



City of San Antonio

Agenda Memorandum

File Number:15-5050

Agenda Item Number: 14.

Agenda Date: 10/1/2015

In Control: City Council A Session

DEPARTMENT: Human Resources

DEPARTMENT HEAD: Lori Steward

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Retiree Health Benefits Contract

SUMMARY:

This ordinance authorizes the City Manager or her 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 \$2.2 million. The term of this contract is for three (3) years, beginning January 1, 2016, and ending December 31, 2018, with the option to renew for up to two (2), one (1) year periods, subject to and contingent upon funding by 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 dependents. The City currently covers approximately 1,300 Medicare eligible retirees in our retiree benefit program. Medicare is a Health Insurance Program administered by the Centers for Medicare and Medicaid Services (CMS) for people age 65 or older, disabled retirees under age 65, and retirees of all ages with End-Stage Renal Disease, which is permanent kidney failure treated with dialysis or a transplant.

The advantage and purpose for offering a managed care Medicare supplement product to City retirees and their dependents is to help offset health care cost not covered by Medicare. Retirees electing to participate in a Medicare Advantage plan will pay a small co-payment for inpatient and outpatient services and coverage for pharmacy. Currently the Medicare insurance does not cover pharmacy.

Healthcare coverage for all Medicare eligible retirees is provided through a fully insured Medicare Advantage Program. Cost sharing for healthcare coverage for retirees employed with the City before October 1, 2007, will be approximately 67%/33% contribution split, with the City contributing 67% of the overall cost for healthcare coverage. Retirees employed by the City on or after October 1, 2007 must have a minimum of 5 years of City service to be eligible for retiree healthcare coverage. For those who become eligible for participation in the Retiree Health Benefits Plan, the City will pay a subsidy based on years of service as follows:

- For employees hired by the City on or after October 1, 2007 and who work for the City for at least five (5) years, but less than ten years, the City will not provide a subsidy; and
- For employees hired by the City on or after October 1, 2007 and who work for the City at least ten (10) years, the City will subsidize retiree health care coverage at 50%.

Due to the upcoming contract expiration with Humana Insurance Company as of December 2015, the Finance Department, Purchasing Division on behalf of the Human Resources Department released a Request for Proposal (RFP) on July 1, 2015 seeking proposals for (1) a fully-insured Medicare Advantage Preferred Provider Organization (PPO). (2) a fully-insured Medicare Advantage HMO, and (3) a standalone Part D pharmacy plan. The RFP was advertised in the San Antonio Express-News on July 1, 2015. A Pre-Proposal Conference was held on July 10, 2015, to allow for vendor questions and clarification to the RFP. Four (4) proposals were received by the August 3, 2015 deadline. The Evaluation Committee included representatives from the Human Resources Department, Finance Department, and a City retiree representative.

The evaluation of each proposal response was based on a total of 100 points; 20 points allotted for experience, background, qualifications; 30 points allotted for proposed plan and 15 points allotted for respondent's price schedule.

Twenty (20) preference points were allotted for the Small Business Economic Development Advocacy (SBEDA) Program. The Small Business Enterprise Prime Contract Program and Minority/Women-Owned Business Enterprise Prime Contract Program were each allotted five (5) and ten (10) points respectively, and the Mentorship Incentive was allotted five (5) points. In addition, 10 points were allotted for the Local Preference Program and 5 points for the Veteran-Owned Small Business Preference Program.

The Evaluation Committee conducted interviews on August 21, 2015 with the four (4) companies that submitted proposals. On September 11, 2015, the Evaluation Committee reconvened to evaluate the qualifications and plan designs and made recommendation based on their experience and background. The Committee recommends Aetna Life Insurance Company for award as the firm receiving the highest collective score from the evaluation categories.

Aetna Insurance Company proposed the best package which includes a fully-insured PPO health plan and a fully-insured hybrid PPO health plan. These plans offer a wider range of benefits, affordable copayments, and a lower price. Pursuant to the results of RFP process, the evaluation committee recommends that Aetna Insurance Company be awarded the contract to provide or arrange health services for Medicare-eligible retirees and eligible dependents. Aetna Life Insurance Company has administered Advantage health services for Medicare-eligible retirees since 2005. Aetna Life Insurance Company is a two time recipient of the National Business Group award for innovation in reducing health care disparities and is uniquely poised to support our strategic direction.

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 to assist retirees with their health care needs.

In accordance with Local Preference Program, the recommended Respondent received 5 points for having a local office in the San Antonio city limits.

The Small Business Economic Development Advocacy (SBEDA) Program was applied to this evaluation process. However, highest ranked firm is not a Small Business Enterprise or a Minority/Women Business Enterprise and did not receive the available SBEDA preference points.

There were no proposals submitted from veteran-owned small business Respondents for this contract; therefore, the Veteran-Owned Small Business Preference Program was not applied.

ALTERNATIVES:

The alternative of taking no action will result in the discontinuation of the Medicare Advantage option for retirees for the 2016 plan year. Medicare eligible retirees could be added to the pre-65 population which will result in significant health care costs.

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:

Funds to provide health services for Medicare-eligible retirees and eligible dependents are included in the FY 2016 Employee Benefits Insurance Fund Adopted Budget. The estimated annual cost of Medicare eligible retiree healthcare benefits are \$2,177,543 annually. This estimated cost is subject to change based on approved premium rate established by the Center for Medicare and Medicaid Service, projected retiree enrollment in the plans versus actual enrollment, and retiree plan selection. The impact to the FY 2016 budget will be \$1,633,157 for nine (9) months. Subsequent funding will be contingent upon City Council appropriations in the Employee Benefits Insurance Fund for FY 2017 and future fiscal years.

RECOMMENDATION:

Staff recommends approval of this ordinance to execute a contract with Aetna Life Insurance Company beginning on January 1, 2016, and ending on December 31, 2018 to provide or arrange health services for Medicare-eligible retirees and eligible dependents.

This contract is procured by means of Request for Proposals and Discretionary Contract Disclosure Form is attached.