

CITY OF DANIA BEACH

EMPLOYEE BENEFITS INSURANCE EVALUATION



RENEWAL RECOMMENDATION FOR:

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

PLAN YEAR EFFECTIVE: OCTOBER 1, 2016

June 21st, 2016

Presented By:

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Employee Benefits Renewal Evaluation & Recommendation **Plan Year Effective: October 1, 2016**

EXECUTIVE SUMMARY

Due to the concern regarding the rising healthcare inflation rate in Florida and the budget challenges faced by all public sector entities, the City engaged the Gehring Group to release Request for Proposal (RFP) to solicit competitive, fully insured proposals for the City's group medical insurance for the 2016-2017 plan year. As a result of the evaluation process, Gehring Group requested best and final proposals for two scenarios as outlined on page three. Based on the results of these negotiations, Gehring Group proposes the implementation of Option 1 which includes the following recommendations:

- Renew the City's fully insured health insurance program with the Florida League of Cities;
- Renew the City's fully insured dental, vision, group life, AD&D, and supplemental life insurance coverage with Reliance Standard; and
- Maintain the current short term disability coverage on a self-insured basis and continue the administration services provided by Maxon Administrators.

The total gross annual cost savings generated by the implementation of the above recommendations is approximately \$130,852 based on current enrollment. This savings would be shared by the City and its employees/retirees in the amounts of \$109,916 and \$20,936 respectively.

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). The current medical program is fully insured with the Florida League of Cities and is administered by UnitedHealthcare. The total annual cost of the medical insurance program for the 2015/2016 plan year is approximately \$2,616,977 (based on current enrollment of 148 employees and retirees).

RFP PROCESS

On April 24, 2016, Gehring Group released an RFP to solicit competitive, fully insured proposals for the City's group medical insurance for the 2016-2017 plan year. Conducting a competitive bid process enabled the City to market its employee benefit programs to the entire insurance marketplace, including insurance carriers and public sector insurance trusts, providing an opportunity for all vendors to propose the most creative, cost-effective options.

As a result of the competitive bid process, Gehring Group was able to attain proposals from seven carriers for the City's review and consideration. Proposals were received from the following carriers (listed in alphabetical order):

MEDICAL

1. Aetna
2. AvMed
3. Cigna
4. Florida Blue
5. Florida League of Cities
6. Humana
7. UnitedHealthcare

PROPOSAL ANALYSIS

Pursuant to Gehring Group's initial review and analysis of the proposals received, our consultants met with Senior City Staff to discuss the proposal responses and review all viable options. As noted above, Gehring Group received seven fully insured medical proposal options. During our initial proposal review meeting, it was determined that the Florida League of Cities (FLOC), and the UnitedHealthcare proposals were the most competitive medical plan options.

Upon review of all proposals, Senior City Staff formed a five-member insurance review committee, to consist of both union and non-union staff representatives, in order rank the proposers and provide a recommendation to City Management for consideration.

Based on Gehring Group's review of all proposed options, we proceeded with "best and final" negotiations for the following scenarios:

- Option 1:** Renew all lines of the City's current employee benefits program with no carrier or plan changes. (i.e. Medical with Florida League of Cities; Dental, Vision, Life and AD&D with Reliance Standard and STD with Maxon Administrators.)
- Option 2:** Place the medical coverage directly with UnitedHealthcare, renew dental, vision, life and AD&D and supplemental life with Reliance Standard, and maintain the self-insured short term disability program with Maxon Administrators.

RECOMMENDATION

Medical Insurance Recommendation

Based on the results of our analysis, the Florida League of Cities proposed the most competitive medical option with the least disruption to the City and its employees on a fully insured basis, providing a guaranteed cost to the City. And therefore the Gehring Group recommends that the City maintain its current fully insured health insurance program with the Florida League of Cities (UnitedHealthcare) at a 5% rate decrease; this includes no plan changes to the City's current program. The schedule of benefits associated with the Florida Leagues of Cities is outlined in the chart below.

	Florida League of Cities UHC Plan 002		Florida League of Cities UHC Plan 002	
Plan Basics	In Network	Out of Network	In Network	Out of Network
Lifetime Maximum	Unlimited		Unlimited	
Calendar Year Deductible				
Single	\$250	\$500	\$250	\$500
Family	\$500	\$1,000	\$500	\$1,000
Out of Pocket Maximum	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	10%	30%	10%	30%
Office Visits				
Physician Office Visit	\$15	CYD + 30%	\$15	CYD + 30%
Specialist Visit	\$30	CYD + 30%	\$30	CYD + 30%
Urgent Care Center	\$50	CYD + 30%	\$50	CYD + 30%
Preventive Care Services	No Charge	Not Covered	No Charge	Not Covered
Advanced Imaging (Outpatient)	\$100	CYD + 30%	\$100	CYD + 30%
Hospital				
Inpatient	CYD + 10%	CYD + 30%	CYD + 10%	CYD + 30%
Outpatient	\$100	CYD + 30%	\$100	CYD + 30%
Emergency Room Visit	\$125 Copay		\$125 Copay	
Physician Services in Hospital	CYD + 10%	CYD + 30%	CYD + 10%	CYD + 30%
Mental Health / Substance Abuse				
Inpatient	CYD + 10%	CYD + 30%	CYD + 10%	CYD + 30%
Outpatient	\$15	CYD + 30%	\$15	CYD + 30%
Prescription Drugs				
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 24 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 the City's vision renewal at no rate increase to the City for 24 months.

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 24 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.

EXHIBITS

- Medical, Dental, Vision, and Life Renewal Evaluation
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