. Reduce City contribution for dependent health insurance to 22% resulting in employee payroll contribution rates of \$147.00 for children, \$204.16 for spouse, and \$287.46 for family.

I request your approval of the above recommendations and the approval of the attached resolution authorizing the Mayor/Trust Chair (or her designee) to execute a contract with Aetna for health coverage, and United Healthcare for dental & life coverage, for plan year 2016.

I would be glad to answer any questions you may have regarding my recommendations or the group benefits proposal process.