RESOLUTION 2013-18

Agenda Item

TO: Mayor and City Council

FROM: Mark S. Gaugh, City Manager

DATE: May 6, 2013

RE: Resolution for Employee Health Coverage Changes

Issues

A few months ago, we were advised by Midwest Public Risk (MPR), our pool insurance manager, that premiums for the next plan year were going up, fairly significantly. However, at that time, no one could tell how much they were to increase. We decided to check the market to see if we could get a lower coverage rate outside the MPR pool. MPR rules require us to notify them if we secure coverage by another carrier, by April 1, or pay a significant penalty. To meet this deadline, we presented a Resolution for Council approval, notifying MPR of our intent to drop coverage. We had to do this, even though we did not know how much the increase was going to be, since MPR did not have their board meeting in time to provide notice. Coverage with MPR expires July 1, 2013.

We advertised for insurance brokers and interview two brokers who could shop insurance coverage for us. The Council Committee selected Shoal Creek Financial (Ryan Sloan) to do the brokering for us. Mr. Sloan looked into five potential providers; Coventry, Humana, Aetna, Blue Cross & Blue Shield and United Healthcare (UHC). Humana did not provide a quote, and the quotes from Blue Cross and UHC were recommended as the ones we should compare with the coverage of MPR.

Both Blue Cross and UHC are recommended to be in the final review, because of their customer service and claim payment ability and history. Of the two companies recommended, Blue Cross offers a rate cap in the second year, and UHC offers a two-year premium lock where we will know in advance what our premiums will be for a two-year period. With all the uncertainty in the market today, this is extremely important. Comparing these two plans it looks as though UHC has the best benefits at the highest cost savings over that two-year period.

Employees pay a portion of their health and vision coverage, and all of their dental coverage. Under the new plan, both the employees and City will experience a decrease in premium expense with UHC. This savings will allow the City to work with the employees on wellness programs, as well. With UHC the rates will be the same for two years, as you can see on the attached spreadsheet, where we could expect about a 13.4% increase with BC/BS. After the initial two year period, costs are expected to increase

significantly under the new Affordable Care Act, and the proportion of cost share may change at that time. We expect to stay with VSP and Delta Dental for vision and dental coverage, respectfully.

Recommendation

Staff recommends that the Council approve the resolution to pursue coverage with United Healthcare.

Resolution 2013-18

A RESOLUTION OF THE CITY OF CAMERON, CLINTON AND DeKALB COUNTIES, MISSOURI, TO ACCEPT INSURANCE COVERAGE FROM UNITED HEALTHCARE

WHEREAS, the City of Cameron partners with its employees for health insurance coverage; and

WHEREAS, costs for next year are expected to increase significantly with its current carrier, Midwest Public Risk; and

WHEREAS, Staff has obtained quotes for coverage from other insurance carriers; and

WHEREAS, the lowest two-year cost and best bid of the proposals evaluated was submitted by United Healthcare.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council for the City of Cameron, Clinton and DeKalb Counties, Missouri that United Healthcare be selected for insurance coverage.

Passed and approved this 6th day of May 2013.

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Mayor Dennis M. Clark

Attest:

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City Clerk/Finance Clerk