



STAFF REPORT

DATE: June 19, 2018

TO: Ronald L. Olson, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: Approval of Group Employee Medical/RX and Dental Insurance Benefits

BACKGROUND AND FINDINGS:

The City of Killeen provides medical and dental insurance for each employee so that each has access to medical and dental care. The City currently pays 100% of the medical and dental care premiums, base plan only, for all eligible employees. Employees may purchase additional medical and dental care coverage for their family members, if they choose. The current carriers are Scott & White Insurance and MetLife, respectively. Approximately 920 employees elect medical insurance and approximately 1,155 employees elect dental insurance.

All benefits are reviewed annually to ensure that both the City and employees are receiving the best product for the best price.

This year we chose to issue a Request for Proposal (RFP) for both fully and self-insured healthcare options, in order to obtain the most competitive rates possible inside a rapidly changing environment. Purchasing Division in the Finance Department distributed the RFP to interested vendors and posted the RFP on the City website. Scott and White Healthcare Plan (SWHP), Blue Cross Blue Shield (BCBS), Texas Municipal League (TML), and United Health Care (UHC) carriers submitted proposals for fully-insured medical care and SWHP, Aetna, BCBS, and UHC carriers submitted proposals for self-funded medical care. In addition, MetLife, Lincoln, Guardian, SunLife, BCBS, and UHC carriers submitted proposals for dental care. As part of the RFP process, we requested the most competitive vendors to submit "best and final offers" to obtain the most advantageous product and price.

The following criteria were utilized in evaluating proposals submitted by the healthcare carriers:

Medical/RX

- 10% Presentation quality and effectiveness to communicate their vision.
Ability to replicate the scope of services in the RFP workbook.

- 30% Ability to respond to requested funding platforms.
Ability to replicate the requested benefit plan and services.
Ability to replicate benefit plans and services.
Purchase price to include multi-year cost guarantees.

25%	Care Management Disease Management Personal Health Record Innovation - Population Health Management Member Engagement
15%	Account Management/Service Team Adequate and accurate reporting Collateral member material
10%	Public sector experience Years in business Financial Rating
5%	5-Good business relationship in the past, staff recommends use of services again. 3-Good business with no documented issues previously or never performed business with a client but has appropriated experience. 1-Past performance was documented as being poor.
5%	Ability of vendor to deliver innovation and leadership now/future to position the plan for success.

United Health Care earned the most points on the scoring matrix above. Their "best and final offer" for one year pricing offered a 5.55% savings over our current provider, Scott & White. The 5.55% decrease in rates would reduce the City of Killeen's estimated annual spending by \$324,606. A total annual cost of \$5,520,080.

After a thorough analysis of the medical care proposals received, it is requested that the City Council make a recommendation to the City of Killeen Employee Benefit Trust to select the fully-insured for 2019 year plan proposed by United Health Care as the one that provides the most effective, most competitive medical health insurance package for employees.

The following criteria were utilized in evaluating proposals submitted by the dental carriers:

Dental

40%	Quality and cost of fully funded dental plan
10%	Demonstrated experience and strength to provide services requested
10%	Plan administration/Claim administration/Member services
30%	Quality of reporting/reports
5%	References
5%	Enrollment processes/Innovation

Lincoln earned the most points on the scoring matrix above. Lincoln offers two (2) plans (high and low) and the low plan is comparable to the City's current dental plan with MetLife. The low plan has a rate of 5.20% lower than the current plan and the rate cap is guaranteed for two (2) years. Staff requested the high plan which includes adults' orthodontics and will cost the employee \$4.21 per month if the employee selects this plan.

After a thorough analysis of the dental care proposals received, it is requested that the City Council make a recommendation to the City of Killeen Employee Benefit Trust to select both plans offered by Lincoln as the ones that provide the most effective, most competitive dental health insurance package for employees.

THE ALTERNATIVES CONSIDERED:

Alternatives considered:

(1) To continue with Scott and White Healthcare Plan as the City’s healthcare provider and with MetLife as the dental care provider.

(2) To consider a contract with United Health Care for a self-insured medical healthcare plan and Lincoln for a dental care plan.

(3) To consider a contract with United Health Care for a fully-insured medical healthcare plan and Lincoln for a dental care plan.

Which alternative is recommended? Why?

Staff recommends the third alternative because changing to United Health Care saves the City approximately \$324,606 on healthcare and approximately \$30,744 on dental care.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

Current Healthcare cost:	\$5,844,686
Proposed Healthcare cost:	<u>\$5,520,080</u>
Savings:	\$324,606
Current Dental care cost:	\$591,794
Proposed Dental care cost:	<u>\$561,050</u>
Savings:	\$30,744
Total net savings:	\$355,350

What is the amount of the expenditure in the current fiscal year? For future years?

\$6,081,130

Is this a one-time or recurring expenditure?

Recurring after renewal period next June.

Is this expenditure budgeted?

Yes

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes

RECOMMENDATION:

Staff recommends that City Council recommend to the Employee Benefits Trust the selection of the fully-funded healthcare coverage with United Health Care and dental care coverage with Lincoln.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHMENTS:

FY 19 Proposed Employee Medical Contribution

FY 19 Proposed Employee Dental Contribution