

**RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A
CONTRACT WITH BLUE CROSS/BLUE SHIELD OF NORTH CAROLINA TO
ADMINISTER THE CITY'S HEALTH CARE PLAN**

WHEREAS, the City of Winston-Salem is self-insured and contracts for health insurance management services and claims processing for its medical and pharmacy plans covering active employees certified for benefits and retirees under age 65; and

WHEREAS, the City offers two health care plans, with management of medical benefits and claims processing administered by Blue Cross/Blue Shield of North Carolina (BC/BSNC); and

WHEREAS, currently, there are 2,150 active employees and 372 pre-65 retirees on the City's health care plans; and

WHEREAS, the City's contract with Blue Cross/Blue Shield to administer these plans expires on December 31, 2017; and

WHEREAS, 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; and

WHEREAS, Blue Cross/Blue Shield submitted a renewal proposal that contains the following provisions: (1) No change in the monthly \$34.43/member administrative services fee for 2018, with annual rate increase caps of 2% for 2019 and 2020; (2) extension of the current \$45,000/year wellness program credit for 2018, 2019, and 2020; and (3) and an increase in 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; and

WHEREAS, no other changes to the current contract are proposed as a part of the 3-year renewal proposal; and

WHEREAS, Blue Cross/Blue Shield will still be bound under the renewal 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; and

WHEREAS, 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.

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Winston-Salem City Council, that the City Manager is hereby authorized to enter into a contract with Blue Cross/Blue Shield of North Carolina to administer the City's health care plans for active employees certified for benefits and retirees under age 65 at an administrative fee of \$34.43 per member per month for the 2018 plan year, with the options to renew for the 2019 and 2020 plan years at an annual increase not to exceed 2%.

BE IT FURTHER RESOLVED, that this resolution is effective upon adoption.