



Legislation Text

File #: 09-1178, Version: 1

Resolution to Approve Renewal Contracts with Blue Cross Blue Shield of Michigan to Provide Health Care Coverage to City Employees and Retirees and Their Dependents (\$1,344,396.70)

The attached Resolution authorizes the City Administrator to execute the renewal of health care services contracts with our health care service provider. Employees and retirees, through their labor agreements or in accordance with the City's employee benefit plans, have the availability of using the Blue Cross Blue Shield Community Blue Preferred Provider Network for their health care service needs. The plan is administered by Blue Cross Blue Shield of Michigan.

The Blue Cross Blue Shield Community Blue Preferred Provider Network (or its equivalent) is provided for under our current labor agreements and our employee benefits program. This contract continues services now in effect.

In July 2009, the City received a BCBSM renewal offer of "business as usual". Instead, the City made two (2) significant changes to the previous contracts with BCBSM.

Noting recent litigation activity surrounding 'access fees' or 'additional administrative compensation' (AAC), the City successfully pursued the matter outside of a long/protracted and expensive litigation process with assistance of McGraw Wentworth and the City Attorney.

The City reached Agreement 10/5/09 with BCBSM to modify historical method of computing AAC; new method will be fully transparent, with fees *fixed* rather than *variable*. This has resulted in the following:

- AAC will be fixed at lower rate and added each month to City's administration fee
- AAC will no longer be variable/higher each year due to trend, and be 'buried' in the claims data
- 1st year value of change (retro to 7/1/09) equal to approximately \$235,500.00 in cost reduction
- BCBSM agreeable to capping total combined fixed fee from 7/1 forward, making the cumulative, on-going value of this change much more significant than merely the 1st year savings impact.

Analysis indicated the \$50,000.00 Stoploss deductible was much too low, and therefore ability to protect plan through the aggregate coverage was diminished. Thus, the following changes were made:

- The City moved to \$200,000.00 deductible under the specific Stoploss contract
- The City eliminated the aggregate Stoploss protection

This resulted in:

- Specific large claims cost expected to be reduced by approximately \$345,000.00 annually
- Aggregate Stoploss premium reduction of \$68,000.00 annually

New fees and premium effective 7/1/09 through 6/30/10 are:

- \$56.63.00 total combined ASC fee (administration plus AAC)

\$20.27.00 specific Stoploss premium (\$200,000.00 deductible with no aggregate)

The overall costs for the program will fluctuate monthly depending both on the number of employees and retirees enrolled in the program during any given month, and the amount of incurred claims actually paid during any given month.

Blue Cross Blue Shield of Michigan received Human Rights approval on May 1, 2008.

The above referenced cost projections are in accordance with the approved Fiscal Year 2009 - 2010 budget, barring any unforeseen circumstances.

Prepared by: Kelly Beck, Employee Benefits Supervisor

Reviewed by: Robyn Wilkerson, HR and Labor Relations Director

Whereas, The City provides Health Care coverage to City employees, their eligible dependents, and retirees and their eligible dependents, in accordance with the employee benefits program and various labor contracts at an estimated annual cost of approximately \$12,070,628.00;

Whereas, The City's contract with Blue Cross Blue Shield of Michigan was due for renewal on July 1, 2009;

Whereas, Human Resources Services recommends renewal of this contract;

Whereas, Funds have been appropriated in the Fiscal Year 2009 - 2010 budget to cover projected costs associated with the provision of health care; and

Whereas, Blue Cross Blue Shield of Michigan received Human Rights approval on April 28, 2009;

RESOLVED: That City Council approve renewal of the contract for the period July 1, 2009 to June 30, 2010, with Blue Cross Blue Shield of Michigan to provide health care coverage to City employees, their eligible dependents, retirees, and their eligible dependents, and

RESOLVED: That the City Administrator be authorized and directed to execute the necessary contract documentation after approval as to form by the City Attorney and take any further necessary administrative actions to implement this resolution.