



Hallandale Beach
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400 South Federal Hwy
Hallandale Beach, FL 33009

City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:	April 17, 2017		Item Type: <i>(Enter X in box)</i>	Resolution	Ordinance	Other	
						X	
Fiscal Impact: <i>(Enter X in box)</i>	Yes	No	Ordinance Reading: <i>(Enter X in box)</i>	1st Reading		2nd Reading	
	X		Public Hearing: <i>(Enter X in box)</i>	Yes	No	Yes	No
					X		X
Funding Source:	N/A		Advertising Requirement: <i>(Enter X in box)</i>	Yes		No	
						X	
Account Balance:	N/A		Quasi-Judicial: <i>(Enter X in box)</i>	Yes		No	
						X	
Project Number :	N/A		RFP/RFQ/Bid Number:	N/A			
Contract/P.O. Required: <i>(Enter X in box)</i>	Yes	No	Strategic Plan Priority Area: <i>(Enter X in box)</i>				
	X		Safety <input type="checkbox"/> Quality <input checked="" type="checkbox"/> Vibrant Appeal <input type="checkbox"/>				
Sponsor Name:	Roger M. Carlton, City Manager		Department: Human Resources Department	Radu Dodea, Interim Human Resources Dir.			

Short Title:

DISCUSSION OF HEALTH INSURANCE RENEWAL

Staff Summary:

BACKGROUND:

The City of Hallandale Beach currently provides Group Health benefits to eligible employees, elected officials, as well as retirees and their dependents. The current health insurance contract is due to expire September 30, 2017.

The City has been with Cigna since October 1, 2013. For the 2013-2014 plan year, there was a significant combined claims loss ratio of 150%. The City was given a significant renewal for the 2014-2015 plan year, which the City had to negotiate. The City, with some minimal plan changes, was able to negotiate a renewal under 15%.

For the 2014-2015 plan year, again there was a significant combined claims loss ratio of 148%. The City was given a significant renewal for the 2015-2016 plan year, which again, the City had to negotiate. The City added a \$1,000 deductible to the plan with minimal other changes and negotiated a renewal of 14.9%.

For the 2015-2016 plan year, similar significant claims losses occurred, and the City negotiated a renewal of 15%.

CURRENT SITUATION:

The City would like a plan design that can deliver cost effective medical and prescription benefits to City participants through an extensive National medical and pharmacy network, while maintaining affordable premium costs for employees and the City.

The current health insurance plan covers approximately 1,100 members, out of which 442 are employees and the rest are retirees and additional eligible dependents. The members participate in one (1) HMO plan which includes prescription drugs, and utilizes the Nationwide Open Access medical network.

Silver Insurance Consultants has evaluated our current fiscal year to date claims loss ratio and plan experience and the results are similar to past experience. With this knowledge at hand, the City explored the following options:

Option 1

For Option 1, the City engaged our current health insurance carrier, Cigna Health, to provide a renewal cost on the "As-Is" plan design basis. The carrier responded with a 20.9% renewal. The total cost of this renewal is approximately \$1.25M for next fiscal year.

Option 2

For Option 2, the City explored with Cigna the option of implementing a High Deductible Health

Plan (HDHP) option, with a Health Reimbursement Arrangement (HRA).

An HDHP is a plan with a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but employees pay more health care costs initially before the insurance company starts to pay its share.

A Health Reimbursement Arrangement (**HRA**), commonly referred to as a health reimbursement account, is an IRS-approved, employer-funded, tax-advantaged employer health benefit plan that reimburses employees for out-of-pocket medical expenses and individual health insurance premiums to help minimize the impact of an HDHP.

The IRS defines a HDHP as any plan with a deductible of at least \$1,300 for an individual or \$2,600 for a family. An HDHP's total yearly out-of-pocket expenses (including deductibles, copayments, and coinsurance) can't be more than \$6,550 for an individual or \$13,100 for a family.

The HDHP will provide cost savings to the City; however, it will place a higher burden on those employees that use the plan more often. Staff has asked the consultant to investigate how many employees are high users of the health plan and the estimation is approximately 75 employees.

Cigna has responded with a (5.9%) renewal decrease, which will save the City approximately \$323,800; however, with the implementation of the HRA, the cost would provide for a renewal increase of \$369,200.

Option 3

Given the fact that the City has experienced 15% per year renewals for the previous three (3) fiscal years, and our commitment to providing optimum benefits to employees, while controlling costs, we feel that it is imperative that the City releases a Request for Proposal (RFP) to explore the market options.

Staff has engaged Siver Insurance Consultants for the RFP production, RFP evaluation and carrier selection. Siver Insurance Consultants will also be responsible in evaluating the Minimum Qualifications of the Proposers and will be responsible for deeming a proposer as responsive or non-responsive. Siver acts solely in its capacity as consultant. The consultant does not participate in commissions from any insurance company, agent or broker, nor does it accept any income from other than its clients.

The RFP is nearly complete and is set to be released no later than April 21, 2017.

WHY THIS ACTION IS NECESSARY:

Action is needed to authorize the City Manager to choose a Group Health benefits carrier in the best interest of the City and to authorize the City Manager to set forth and formalize the terms of the agreements, and to authorize the City Manager to execute the agreements, pursuant to Chapter 23, Section 23-103, Competitive Bidding Required, which states that "All purchases of and contracts for equipment, supplies and contractual services, when the estimated cost shall exceed \$50,000.00, except as specifically provided in this section, shall be based, wherever possible, on competitive bids." In essence, the City Manager will have the authority to enter into

a contract with the best value for the City and its employees; however, a report will be provided to the City Commission to be able to have input before the contract is signed.

Proposed Action:

City Manager to negotiate a Group Health insurance contract in the best interest of the City with each selected carrier that will respond to the Request For Proposal.

Attachment(s):

Prepared by:

Radu Dodea
Radu Dodea, Interim HR Director