



Legislation Text

File #: 15-385, Version: 1

ITEM: RESOLUTION NO. R2015-91 (EMPLOYEE HEALTH INSURANCE)

A RESOLUTION OF WELLINGTON FLORIDA'S COUNCIL AUTHORIZING THE MANAGER TO (1) RENEW A MINIMUM PREMIUM AGREEMENT WITH CIGNA HEALTHCARE TO PROVIDE HEALTH INSURANCE TO ELIGIBLE EMPLOYEES, DEPENDENTS AND RETIREES; (2) RENEW EXISTING AGREEMENTS WITH CIGNA GROUP BENEFITS FOR LIFE, SHORT TERM AND LONG TERM DISABILITY; (3) CONTINUE WITH SELF FUNDED DENTAL INSURANCE UTILIZING DENTAL DECISIONS ADMINISTERED BY ANCHOR BENEFIT CONSULTING, INC.; AND (4) APPROVE HRA FUNDING FOR EACH ELIGIBLE EMPLOYEE; AND PROVIDING AN EFFECTIVE DATE.

REQUEST: Authorization to (1) Renew an existing minimum premium arrangement agreement with CIGNA HealthCare to provide health insurance to eligible employees, dependents and retirees, at a cost of approximately \$4,641,621.24; (2) Renew an existing agreement with CIGNA Group Benefits for life, short term and long term disability at an annual cost of \$207,542.26, with no changes to premium or covered benefits; (3) Continue with self-funded dental insurance utilizing Dental Decisions administered by Anchor Benefit Consulting, Inc.; and (4) Approve HRA funding for each eligible employee at \$1065 per employee.

EXPLANATION:

1. Health Insurance Plan

The Village offers group medical insurance to existing full-time employees, dependents, and retirees through CIGNA HealthCare at a cost of approximately \$3.968 million annually, based on enrollment of 284. The minimum premium arrangement agreement with CIGNA HealthCare is set to expire on December 31, 2015.

In order to ensure the best overall value to the Village, The Gehring Group, the Village's agent/broker of record, solicited quotes and evaluated different options from multiple carriers as summarized below:

Carrier	Coverage Type	Amount	% Increase	Increase Amount
1 CIGNA HealthCare	Self-Insured (expected cost)	\$4,502,943.18	13.50%	\$534,702.42
2. CIGNA Healthcare	Minimum Premium	\$4,641,621.24	17.00%	\$673,380.48
3. Aetna Health Network	Fully Insured	\$4,946,227.92	24.6%	\$977,987.16
4. Florida Blue Options	Fully Insured	\$5,469,477.48	37.8%	\$1,501,236.72

In addition, the Florida Municipal Insurance Trust (FMIT), Humana and United HealthCare failed to submit a response.

1. The self-funded fixed cost evaluation (\$4,502,943.18) managed by CIGNA HealthCare, provides an increase of approximately 13.5% or \$534,702 annually (based on expected claims) and no change in coverage. Under this self-insured plan, the Village pays all claims and CIGNA manages and

administers the program. There are additional risk factors when self-funding; risk protection through reinsurance is required and the maximum liability increases to approximately \$5.236 million or \$733,213 more than the self-insured estimated premium of \$4,502,943.

2. The CIGNA HealthCare minimum premium arrangement quote (\$4,641,621.24) provides for an increase of approximately 17.00% or approximately \$673,380.48 annually and no change in coverage. This amount falls just under the budgeted amount for FY 2016. Under the minimum premium arrangement, CIGNA charges an administrative fee which is billed to the Village on a monthly basis. The Village then pays CIGNA for medical and prescription drug claims only as they are incurred on a monthly basis. It is important to note that this type of plan also provides protection to the Village; the guaranteed maximum cost for the 2016 plan year is \$4,641,621.24 (calculation based on current enrollment), rather than a maximum possible amount of \$5,236,156.56 if self-funded. If incurred claims are lower than the maximum cost, the Village retains all surplus funds in its own bank account. In the event the claims exceed the guaranteed cost maximum of \$4,641,621.24 projected for the plan year, CIGNA bears one hundred percent of the liability of this deficit (the Village would bear this amount if self-funded). For example, during the 2015 plan year the Village expects claims to exceed the 2015 guaranteed maximum cost by approximately \$900,000, and CIGNA will bear one hundred percent of this liability.
3. The Aetna fully-insured quote provides an increase of 24.6% or \$977,987 annually, with no change in coverage.
4. The Florida Blue Options fully-insured quote provides an increase of 37.8% or \$1,501,236 annually, with no change in coverage.

Staff recommends renewing the existing minimum premium arrangement agreement with CIGNA HealthCare (#2 above) at an estimated annual cost of \$4,641,621.24. The plan retains the same provisions from the existing healthcare plan as summarized below:

- Out of pocket maximum in the amount of \$1,500/\$3,000 in network and \$2,500/\$5,000 out of network for individuals and families respectively.
- Prescription benefits at \$10/\$30/\$50 (generic, preferred, non-preferred)
- Urgent Care co-payments of \$35
- Inpatient hospitalization co-payment of \$250
- Emergency room visit co-payment of \$100

Under this plan the maximum amount of premiums paid by the Village will increase by approximately \$673,380.48 from the 2015 plan year, while the employee's contribution will remain the same. The Village's guaranteed maximum cost under this plan is \$4,641,621.24 while the self-funded plan maximum cost is capped at \$5,236,156.56. Therefore the minimum premium maximum liability is \$594,535 less than the self-insured maximum liability.

A recent survey of employees, conducted by The Gehring Group, to gauge employee satisfaction with CIGNA HealthCare, yielded very positive results (survey results attached).

2. Life, Short Term and Long Term Disability Plan:

Current life, long term and short term disability is provided to existing full-time employees through CIGNA Group Benefits, effective through December 31, 2015. CIGNA Group Benefits has agreed to renew effective January 1, 2016 through December 31, 2017, at an annual cost of \$207,542.26 with no changes to premiums or covered benefits. This plan is offered at no cost to the employee.

3. Dental Insurance

The Village is currently self-funded for dental insurance and utilizes Dental Decisions administered by Anchor Benefit Consulting, Inc. to manage the plan. The Village expects annual premiums of \$295,277.76 for the 2016 plan year. Employee contributions will remain the same for the 2016 plan year.

4. Health Reimbursement Account:

The Village's health reimbursement account (HRA) program is set by resolution which funds an annual amount to each HRA account offered to existing full time employees, and is adjusted automatically based upon the United States Department of Labor Consumer Price Index (CPI) medical inflation rate. Due to PPACA regulations, employees that do not participate in the group medical plan can no longer utilize the HRA to receive reimbursement for their out of pocket medical expenses; however, they will be able to utilize the HRA for non-medical expenses such as dental and/or vision out of pocket costs. The funding for the 2016 year is proposed at \$1065 per eligible employee, an increase of \$28 over the prior year funding of \$1037. The annual cost of the program is \$304,590.00, which includes a per employee administrative fee of \$6.00.

Staff recommends (1) Renew the existing minimum premium arrangement agreement with CIGNA HealthCare to provide health insurance to eligible employees, dependents and retirees, at a cost of approximately \$4,641,621.24; (2) Renew the existing agreement with CIGNA Group Benefits for life, short term and long term disability at an annual cost of \$207,542.26 with no change in premium or coverage; (3) Continue with self-funded dental insurance utilizing Dental Decisions administered by Anchor Benefit Consulting, Inc.; and (4) Approve HRA funding for each eligible employee at \$1065 per employee for plan year 2016.

BUDGET AMENDMENT REQUIRED: NO

PUBLIC HEARING: NO

QUASI-JUDICIAL:

FIRST READING:

SECOND READING:

LEGAL SUFFICIENCY: YES

FISCAL IMPACT: The FY 2016 budget included total medical insurance expenditures of approximately \$4,030,000. Employee contributions total approximately \$613,000. Total available funds - \$4,030,000 (budgeted amount) + \$613,000 (employee contributions) = \$4,643,000.

Based on the CIGNA Premium Arrangement plan, the total maximum cost is \$4,641,621.14.

WELLINGTON FUNDAMENTAL: Responsive Government

RECOMMENDATION: Authorization to (1) Renew an existing minimum premium arrangement agreement with CIGNA HealthCare to provide health insurance to eligible employees, dependents and retirees, at a cost of approximately \$4,641,621.24; (2) Renew an existing agreement with CIGNA Group Benefits for life, short term and long term disability at an annual cost of \$207,542.26, with no changes to premium or covered benefits; (3) Continue with self-funded dental insurance utilizing Dental Decisions administered by Anchor Benefit Consulting, Inc.; and (4) Approve HRA funding for each eligible employee at \$1065 per employee.