

City Council – Action Request Form

Date: September 14, 2020

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager

Council Action Requested:

Resolution Authorizing the City Manager to Enter into an Agreement with Aetna for the Provision of a Medicare Advantage Plan for Retirees for Plan Year 2021

Strategic Focus Area: Service Excellence

Strategic Objective: Maintain the City's Financial Strength

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

The City of Winston-Salem offers a Medicare Advantage health insurance plan for retirees (age 65+) who are eligible for Medicare coverage. This coverage supplements retirees' Medicare Parts A (hospital insurance) and B (medical insurance) coverage and provides a benefit that closely matches the health insurance coverage provided for employees and pre-65 retirees.

The current provider of this plan is Aetna, and the plan provides coverage for 748 retirees and 221 retiree spouses. The premium cost for retiree coverage is \$127.67/month/retiree, the cost of which is borne by the City. The cost of the current agreement for retiree coverage is a not-to-exceed amount of \$1,145,965. Retiree spouses may sign up for this plan at the \$127.67 monthly rate, with the cost of the spouse premium borne by the retiree or spouse.

The current agreement with Aetna expires December 31, 2020. For plan year 2021, Aetna has submitted a proposal for a renewal rate of \$140.38/month/retiree, with no change in coverage, at an annual cost of \$1,260,051. This proposal represents an increased cost of \$12.71/month/retiree

Committee Action:

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| Committee | <u>Finance 9/14/2020</u> | Action | <u>Approval</u> |
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| For | <u>Unanimous</u> | Against | <u></u> |
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Remarks:

for an annual increase of \$114,086, or 9.9%, over 2020. The pharmacy rate is increased by \$24.91 based on an increase in pharmacy claims for the most recent plan year, while the medical rate is decreased by \$12.20 based on the retirees' location. While the current agreement with Aetna allows for automatic annual renewals, City staff will conduct a Request for Proposal process to solicit competitive proposals for plan year 2022.

The attached resolution authorizes the City Manager to enter into an agreement with Aetna to provide a Medicare Advantage plan for plan year 2021 at a rate of \$140.38/month/retiree for an annual not-to-exceed amount of \$1,260,051.