

VILLAGE OF DOWNERS GROVE
Report for the Village

SUBJECT:	10/20/2020	SUBMITTED BY:
Employee Benefits Renewal Contracts and Medical Plan Amendments for FY2021		Dennis Burke Director of Human Resources

SYNOPSIS

Resolutions have been prepared to authorize approval of employee benefits renewal contracts and plan amendments for FY21.

STRATEGIC PLAN ALIGNMENT

The goals for 2019-2021 include *Steward of Financial, Neighborhood and Environmental Sustainability*.

FISCAL IMPACT

The Proposed FY21 budget includes \$1,650,095 in the Health Fund for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY20 and FY21 are itemized below:

Vendor	Contract Item	FY2020 Amount	FY2021 Amount
Blue Cross/Blue Shield	Medical Claim Administration	\$91,834	\$63,386
Blue Cross/Blue Shield	Specific and Aggregate Stop Loss	\$785,492	\$815,961
Subtotal		\$877,326	\$879,347
National Insurance Services Trust	Life Insurance	\$83,504	\$83,504
National Insurance Services Trust	Disability Benefits	\$26,746	\$26,746
Humana	Medicare Insurance for Retirees Over 65	\$339,361	\$324,887
Delta Dental	Dental	\$193,352	\$193,352
Total		\$1,520,289	\$1,507,836

RECOMMENDATION

Approval on the October 20, 2020 Consent Agenda.

BACKGROUND

The recommended contracts provide the necessary administration and support for the Village's Health Insurance program, which has a total budget of \$6.7 million as shown in the FY21 Proposed Budget. The budget also describes how the Village has positioned itself well to effectively control health insurance costs and respond to the requirements of the Patient Protection Affordable Care Act.

A summary of the 2021 employee benefits contracts is provided below:

- *Medical Claim Administration* – The Village has a self-funded medical plan and contracts with an outside vendor to provide claim administration on behalf of the Village. Claim administration includes medical and prescription drug claim adjudication, pre-certification and medical case management services. On an annual basis, staff reviews the claim administration services received from the vendor. Also reviewed is the relationship the vendor has with preferred provider organizations (PPO) to ensure the discounts received through the PPO contracts are cost effective to both the employee and the Village. The Village has contracted with Blue Cross/Blue Shield of Illinois for these services since 2011. Blue Cross has provided a renewal quote for 2021 for claims administration. Blue Cross also charges a fee to access their PPO network. The fee is offset by the significant savings the Village realizes through the Blue Cross PPO discounts. The Village made positive changes to the plan design which was recognized by Blue Cross that provided a more positive renewal cost which includes a broader increase in prescription drug credits. Total annual costs for medical claims administration for 2021, which includes the PPO access fee, are \$63,386. This represents a decrease of \$28,448 from the previous year.
- *Stop Loss Coverage* - The Village purchases stop loss coverage to limit its financial exposure. Stop loss coverage provides insurance for catastrophic medical claims of participants in the Village's group health care plan. There are two types of stop loss coverage, specific and aggregate. Specific stop loss insurance provides a point at which time the insurance company becomes responsible for any claims after an individual insured reaches a pre-determined limit in the contract year. As part of the annual review, staff directs the Village's consultant, the Horton Group, to recommend to the Village the most appropriate point for specific stop loss coverage. The consultant reviews specific claim data on the Village's group and determines if it is cost effective for the Village to take on additional claim exposure. For 2021 the consultant determined that the Village should remain at the current \$150,000 specific stop loss level. Due to a high volume of claims that reached the \$150,000 stop loss level the Village expected an increase in the Stop Loss premium. The Village does obtain alternative quotes on stop loss coverage on an annual basis. Blue Cross's quote for stop loss totals \$815,961 annually. The increase of \$30,469 for stop loss from last year is due to participants in the health plan exceeding the \$150,000 limit. Instead of red lining these individuals at higher levels of stop loss at a higher rate, the underwriter added to the premium and kept all participants at \$150,000 stop loss, which is in the best interest of the Village's Health Plan.
- *Life Insurance* - Life Insurance is offered as an employee benefit. The premium for Life Insurance for 2021 is \$83,504. This premium reflects no Increase from the previous year.
- *Long Term Disability Insurance (LTD)* – LTD is a benefit for all full time employees, except sworn Police or Fire employees, who are covered through the pension plan. Premium costs for FY21 is \$26,746. This premium reflects no Increase from the previous year.

- *Retiree Carve Out* - Village employees and their eligible spouses that are on the Village's Health Insurance Plan go to the Retiree Carve Out when they reach Medicare age at 65 years old. In 2012, the Village, through the Broker, found a Humana Supplement plan and this is where the coverage for these retirees is provided and are no longer on the Village's Self-Insurance Program. The Village pays the premium and invoices those premiums to the respective retirees. However, those employees that retired prior to the change in Village Ordinance on 9/9/2009 receive credit of 50% of premium. The premium for 2021 is \$324,887. The decrease from the previous year is due to tax of changes decreasing premiums by \$51 a month per participant.
- *Dental* – The Village provides employees a dental program administered by Delta Dental Plan of Illinois. Under this program, employees utilize PPO network providers where services are received at discounted rates and benefits are primarily paid in full. Employees also have the flexibility of going out-of-network; however, they would receive coverage that is less comprehensive. Fees for administration of the Delta Dental program for 2021 are \$19,352.16. Same cost as the previous year.

ATTACHMENTS

Resolutions

Contracts

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING AMENDMENT #5 NATIONAL
INSURANCE SERVICES TRUST JOINDER AGREEMENT
FOR GROUP LIFE INSURANCE**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Amendment #5 to a Joinder Agreement (the "Amendment"), between the Village of Downers Grove (the "Village") and National Insurance Services Trust ("National Insurance Services Trust"), for group life insurance, effective January 1, 2021 through December 31, 2021, as set forth in the form of the Amendment submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Amendment, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Amendment.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____

Village Clerk

**AMENDMENT #5 TO
NATIONAL INSURANCE SERVICES TRUST
JOINDER AGREEMENT FOR
GROUP TERM LIFE INSURANCE**

Employer Plan No: 4116

Carrier: MNL

Employer: Village of Downers Grove

State: IL

Employee Class: All Insured Classifications

This Amendment, made part of the National Insurance Services Trust Joinder Agreement (the "Agreement") by and between the Administrator of the National Insurance Services Trust and **Village of Downers Grove**, (the "Employer"), amends certain provisions of the Agreement effective January 1, 2021 as specified below. Provisions under this Amendment are subject to all the terms and conditions, limitations and exclusions of the entire contract, unless otherwise stated herein.

Benefit Change(s): None

Rates:

- Basic Life: Rate shall remain unchanged at \$0.14/\$1,000.
- Basic AD&D: Rate shall remain unchanged at \$0.03/\$1,000.
- Retiree Basic Life: Rate shall remain unchanged at \$0.14/\$1,000.

The above rates are guaranteed for 12 months, until January 1, 2022. This rate guarantee will not pertain to adjustments in premium rate due to amendments requested by the Employer.

This Amendment becomes a part of the entire contract. It shall continue in force under the same provisions that govern the entire contract. All other terms, provisions and conditions of the entire contract remain unchanged except as stated above.

Accepted this _____ day of _____, 20____, for the above-named Employer.

By: _____
Signature

By: _____
Signature

Print Name and Title

Print Name and Title

Accepted for
NATIONAL INSURANCE SERVICES TRUST
by Administrator, National Insurance
Services of Wisconsin, Inc.



Date: September 28, 2020

This signed and executed Amendment must be returned within 20 working days of the date of the Administrator's signature in order to insure acceptance of the Amendment as outlined.