

# CITY OF DANIA BEACH

## EMPLOYEE BENEFITS INSURANCE EVALUATION



### RENEWAL RECOMMENDATION FOR:

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GROUP MEDICAL INSURANCE  
GROUP DENTAL INSURANCE  
GROUP LIFE INSURANCE  
GROUP VISION INSURANCE

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PLAN YEAR EFFECTIVE: OCTOBER 1, 2015

August 4<sup>th</sup>, 2015  
Presented By:

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# **Employee Benefits Renewal Evaluation & Recommendation**

## **Plan Year Effective: October 1, 2015**

### **EXECUTIVE SUMMARY**

Pursuant to the City's transition from a self-insured medical, dental and vision program to a fully insured arrangement effective October 1, 2013, Gehring Group and City Staff have met regularly to review and monitor current year plan performance. Transitioning to a fully insured arrangement has allowed the City to budget more effectively and limit the City's claims cost exposure under its employee benefits program.

#### **Background Information**

The City of Dania Beach currently offers group medical, dental, vision, life & accidental death insurance to its full time employees, retirees and their dependents (subject to eligibility guidelines). In 2013, the City and Gehring Group conducted a formal RFP and evaluation process to investigate all viable options in an attempt to maintain the most cost effective employee benefits program. Based on the results of our analysis, the Florida League of Cities proposed the most competitive medical option on a fully insured basis, providing a guaranteed cost to the City, saving approximately \$700,000 over the 2012/2013 medical self-funded premiums. The current 2014/2015 program is administered by United Health Care and provides City members access to United Healthcare's national provider network. The total annual cost of the medical insurance program for the 2014/2015 plan year is approximately \$2,734,555 (based on current enrollment of 179 employees and retirees).

#### **Medical Insurance Renewal**

Using an industry standard renewal calculation, Gehring Group's renewal projection yielded an anticipated premium increase of approximately 10.8% based upon current utilization, a 98% claims to premium loss ratio, large claim information, and additional fees required under the Patient Protection and Affordable Care Act (PPACA). Based on these early projections, Gehring Group diligently worked with the Florida League of Cities (FLOC) and was successful in negotiating the initial FLOC renewal down to a 9% increase. The schedule of benefits associated with the FLOC renewal remain the same as the City's current program as outlined in the chart below. Under the Affordable Care Act, all deductibles, coinsurance and copays paid by the employee are required to accumulate to the maximum out of pocket.

Plan Basics	Florida League of Cities UHC Plan 002		Florida League of Cities UHC Plan 002	
	In Network	Out of Network	In Network	Out of Network
Lifetime Maximum	Unlimited			
<b>Calendar Year Deductible</b>				
Single	\$250	\$500	\$250	\$500
Family	\$500	\$1,000	\$500	\$1,000
<b>Out of Pocket Maximum</b>	Includes Deductible, Copayments, Coinsurance, and Prescription Drug costs		Includes Deductible, Copayments, Coinsurance, and Prescription Drug costs	
Single	\$2,500	\$5,000	\$2,500	\$5,000
Family	\$5,000	\$10,000	\$5,000	\$10,000
Coinsurance	90%	70%	90%	70%
<b>Office Visits</b>				
Physician Office Visit	\$15	CYD + 30%	\$15	CYD + 30%
Specialist Visit	\$30	CYD + 30%	\$30	CYD + 30%
Preventive Care Services	No Charge	Not Covered	No Charge	Not Covered
Independent Clinical Lab	No Charge	CYD + 30%	No Charge	CYD + 30%
Urgent Care Center	\$50	CYD + 30%	\$50	CYD + 30%
<b>Hospital</b>				
Inpatient	CYD + 10%	CYD + 30%	CYD + 10%	CYD + 30%
Outpatient	\$100	CYD + 30%	\$100	CYD + 30%
Emergency Room Visit	\$125 Copay			
Physician Services in Hospital	CYD + 10%	CYD + 30%	CYD + 10%	CYD + 30%
Advanced Imaging (Outpatient)	\$100	CYD + 30%	\$100	CYD + 30%
<b>Mental Health / Substance Abuse</b>				
Inpatient	CYD + 10%	CYD + 30%	CYD + 10%	CYD + 30%
Outpatient	\$15	CYD + 30%	\$15	CYD + 30%
<b>Prescription Drugs</b>				
Tier 1	\$10	\$10	\$10	\$10
Tier 2	\$35	\$35	\$35	\$35
Tier 3	\$60	\$60	\$60	\$60
Tier 4	N/A	N/A	N/A	N/A
Mail Order	2.5 x Retail Copay	Not Covered	2.5 x Retail Copay	Not Covered

### Dental Insurance Renewal

In 2013, the City transitioned from a self-insured dental program to a fully insured dental arrangement administered by Reliance Standard Life Insurance Company, providing a guaranteed cost to the City, and saving approximately \$150,000 over the 2012/2013 dental self-funded premiums. The Reliance Standard dental PPO also provided a larger dental network, allowing employees to receive additional discounts by utilizing in-network dentists.

Through the renewal negotiation process, Gehring Group was successful in negotiating the City's dental renewal at no rate increase to the City for 12 months.

### **Vision Insurance Renewal**

In 2013, the City transitioned from a self-insured vision reimbursement program to a more traditional fully insured vision arrangement with an extensive provider network administered by Reliance Standard Life Insurance Company. This program provided a guaranteed cost to the City at no increase over the 2012/2013 vision self-funded premiums.

Through this year's renewal process, Gehring Group was successful in negotiating an alternate plan option which included an enhancement to the current vision benefits, increasing the frame frequency from every 24 months to every 12 months at a 5% rate increase to the City.

### **Life & Disability Insurance Renewal**

Gehring Group and the insurance review committee also recommends that the City renew its life and AD&D coverage with Reliance Standard on a fully insured basis. Reliance Standard has an excellent track record with the City in providing competitive plan options for its life insurance coverage as well as excellent customer service. Through the renewal negotiation process, Gehring Group was successful in negotiating the City's life renewal at no rate increase to the City for 12 months.

Lastly, due to the historically low utilization of the City's self-insured short term disability program, Gehring Group recommends that the City continue to self-insure this coverage through the current administrator, Maxon Administrators.

### **RECOMMENDATION**

Upon receipt of the negotiated renewal proposals, City Staff and Gehring Group representatives met with the Insurance Review Committee to evaluate the options proposed. Based on the review of the City's year to date claims experience and the outcome of the renewal negotiation process, Gehring Group, City Staff and the Insurance Review Committee recommend the following for your consideration:

- Maintain current fully insured health insurance program with the Florida League of Cities (United Healthcare) at a 9% rate increase; this includes no plan changes to the City's current program;
- Maintain current fully insured dental program with Reliance Standard with no rate increase with plan benefit enhancements at no rate increase;
- Maintain current fully insured vision program with Reliance Standard with plan benefit enhancements at a 5% rate increase;
- Maintain current fully insured life program with Reliance Standard with no rate increase with plan benefit enhancements at no rate increase;

# EXHIBITS

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- 2013/2014 Medical Claims Experience
  - 2014/2015 Medical Claims Experience
  - Medical Renewal Evaluation
  - Dental Renewal Evaluation
  - Vision Renewal Evaluation
  - Life Renewal Evaluation
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