

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

SUBJECT:	SUBMITTED BY:
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:

Vendor	Contract Item	FY2021 Amount	FY2022 Amount
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
Total		\$1,323,760	\$1,114,539

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 AN AGREEMENT
BETWEEN THE VILLAGE OF DOWNERS GROVE
AND BLUE CROSS BLUE SHIELD OF ILLINOIS
FOR LONG TERM DISABILITY 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 Agreement (the "Agreement"), between the Village of Downers Grove (the "Employer") and Blue Cross Blue Shield of Illinois, ("Insurer"), for long term disability insurance, effective January 1, 2022 through December 31, 2022, as set forth in the form of the Agreement 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 Agreement, 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 Agreement.

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

Request Effective with Tax Year: W-2: 2022 (current or future tax year)
FICA Match: N/A (New group - current or future tax year) (Existing group - future tax year only)
Employer Name: Village of Downers Grove Telephone Number: (630) 434-5502
Contact Person: Pat Charnas Fax Number: (630) 434-5484
Employer Tax ID Number (EIN): 36-6005857 Email address: PCharnas@downers.us
Group Policy Number(s): VF026834-1

This Agreement Applies to:

- Both STD and LTD Long Term Disability Only Short Term Disability Only

A. W-2 Options for disability income benefits ("sick pay") - Choose Option 1 or Option 2:

W-2 Option may be selected up to November 15th of the current tax year.

OPTION 1. Insurer prepares W-2 statements for payees and files Federal and State information returns reporting sick pay.

Employer hereby designates Insurer as its agent for the sole purpose of providing W-2 statements with sick pay information to payees by January 31st of each year, or such other date required by the Internal Revenue Service, and for making information return filings in accordance with Federal and State requirements regarding income tax, social security and Medicare tax.

NOTE: We will issue W-2's on a continuous basis, until notified differently by the Employer.

OPTION 2. Insurer DOES NOT prepare Form W-2 statements for payees and Federal and State information returns reporting sick pay. If this option is chosen, Insurer will provide Employer by January 15th of each year with the information required by Federal law for Employer to prepare W-2s for its employees and file Federal and State information returns.

B. Employer FICA Options with respect to Employer's share of Social Security and Medicare taxes:

FICA Match Option can be selected as of your policy effective date for new groups. If you are an existing group, FICA Match Option can only be selected as of January 1st of the future tax year.

STANDARD. Employer retains responsibility for paying the Employer's share of Social Security and Medicare taxes. Insurer will provide Employer with reports containing these amounts on a quarterly basis.

OPTION 1. Insurer pays the Employer's share of Social Security and Medicare taxes and deposits the taxes using the Insurer's EIN. Employer will not be required to reimburse the Insurer for these amounts. Employer understands that the Employer FICA Match service will result in an increase of premium. If this Option is selected, the Insurer must prepare W-2 statements. Employer must select Option 1 in Section A.

C. General Sick Pay Reporting Requirements

Employer is responsible for providing Insurer with accurate information, including total wages paid employee during the calendar year, the last date the employee worked, and the employee contribution percentage of sick pay premium and whether these contributions were paid with BEFORE or AFTER tax dollars.

Insurer will notify Employer of the payments on which employee taxes were withheld. A weekly report will be sent to the Employer within the time required for Insurer's deposit of these amounts. Quarterly and Annual reports will also be sent to the Employer. Insurer will withhold and make timely deposits of employee Social Security and Medicare taxes.

Under no circumstances does Insurer assume any responsibility for Employer's portion of FUTA taxes or any other payroll or employment related tax, fee, premium or the like, including State disability insurance, State or local occupational tax or any Workers' Compensation tax which may be applicable to the sick pay.

Insurer agrees to withhold and deposit Federal income tax as required by the IRS or as requested by the employee on Federal W-4S form.

This Agreement will continue until replaced by a new Agreement, the Policy terminates and/or sick pay payments are discontinued. This Agreement replaces any prior dated Agreements.

COMPLETED BY - EMPLOYER:

Print Name: Signature:
Title: Date:
Email: