

City Council – Action Request Form

Date: August 1, 2017
To: The City Manager
From: Carmen Caruth, Human Resources Director

Council Action Requested:

Consideration of a resolution authorizing the City Manager to enter into a contract with Blue Cross/Blue Shield of North Carolina to administer the City’s health insurance plan

Summary of Information:

The City of Winston-Salem provides two self-insured health care plans for active employees certified for benefits and retirees under age 65. The two plans, Basic and Basic Plus, differ by level of coverage and out-of-pocket cost to the participant. At present, there are 2,150 active employees and 372 pre-65 retirees on the City’s health care plans.

Currently, the City contracts with Blue Cross/Blue Shield of North Carolina (BC/BSNC) for administration of these plans including plan management and claims processing. This contract expires December 31, 2017.

In preparation for the 2018 health insurance plan year, the City’s Health Care Task Force directed Willis Towers Watson, the City’s benefits consultant, to contact Blue Cross/Blue Shield regarding renewal of the contract and to provide a plan for marketing the contract in the event that Blue Cross/Blue Shield’s renewal proposal was not in line with the City’s cost and service expectations. Blue Cross/Blue Shield submitted an attractive renewal proposal as follows:

- No change in the monthly \$34.43/member administrative services fee for 2018, with annual rate increase caps of 2% for 2019 and 2020.
- Extend the current \$45,000/year wellness program credit for 2018, 2019, and 2020. This \$45,000 annual program credit provides direct funding support for wellness programming undertaken by the City.

Committee Action:

Committee	Finance 8/14/17	Action	Approval
For	Unanimous	Against	

Remarks:

- Increase the pharmacy rebate structure, the impact of which would be an increase from the current pharmacy rebates of \$380,000 to estimated rebates totaling \$900,000 to \$1.1M over the 3-year contract period.
- No other changes to the current contract are proposed as a part of the 3-year renewal.

Blue Cross/Blue Shield will still be bound by the expanded performance guarantees that were put in place with the current contract to ensure accurate and timely claims processing and quality customer service. These performance guarantees contain metrics related to accuracy and timeliness of claims processing; accuracy of claims payments; customer service factors related to call center performance and issue resolution; and overall client satisfaction. The performance guarantees specify the metrics associated with performance in each of these areas and the percentage of the annual administrative services fees that are at risk for failure to meet the performance metrics. Currently, 25% of Blue Cross/Blue Shield's annual administrative services fees (\$277,715) are at risk for poor performance.

Staff recommends that the City renew the current contract with Blue Cross/Blue Shield for administration of the City's active employee and pre-65 retiree health insurance plans. The accompanying resolution authorizes the City Manager to enter into an agreement with BCBSNC for the administration of the City's health insurance plans for 2018 at a rate of \$34.43 per member per month, with the option to renew for 2019 and 2020 at an annual increase not to exceed 2%.