



Legislation Text

File #: 08-0594, **Version:** 1

Resolution to Approve the Renewal Contracts with Blue Cross Blue Shield of Michigan to Provide Health Care Coverage to City Employees and Retirees and Their Dependents and Authorize the City Administrator to Execute the Necessary Documentation (\$12,070,628.00)

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. This Plan is a self-funded program, and requires the City to pay for the actual cost of claims up to \$50,000.00, our contracted specific stop-loss limit. Claims from \$50,000.00 to \$5,000,000.00 are paid by Blue Cross Blue Shield as the stop-loss policy indicates. The stop-loss policy protects the City against individual catastrophic claims paid during the year. The City pays an Administrative Fee and Stop-Loss Fee to Blue Cross Blue Shield based on the number of contracts each month, in addition to paying all of our members' incurred claims. The Fiscal Year 2008-2009 monthly Administrative Fee per contract will be \$33.43 (estimated total cost of \$593,716), and Stop-Loss Fee per contract will be \$78.57 (estimated total cost of \$1,395,405.00) for a combined total fixed cost of \$1,989,121. This equates to an increase of 2.01% from our current fee base of \$32.77 per contract for Administrative Fees, and a 10.9% increase from \$70.84 per contract for Stop Loss Fees. There was a decrease to the monthly Administrative Fee structure for the 2007 - 2008 Fiscal Year of 1.53%. There was a 13.6% increase to the monthly Stop Loss Fee structure for the 2007 - 2008 Fiscal Year. The increase in Stop Loss fees reflects the adjustment for our current plan experience. The estimated claims cost for the program is projected to be \$10,081,507, for a total combined projected cost of \$12,070,628.00.

The 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 2008 - 2009 budget, barring any unforeseen circumstances.

Prepared By: Elizabeth S. Edwards, Employee Benefits Manager

Reviewed By: Carol S. Schuler, Director of Human Resources and Labor Relations

Approved By: Roger W. Fraser, City Administrator

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 is due for renewal on July 1, 2008;

Whereas, The renewal rate increase for Administrative Fees for Blue Cross Blue Shield of Michigan increases 2.01% and for Stop Loss Fees increases 13.6%;

Whereas, Human Resources Services recommends renewal of this contract;

Whereas, Funds have been appropriated in the Fiscal Year 2008 - 2009 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 May 1, 2008;

RESOLVED: That City Council approve renewal of the contract for the period July 1, 2008 to June 30, 2009, 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 is 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.