

Legislation Text

File #: BILL NO. 17-215, **Version:** 1

AN ORDINANCE APPROVING THE CALENDAR YEAR 2018 EMPLOYEE BENEFIT PROGRAMS, APPROVING AGREEMENTS FOR SERVICES BY AND BETWEEN THE CITY OF LEE'S SUMMIT, MISSOURI AND BLUE CROSS BLUE SHIELD OF KANSAS CITY, VSP, THE STANDARD, NEW DIRECTIONS, TABEN GROUP, THE HARTFORD, AND TRUSTMARK, AND AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS OR OTHER DOCUMENTS AS NECESSARY TO ADMINISTER EMPLOYEE BENEFITS FOR CALENDAR YEAR 2018 BY AND ON BEHALF OF THE CITY. (F&BC 9-18-17)

Issue/Request:

AN ORDINANCE APPROVING THE CALENDAR YEAR 2018 EMPLOYEE BENEFIT PROGRAMS, APPROVING AGREEMENTS FOR SERVICES BY AND BETWEEN THE CITY OF LEE'S SUMMIT, MISSOURI AND BLUE CROSS BLUE SHIELD OF KANSAS CITY, VSP, THE STANDARD, NEW DIRECTIONS, TABEN GROUP, THE HARTFORD, AND TRUSTMARK, AND AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS OR OTHER DOCUMENTS AS NECESSARY TO ADMINISTER EMPLOYEE BENEFITS FOR CALENDAR YEAR 2018 BY AND ON BEHALF OF THE CITY.

Key Issues:

- City engaged the services of Holmes Murphy as the City's health insurance benefits broker in early 2017 after a competitive RFP process.
- Holmes Murphy undertook a rigorous marketing of all of the City's employee benefit products.
- The identified target for the City's FY2018 Budget was an overall impact to the City for employee benefits to be at a rate increase 10% or less.
- The Health Insurance market is currently extremely volatile and, initial indications were that the City could see a potential rate impact of far in excess of the budgeted 10%.
- After Holmes Murphy collected market results, it began working extensively with the City's Health Insurance Task Force, comprised of City staff from each department as well as representatives from each of the three (3) collective bargaining groups, to craft a comprehensive recommendation for the City's calendar year 2018 Employee Benefits for approval by the City Manager and adoption by the City Council. The Committee examined different carriers, different plan designs, different mixes of carriers and plan designs, different "cost levers," and different coverage types in its analysis and consideration process.
- The net budget impact of the proposed package is 9.7%, which achieved the objective of the budgeted 10%.
- Key Highlights of the Proposed Calendar Year 2018 Employee Benefits Package:
 - Blue Cross Blue Shield of Kansas City (BCBSKC) will remain the City's Health Insurance Carrier, but the City's arrangement with BCBSKC will shift from a self-insured plan to a fully-insured plan. The current

plan designs will remain largely intact, except that a prescription mail incentive will be applied and an increase to the emergency room copay was added to reduce the cost of coverage.

- Delta Dental will no longer provide Dental Insurance coverage to the City. Instead, BCBSKC will also be incorporating Dental Insurance coverage to the City. This change resulted in a 12% savings over the previous year's costs for Dental Insurance coverage, and offers a two year rate guarantee, with a 3rd year rate cap of 8%. Further, it provided an additional incentive in the form of a ½% credit on the medical insurance premiums, since it is being provided by the same carrier and can be packaged.
- VSP Vision will continue to provide Vision Insurance coverage to the City. Holmes Murphy was able to negotiate an 11% premium decrease with a two year rate guarantee.
- The Standard will continue to provide the City's Life Insurance, Accidental Death and Disability coverage.
- New Directions will continue to provide the City's Employee Assistance Program (EAP) benefits.
- Taben Group will replace the City's current service providers for COBRA Administration (COBRAGuard) and FSA Administration (TASC FSA).
- The Hartford will take the place of Allstate as the City's service provider for offering voluntary benefits such as accident, critical illness, universal life and long term care plans. These benefits are not provided or paid for by the City; rather they are provided as a convenience as options for employees to procure at their discretion.

Proposed City Council Motion:

I MOVE TO RECOMMEND TO THE CITY COUNCIL APPROVAL OF AN ORDINANCE APPROVING THE CALENDAR YEAR 2018 EMPLOYEE BENEFIT PROGRAMS, APPROVING AGREEMENTS FOR SERVICES BY AND BETWEEN THE CITY OF LEE'S SUMMIT, MISSOURI AND BLUE CROSS BLUE SHIELD OF KANSAS CITY, VSP, THE STANDARD, NEW DIRECTIONS, TABEN GROUP, THE HARTFORD, AND TRUSTMARK, AND AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS OR OTHER DOCUMENTS AS NECESSARY TO ADMINISTER EMPLOYEE BENEFITS FOR CALENDAR YEAR 2018 BY AND ON BEHALF OF THE CITY.

Background:

This year, the City, through its health insurance benefits broker, Holmes Murphy, undertook a rigorous marketing initiative of all employee benefits programs. That effort resulted in a proposed benefits package that came in at a net 9.7% cost increase, which is under the budgeted and projected 10% increase that was accounted for in the FY2018 budget. The package includes several changes, both to plan design and carriers, as noted in the Key Issues section, above. Agreements have been negotiated for the provision of all employee benefits services and are being presented to the City Council for review and approval.

Agreements with the following entities will need to be entered into in order to implement the proposed Calendar Year 2018 Employee Benefits Package:

- Blue Cross Blue Shield of Kansas City (Medical Insurance and Dental Insurance)
- VSP (Vision Insurance)

- Hartford Life and Accident Insurance Company (Voluntary Benefits)
- Taben Group (COBRA and FSA Administration Services)
- The Standard (Life Insurance and Accidental Death & Disability)
- New Directions (Employee Assistance Program)
- TrustMark (Payroll Deduction Services for Voluntary Benefits)

Also included in the packet is a summary prepared by Holmes Murphy of the Employee Medical Premiums under the proposed Calendar Year 2018 Employee Benefits Package.

It is essential that this item be considered at this time in order to provide the organization sufficient time to get processes and necessary set-ups in place with new carriers prior to the start of open enrollment which takes place on November 1 of each year. The rates included herein will become effective on January 1, 2018 for all employees participating in City plans.

Impact/Analysis:

Net 9.7% increase to current employee benefits costs; under 10% target/budgeted amount.

Timeline:

Other Information/Unique Characteristics:

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Presenter: Nick Edwards, Director of Administration & Jackie McCormick Heanue, Chief Counsel of Management & Operations/Deputy City Attorney

Recommendation: Staff recommends approval of AN ORDINANCE APPROVING THE CALENDAR YEAR 2018 EMPLOYEE BENEFIT PROGRAMS, APPROVING AGREEMENTS FOR SERVICES BY AND BETWEEN THE CITY OF LEE'S SUMMIT, MISSOURI AND BLUE CROSS BLUE SHIELD OF KANSAS CITY, VSP, THE STANDARD, NEW DIRECTIONS, TABEN GROUP, THE HARTFORD, AND TRUSTMARK, AND AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS OR OTHER DOCUMENTS AS NECESSARY TO ADMINISTER EMPLOYEE BENEFITS FOR CALENDAR YEAR 2018 BY AND ON BEHALF OF THE CITY.

Committee Recommendation: [Enter Committee Recommendation text Here]