



City of San Antonio

Agenda Memorandum

File Number:20-4678

Agenda Item Number: 31.

Agenda Date: 8/20/2020

In Control: City Council A Session

DEPARTMENT: Human Resources

DEPARTMENT HEAD: Lori Steward

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT: Fully Insured Health Plans for Medicare Eligible Retirees

SUMMARY:

This ordinance authorizes the City Manager or his designee to execute a contract with Aetna Life Insurance Company to provide or arrange health services for Medicare-eligible retirees and eligible dependents in an estimated annual cost of \$875,846. The term of this contract is for three (3) years beginning January 1, 2021 and ending December 31, 2023, with an option to extend the contract for up to two (2) one (1) year renewals, subject to and contingent upon funding from the City Council.

BACKGROUND INFORMATION:

The City of San Antonio is committed to providing a choice of comprehensive, quality health benefits to our Medicare-eligible retirees and their dependents. The City currently covers approximately 1,450 Medicare-eligible retirees and their eligible dependents. Medicare is a Health Insurance Program administered by the Centers for Medicare and Medicaid Services (CMS) for people age 65 or older, people with disabilities under age 65, and people of all ages with end-stage renal disease, which is permanent kidney failure treated with dialysis or a transplant.

The advantage of and purpose for offering a managed care Medicare supplement product to City retirees and their dependents is to help offset health care costs for services not covered by Medicare. Retirees electing to participate in the City's Medicare Advantage plan will have the option of two (2) Medicare Advantage plans, a standard PPO in which members pay a co-payment for inpatient and outpatient services and an enhanced buy-up PPO in which members do not have out of pocket costs. Additionally, there will also be a pharmacy-only plan for retirees who choose not to enroll in a Medicare advantage plan. For those who become eligible for

participation in the Retiree Health Benefits Plan, the City will pay a subsidy calculated from the Standard PPO plan. The Enhanced PPO plan is a buy-up. The City's subsidy for either plan will be based solely on the Standard PPO plan and years of service as follows:

- For retirees hired before October 1, 2007 and meet retirement eligibility, the City will subsidize retiree health care coverage calculated at an aggregate two-thirds (City) one-third (retiree) cost share with actual retiree premiums based on years of service with the City.
- For retirees hired by the City on or after October 1, 2007 and who worked for the City for at least five (5) years, but less than ten (10) years, the City will not provide a subsidy; and
- For employees hired by the City on or after October 1, 2007 and who worked for the City for at least ten (10) years, the City will subsidize retiree health care coverage at 50%.

REQUEST FOR PROPOSAL PROCESS:

The current contract with Aetna Life Insurance Company, including all extensions, will expire on December 31, 2020. The Finance Department, on behalf of the Human Resources Department, released a Request for Proposal (RFP) on December 20, 2019 seeking proposals for (1) a fully-insured Medicare Advantage Preferred Provider Organization (PPO) plan comparable to current City retiree plans, (2) an additional health plan of any type (PPO, HMO, etc.) that offers enhancements above the base plan design, and (3) a prescription-only plan with no coverage gap. The RFP was advertised in the San Antonio Express News; TVSA channel, San Antonio eProcurement system, the City's Bidding & Contracting Opportunities website and an email notification was released to a list of potential Respondents.

Four (4) proposals were received by the February 28, 2020 deadline and all were deemed eligible for review. The proposals were reviewed by the selection committee on June 5, 2020 which included representatives from the Human Resources Department, the Office of the City Manager, as well as representatives of ReCOSA (Retired Employees of the City of San Antonio). The committee selected the top three (3) ranked firms for interviews. All interviews were held on June 19, 2020. Following interviews, the selection committee finalized recommendation to award to the highest ranked firm, Aetna Life Insurance Company.

The evaluation of each proposal response was based on a total of 100 points; Twenty (20) points allotted for experience, background and qualifications; Forty (40) points allotted for proposed plans; Twenty-five (25) points allotted for proposed price; Up to ten (10) points for the Local Preference Program; and five (5) points allotted for the Veteran-Owned Small Business Preference Program.

The Small Business Economic Development Advocacy (SBEDA) Ordinance requirements were waived due to the lack of small, minority, and/or women businesses available to provide these goods and services.

The Local Preference Program was applied in the evaluation of responses received for this contract. The selected firm, as well as two other firms, met the Local Preference Program criteria and were therefore eligible for points.

The Veteran-Owned Small Business Preference Program was applied in the evaluation of responses received for this contract. However, none of the firms that applied were Veteran-Owned Small Businesses.

ISSUE:

Execution of this contract will allow the City to continue to offer retiree healthcare benefits to eligible City retirees and their dependents in support of the City's commitment to providing comprehensive, quality health benefit plans.

ALTERNATIVES:

Due to the fact that the current contract, including extension options, expires on December 31, 2020, the alternative to executing this contract would be the discontinuation of the Medicare Advantage option for the 2021 plan year.

The Request for Proposal process could be reinitiated; however, this will result in a gap in coverage due to the amount of time required to complete the selection process.

FISCAL IMPACT:

This contract authorizes a contract to provide health services for Medicare eligible retirees and eligible dependents for one three (3) year term with two one (1) year renewal options.. Available funds are included in the FY2021 Employee Benefits Insurance Fund Proposed Budget subject to Council approval. The Estimated annual cost of Medicare eligible retiree healthcare benefits is \$875,846. This estimated cost is subject to change based on actual enrollment and retiree plan selection. The impact to the FY2021 budget will be approximately \$656,884 for nine (9) months. Subsequent funding will be contingent upon City Council appropriations in the Employee Benefits insurance fund for FY 2022 and future fiscal years.

RECOMMENDATION:

Staff recommends approval of this Ordinance to execute a contract with Aetna Life Insurance Company for a term beginning January 1, 2021, and ending on December 31, 2023, with an option to extend the contract for up to two (2) one (1) year extensions, subject to and contingent upon funding by City Council.

This contract is procured by means of Request for Proposal and a Contract Disclosure Form is attached.