

**VILLAGE OF DOWNERS GROVE**  
**Report for the Village Council Meeting**  
**10/5/2021**

<b>SUBJECT:</b>	<b>SUBMITTED BY:</b>
Employee Benefits Renewal Contract and Medical Plan Amendments for FY2022	Lauren Linares Director of Human Resources

**SYNOPSIS**

Resolutions have been prepared to authorize approval of employee benefit renewal contracts and plan amendments for FY22.

**STRATEGIC PLAN ALIGNMENT**

The goals for 2021-2023 include *Steward of Financial, Neighborhood and Environmental Sustainability*.

**FISCAL IMPACT**

The proposed FY2022 health insurance budget includes \$1,114,539 for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY2021 and FY2022 are itemized below:

<b>Vendor</b>	<b>Contract Item</b>	<b>FY2021 Amount</b>	<b>FY2022 Amount</b>
Blue Cross Blue Shield	Medical Claim Administration & Specific and Aggregate Stop Loss	\$879,347	\$731,252
National Insurance Services Trust	Life Insurance	\$83,504	\$-
Blue Cross Blue Shield	Life Insurance	\$-	\$80,047
National Insurance Services Trust	Disability Benefits	\$26,746	\$-
Blue Cross Blue Shield	Disability Benefits	\$-	\$24,732
Humana	Retiree Carve Out	\$324,887	\$269,232
Professional Benefit Administrators	COBRA & Flexible Spending	\$9,276	\$9,276
<b>Total</b>		<b>\$1,323,760</b>	<b>\$1,114,539</b>

**RECOMMENDATION**

Approval on the October 5, 2021 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 \$7.8 million as shown in the FY2022 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 2022 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 provided a renewal quote for 2022 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, who provided a more positive renewal cost, which includes a deeper credit for our Wellness Screening initiative and increased credits in pharmaceutical rebates. Total annual costs for medical claims administration for 2022, which includes a discount for packaging our life insurance and disability benefits with BCBS, are credited in the amount of \$134,677. This represents a savings of \$198,063 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 2022 the consultant determined that the Village should remain at the current \$150,000 specific stop loss level. Due to Blue Cross anticipating a negative market reaction, the Village expects 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 \$865,929 annually. The increase of \$49,968 for stop loss from last year is due to market estimates based on Village demographics. Instead of red lining 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. This year, in order to reduce administrative fees, the Village is changing vendors, from National Insurance Services to Blue Cross Blue Shield. The premium for Life Insurance for 2022 is \$80,047. This premium reflects a savings of \$3,457 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. In 2022, it was decided to change

vendors to Blue Cross Blue Shield, in order to reduce administrative fees. The premium cost for FY22 is \$24,732. This premium reflects a savings of \$2,014 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 its Broker, found a Humana Supplement plan 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, employees that retired prior to the change in Village Ordinance on 9/9/2009, receive a credit of 50% of premium. The premium for 2022 is \$269,232. The decrease from the previous year, totaling a savings of \$55,655, is due to additional vendors entering the competitive Medicare market.
- *Professional Benefit Administrators (PBA)* – PBA provides flexible spending accounts for Village employees and administers COBRA for separating employees. The FY2022 fee is \$9,276.

## **ATTACHMENTS**

Resolutions  
Contracts

**RESOLUTION NO. \_\_\_\_\_****A RESOLUTION AUTHORIZING EXECUTION OF A RENEWAL AGREEMENT BETWEEN THE VILLAGE OF DOWNERS GROVE AND BLUE CROSS/BLUE SHIELD OF ILLINOIS FOR STOP LOSS INSURANCE COVERAGE**

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 Stop Loss Coverage Policy Renewal (the "Renewal"), between the Village of Downers Grove (the "Policyholder") and Blue Cross/Blue Shield of Illinois, (the "Company"), for stop loss insurance coverage effective January 1, 2022 through December 31, 2022, as set forth in the form of the Renewal 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 Renewal, 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 Renewal.

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

**BlueCross BlueShield  
of Illinois**

**EXHIBIT TO THE  
STOP LOSS COVERAGE POLICY**

**Employer Group Name:** Village of Downers Grove  
**Employer Group Address:** 801 Burlington Avenue  
**City:** Downers Grove **State of Situs:** IL **Zip Code:** 60515  
**Account Number:** 365058  
**Employer Group Number(s):** P65060, P65061  
**Current Effective Date of Policy** 1/1/2022  
**Current Policy Period:** These specifications are for the Policy Period commencing on 1/1/2022 and ending on 12/31/2022

The specifications below shall become effective on the first day of the Policy Period specified above and shall continue in full force and effect until the earliest of the following dates: (1) The last day of the Policy Period; (2) The date the Policy terminates; or (3) The date this Exhibit is superseded in whole or in part by a later executed Exhibit.

**A. Aggregate Stop Loss Coverage:**  Yes  No  
 If yes, complete items 1. through 9. below.

1.  New Coverage  Renewal of Existing Coverage

2. Stop Loss Coverage during the current Policy Period:

New Coverage (Select one from below):

Incurred and paid during the Policy Period: Claims incurred and paid from \_\_\_\_\_ to \_\_\_\_\_

Run-in coverage: Claims incurred from \_\_\_\_\_ to \_\_\_\_\_  
 and Claims paid from \_\_\_\_\_ to \_\_\_\_\_

If coverage is for claims incurred prior to the effective date of the Policy and paid by Policyholder's prior claim administrator, then such claims must be reported by the Policyholder to the Company (Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) and paid by the Policyholder's prior claim administrator by the end of the current Policy Period.

Renewal of Existing Coverage:

Claim Administrator's Claims: Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Aggregate Stop Loss Coverage shall apply to:

Medical Claims

Vision Claims

A Division of Health Care Service Corporation, a Mutual Legal Reserve Company  
 an Independent Licensee of the Blue Cross and Blue Shield Association

- Outpatient Prescription Drug Claims with Company's Pharmacy Benefit Manager     Dental Claims
- Outpatient Prescription Drug Claims with Policyholder's Pharmacy Benefit Manager: \_\_\_\_\_
- For Hospital Employer Groups only: *Excludes* \_\_\_\_\_% of Home Hospital Medical claims
- Other (please specify): \_\_\_\_\_

4. Average Claim Value: \$1212.59 (per Employee per month)

- Includes Claim Administrator's Provider Access Fee
- Excludes Claim Administrator's Provider Access Fee

Attachment Factor: 125% of the Average Claim Value

5. Aggregate Attachment Claim Liability:

- a. Employer's Claim Liability for each Policy Period shall be the sum of the Monthly amounts obtained by multiplying the number of Individual and Family Coverage Units for each Month by the following factor:

\$1515.74 for each Coverage Unit

\$\_\_\_\_\_ for each Family Coverage Unit

6. Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims:  Yes     No

Run-Off Attachment Claim Liability Factors:

Employer's Run-Off Claim Liability shall be an amount equal to 15% of the annualized Employer Claim Liability based on the participation of the two (2) calendar months immediately preceding termination. Settlement for the final accounting period will be described in the section of the Policy entitled SETTLEMENTS.

7. Aggregate Stop Loss Claims:

- a. The amount of Paid Claims during the current Policy Period, less Individual (Specific) Stop Loss Claims if any, that exceeds the Aggregate Point of Attachment. The Aggregate Point of Attachment shall equal the sum of the Employer's Claim Liability amounts calculated Monthly as described in item A.5. above for the current Policy Period. However, for the current Policy Period the minimum Aggregate Point of Attachment shall be \$6,466,156.
- b. The following applies if the answer to item A.6. above is "Yes" (Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims):

In the event of termination at the end of the current Policy Period, Aggregate Stop Loss Coverage shall equal the amount of Final Settlement Paid Claims that exceed the Final Settlement Aggregate Point of Attachment. Final Settlement Paid Claims shall equal the sum of the Paid Claims during the Final Policy Period and the Paid Claims during the Run-Off Period, less Individual (Specific) Stop Loss Claims, if any. The Final Settlement Point of Attachment shall equal the sum of the Employer's Claim Liability amount for the Final Policy Period and the Employer's Run-Off Claim Liability calculated as described in items A.5. and A.6. above. However, for the Final Settlement Period the minimum Aggregate Point of Attachment shall be the minimum Aggregate Point of Attachment in item A.7.a. above increased by 15%.

- c. The amount of "Run-in" Claims that is excluded from Individual (Specific) Stop Loss Coverage in item B.2. is also not eligible for Aggregate Stop Loss coverage.

8. Stop Loss Premium (Select one):

- Annual Premium (Due on the first day of the current Policy Period): \$14,720.

The following applies if the answer to item A.6. above is "Yes" (Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of the current Policy Period, an additional premium amount equal to 15% of the Annual Premium will be due within ten (10) calendar days of receipt of the billing.

- Monthly Premium shall be equal to the amounts obtained by multiplying the number of Individual and Family Coverage Units for a particular Month by:

\$\_\_\_\_\_ for each Coverage Unit

\$\_\_\_\_\_ for each Family Coverage Unit

The following applies if the answer to item A.6. above is "Yes" (Aggregate Stop Loss Coverage includes coverage of Run-Off Paid Claims):

In the event of termination at the end of the current Policy Period, an additional Premium amount equal to 15% of the annualized Premium based on the participation of the two (2) months immediately preceding termination will be due within ten (10) calendar days of receipt of the billing.

9. The premium is based upon a current membership of 133 Individual Coverage Units and 262 Family Coverage Units.

**B. Individual (Specific) Stop Loss Coverage:**  Yes  No

If yes, complete items 1. through 6. below.

1.  New Coverage  Renewal of Existing Coverage

2. Stop Loss Coverage during the current Policy Period:

New Coverage (Select one from below):

Incurred and paid during the Policy Period: Claims incurred and paid from \_\_\_\_\_ to \_\_\_\_\_

Run-in coverage: Claims incurred from \_\_\_\_\_ to \_\_\_\_\_ and Claims paid from \_\_\_\_\_ to \_\_\_\_\_

If coverage is for claims incurred prior to the effective date of the Policy and paid by Policyholder's prior claim administrator, then such claims must be reported by the Policyholder to the Company (Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) paid by the Policyholder's prior claim administrator by the end of the current Policy Period.

Renewal of Existing Coverage:

Claim Administrator's Claims: Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Individual (Specific) Stop Loss Coverage shall apply to:

Medical Claims  Vision Claims

Outpatient Prescription Drug Claims with Company's Pharmacy Benefit Manager  Dental Claims

Outpatient Prescription Drug Claims with Policyholder's Pharmacy Benefit Manager:

For Hospital Employer Groups only: *Excludes* \_\_\_\_\_% of Home Hospital Medical claims

Other (please specify): \_\_\_\_\_

4. Individual (Specific) Stop Loss Claims

For each other Covered Person:

- a. Individual (Specific) Stop Loss Coverage equals the amount of Paid Claims for a Covered Person during the current Policy Period in excess of the Individual Point of Attachment of \$150,000 per Covered Person. Such amount shall apply for the current Policy Period.

Point of Attachment  Includes Claim Administrator's Provider Access Fee  
 Excludes Claim Administrator's Provider Access Fee

- b. Employer's Claim Liability equals the sum of Paid Claims for a Covered Person during the current Policy Period up to the Point of Attachment specified in item B.4.a. above.

5. Individual (Specific) Stop Loss Coverage includes coverage of Run-Off Paid Claims:  Yes  No

The following applies if the answer to item B.5. above is "Yes" (Individual Stop Loss Coverage includes coverage of Run-Off Paid Claims):

- a. In the event of termination at the end of the current Policy Period, Individual (Specific) Stop Loss Coverage shall equal the amount of Final Settlement Paid Claims that exceed the Point of Attachment specified in B.4. above. Final Settlement Paid Claims shall equal the sum of Paid Claims for a Covered Person during the Final Policy Period and the Run-Off Period (beginning on 1/1/2023 and ending on 12/31/2023.
- b. In the event of termination at the end of the current Policy Period, Employer's Final Settlement Claim Liability equals the sum of Paid Claims for a Covered Person during the Final Policy Period and Run-Off Period up to the Point of Attachment specified in item B.4.a. above.

Settlement for the final accounting period will be described in the section of the Policy entitled SETTLEMENTS.

6. Stop Loss Premium (select one):

Annual Premium (Due on the first day of the current Policy Period): \$\_\_\_\_\_.

The following applies if the answer to item B.5. is "Yes" (Individual (Specific) Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of the current Policy Period, an additional premium amount equal to 20% of the Annual Premium will due within ten (10) calendar days of receipt of the billing.

Monthly Premium shall be equal to the amounts obtained by multiplying the number of Individual and Family Coverage Units for a particular Month by:

\$179.58 for each Coverage Unit

\$\_\_\_\_\_ for each Family Coverage Unit

The following applies if the answer to item B.5. above is "Yes" (Individual (Specific) Stop Loss Coverage includes coverage of Run-Off Paid Claims): In the event of termination at the end of the current Policy Period, an additional premium amount equal to 20% of the annualized Premium based on the participation of the two (2) months immediately preceding termination will be due within ten (10) calendar days of receipt of the billing.

7. The premium is based upon a current membership of 133 Individual Coverage Units and 262 Family Coverage Units.

**Additional Provisions:**

Retirees Covered: Yes  No

Effective 01/01/2022: Renewing

These rates shown in this Agreement reflect a volume-based discount in an amount of 1.5% of the Individual and Aggregate stop loss premium for the Policy period. If the ancillary coverage (Life, AD & D, LTD) lapses during the policy period, HCSC reserves the right to remove the volume-based discount on the ISL and Aggregate premium. In such event, upon sixty (60) days prior written notice to Employer, the premium payment will revert to the non-discounted amount.

The undersigned person represents that he/she is authorized and responsible for purchasing stop loss coverage on behalf of the Employer. It is understood that the actual terms and conditions of coverage are those contained in this Exhibit and the Stop Loss Coverage Policy into which this Exhibit shall be incorporated at the time of acceptance by Blue Cross and Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company ("HCSC"). Upon acceptance, HCSC shall issue a Stop Loss Coverage Policy to the Employer. Upon acceptance of this Exhibit and issuance of the Stop Loss Coverage Policy, the Employer shall be referred to as the "Policyholder."

Dee Mastro Holzkopf  
Sales Representative

Signature of Authorized Purchaser

Greg Hatton  
Name of Underwriter

Title of Authorized Purchaser

Signature of Underwriter

Date

INTERNAL USE ONLY	Date Application approved by Underwriting: Name of Underwriter:
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