City of Killeen

Legislation Details (With Text)

File #:	RS-21-075	**Version:** 1	**Name:**	Self-Insured Group Medical and Rx Benefits
Type:	Resolution		**Status:**	Passed
File created:	5/4/2021		**In control:**	City Council
On agenda:	6/8/2021		**Final action:**	6/8/2021
Title:	Consider a memorandum/resolution awarding RFP 20-21 Group Employee Medical and Pharmaceutical Benefits to United Healthcare for self-insured benefits effective October 1, 2021.			
Sponsors:	Human Resources Department			
Indexes:				
Code sections:				
Attachments:	1. Staff Report, 2. Certificate of Interested Parties, 3. Presentation			

Date	Ver.	Action By	Action	Result
6/8/2021	1	City Council	Approved	Pass
6/1/2021	1	City Council Workshop		

Consider a memorandum/resolution awarding RFP 20-21 Group Employee Medical and Pharmaceutical Benefits to United Healthcare for self-insured benefits effective October 1, 2021.

DATE: June 1, 2021

TO: Kent Cagle, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: AGREEMENT WITH UNITED HEALTHCARE FOR SELF-INSURED GROUP MEDICAL AND RX BENEFITS

BACKGROUND AND FINDINGS:

The City of Killeen offers medical insurance as part of its employee benefits package. Currently, approximately 919 employees and 635 of their dependents select the City's medical insurance plans. 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).

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

This year staff chose to issue a Request for Proposal (RFP) in order to obtain the most competitive rates possible inside a rapidly changing environment. The RFP requested for self-insured plan options only and for the removal of the requirement to see a primary care physician before seeking specialty care, known as gatekeeper. The Purchasing Division in the Finance Department distributed the RFP to interested vendors and

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posted the RFP on the City website. Three (3) carriers submitted proposals for self-insured medical/pharmaceutical insurance and six (6) carriers submitted proposals for pharmaceutical plans only. The medical carriers submitting proposals included United Healthcare, Blue Cross Blue Shield, and Scott & White Health Plan. The pharmaceutical providers submitting proposals for pharmaceutical plans only included National Cooperative Rx-CVS, Blue Cross Blue Shield, United Healthcare, Scott & White, WellDyne, and Script Care. Stand-alone pharmaceutical providers can be considered in future years, but it is not recommended that these options be considered until a history can be established under a self-insured plan.

The Human Resources Department administered an initial survey to all employees for their input on medical insurance. Four hundred and ninety (490) employees responded to the survey. Most of the employees prefer to have the option to directly seek specialty care versus having to get a referral from a Primary Care Provider. In addition, most of the employees prefer to see lower premiums, lower deductibles, and lower out-of-pocket maximums. The Human Resources Department administered a second survey to all employees requesting their input on cost versus the gatekeeper plan option and received 572 responses indicating most employees prefer to not pay more premiums and keep the gatekeeper plan option.

After a thorough analysis of the medical insurance proposals and the employee surveys, staff recommends to renew the contract with United Healthcare, Navigate Plan, as staff feels that this plan option provides the most effective, most competitive medical and pharmaceutical package for employees. In addition, it has the least employee disruption to care and pharmacy and it is the plan most employees prefer based on their input from the surveys. With this recommendation, there will not be a cost increase for healthcare with pharmaceutical coverage.

THE ALTERNATIVES CONSIDERED:

Alternatives considered:

(1) To consider entering into a contract with United Healthcare Choice for self-insured medical and pharmaceutical coverage removing the requirement to see a primary care physician before seeking specialty care and with no changes to the HDHP or PPO offerings for a medical premium increase of $359,662 or 6%

(2) To consider entering into a contract with Blue Cross Blue Shield for self-insured medical and pharmaceutical coverage for an increase of $132,873 or 2%

(3) To consider entering into a contract with Baylor Scott & White Plus Healthcare Plan for self-insured medical and pharmaceutical coverage for a premium increase of $421,497 or 7%

(4) To consider entering into a contract with Baylor Scott & White Preferred Healthcare Plan for self -insured medical and pharmaceutical coverage for a premium decrease of $29,765 or 0.5%

(5) To consider renewing the contract with United Healthcare Navigate for a decrease of $1,312, with no changes to the High Deductible Health Plan (HDHP) or Preferred Provider Organization (PPO) offerings.

Which alternative is recommended? Why?

Approve the agreement with United Healthcare as the provider for employee self-insured medical and

pharmaceutical insurance and to accept the agreement with United Healthcare for the Navigate Plan effective October 1, 2021 because it is a cost effective plan, has the least employee disruption to care and pharmacy, and the plan most employees prefer based on their input from the surveys.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The medical insurance plan proposed reflects no change in premium cost to the City or employees based on the average of 919 full-time employees per month who are eligible to participate in medical insurance. The new contract will be effective October 1, 2021.

UHC Navigate: decrease $1,312

Costs for healthcare are included into the City's FY 22 proposed budget, which will be delivered to the City Council in July, 2021.

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

Current healthcare cost: $6,170,776
Proposed healthcare cost: $6,169,464
Total decrease: $1,312

Is this a one-time or recurring expenditure?

This is an annually recurring expenditure.

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, within each division's personnel service accounts.

RECOMMENDATION

Staff recommends the City Council award RFP 20-21 to United Healthcare with the Navigate Plan for employee self-insured medical and pharmaceutical insurance and authorize the City Manager or designee to execute an agreement with United Healthcare effective October 1, 2021, and that the City Manager or designee is further authorized to execute any necessary change orders in accordance with state and local law.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Certificate of Interested Parties

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