



City of Killeen

Legislation Text

File #: RS-24-093, **Version:** 1

Consider a memorandum/resolution selecting Group Employee Medical and Pharmaceutical Benefits with Blue Cross and Blue Shield of Texas effective October 1, 2024.

DATE: June 4, 2024

TO: Kent Cagle, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: **AGREEMENT WITH BLUE CROSS AND BLUE SHIELD OF TEXAS FOR GROUP MEDICAL AND RX BENEFITS**

BACKGROUND AND FINDINGS:

The City of Killeen offers medical/RX as part of its employee benefits package. Currently, approximately 996 employees select the City's medical insurance plans.

All benefits provided to the City of Killeen employees are reviewed annually to ensure that both the City and employees are receiving the best product for the best price. The City currently pays 100% of the medical premiums for the employee only on the lowest plan option. Employees may purchase additional medical coverage for eligible family members or dependents at their added expense. The City's current medical carrier is United Healthcare (UHC), and the City offers two medical plans: An Exclusive Provider Organization (EPO) Plan, traditionally known as a Copay plan, and a High Deductible Health Plan (HDHP), with a health savings component. Due to anticipated increases based on claims performance, as well as input from the employee population regard benefit issues, the City, in partnership with our benefit consultant Lockton Dunning, initiated a Request for Proposal (RFP) to solicit bids for medical insurance to obtain the most competitive rates possible inside a rapidly changing environment.

The annual expense for FY 2024 medical/RX is projected at \$7,045,766. The City received three (3) responses to the medical/RX RFP; UHC, Blue Cross and Blue Shield of Texas (BCBSTX), and Cigna. After thorough analysis for the responses received, it is recommended the City enter into contract with BCBSTX for an estimated FY 2025 cost of \$7,186,542.

Medical/RX

The contract with BCBSTX includes out-of-network coverage which is an increase in coverage as compared to the current contract with UHC. With the proposed changes to the plan, the estimated cost will increase by \$140,776.

FY 2024 estimated cost: \$7,045,766

FY 2025 estimated cost: \$7,186,542

THE ALTERNATIVES CONSIDERED:

N/A

Which alternative is recommended? Why?

It is recommended the City Council authorize the City Manager or designee to execute a contract with Blue Cross and Blue Shield of Texas (BCBSTX) for its medical/RX plans for an estimated FY 2025 cost of \$7,186,542. BCBSTX is the most cost-effective contract and addresses input provided by employees.

CONFORMITY TO CITY POLICY:

Yes.

FINANCIAL IMPACT:

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

The medical/RX insurance plans proposed reflect a total estimated cost increase of \$140,776 based on an average of 996 full-time employees per month who are eligible to participate in medical insurance for a total estimated cost of \$7,186,542 in FY 2025.

Costs for medical/RX will be included in the City's FY 2025 Proposed Budget, which will be delivered to the City Council in July 2024.

Is this a one-time or recurring revenue/expenditure?

This is an annually recurring expenditure.

Is this revenue/expenditure budgeted?

Yes, funds will be included within each department/division's personnel service accounts in the FY 2025 Proposed Budget, upon approval by City Council.

If not, where will the money come from?

N/A

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

Yes, upon approval of the FY 2025 Proposed Budget.

RECOMMENDATION:

Staff recommends that City Council authorize the City Manager or designee to execute a contract with Blue Cross and Blue Shield of Texas (BCBSTX) for its medical/RX plans for an estimated FY 2025 cost of

\$7,186,542 as well as any and all amendments as allowed by law. BCBSTX is the most cost-effective contract and addresses input provided by employees.

DEPARTMENTAL CLEARANCES:

Purchasing
Finance
Legal
City Manager

ATTACHED SUPPORTING DOCUMENTS:

Proposed Contributions
Certificate of Interested Parties
Presentation