

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 EXECUTION OF A
CLAIMS ADMINISTRATION AGREEMENT BETWEEN
PROFESSIONAL BENEFIT ADMINISTRATORS AND
THE VILLAGE OF DOWNERS GROVE**

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 Renewal Proposal (the "Agreement"), between the Village of Downers Grove (the "Village") and Professional Benefit Administrators ("PBA") to provide employee flexible benefit spending accounts and the administration of COBRA benefits after an employee's separation, 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



Renewal Proposal for:

VILLAGE OF DOWNERS GROVE

Rate Effective Date: 1/1/2022

Administrative Fees:	Current	Renewal
COBRA Annual Fee / Bill every January	\$750.00	\$750.00
COBRA Enrollment Fee	\$7.50	\$7.50
COBRA PQB per Incident Fee	\$25.00	\$25.00
*Flex Fee - Active & Carry Over Participants	\$5.25	\$5.25
**Flex Annual Paper Enrollment Fee / Bill every January	\$500.00	\$500.00
***Flex Annual Fee / Bill every January	\$500.00	\$500.00

PBA Terms and Conditions:

- Any change in the PBM may result in a data integration fee. This could be a PEPM or an implementation fee.
- Any significant enrollment change or plan change could affect the above fee structure.
- *Minimum \$200 Monthly Fee Applies.
- Flex Debit Card Replacement Fee is \$10.00/Card billed to EE's flex account.
- **The Flex Annual Paper Enrollment Fee would be dropped if enrollment is done online instead of paper.
- ***The Flex Annual Fee covers:
 - The review & compliance under ERISA and ACA and other regulatory changes
 - Providing guidance for Plan compliance and Plan Documents
 - Non-Discrimination for medical and dependent care accounts

Signature indicating client's acceptance of above terms

Date