

City Council – Action Request Form

Date: June 11, 2024

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

From: Ben Rowe, Assistant City Manager
Dr. Marquis H. Barnett, Human Resources Director

Council Action Requested:

Resolution Authorizing the City Manager to Execute a Final One-Year Extension to the Agreement with Cigna to Administer the City’s Self-Funded Health and Dental Insurance Plans

Strategic Focus Area: Service Excellence

Strategic Objective: N/A

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

In 2022, the City began the first year of its agreement with Cigna to administer the City’s self-funded medical and dental insurance plans at a Per Member Per Month fee of \$36.96 and \$2.45, respectively. This Resolution authorizes the a one-year extension of the existing 12-month contracts at the current rates.

Since the inception of the plan, the Cigna partnership has delivered a more than 40 percent increase in pharmacy rebates and a positive claims experience. Per the American Medical Association, healthcare costs increase on average approximately 4.1 percent annually, the City’s overall expenses have largely remained flat, while experiencing, at most, a 1.7 percent increase in overall claims experience.

Committee Action:

Committee FC 6/11/2024

Action Approval

For Unanimous

Against

Remarks:

This item permits the current contract to go through the end of plan year 2025, with the intent to market the services in 2025 for a 2026 implementation. Thereafter, the intent is to contract for five years on medical and dental administrative services to ensure maximum market impact and competitiveness in the bid process.

The attached information item provides detail on the Cigna plan performance and includes the following highlights:

- Administrative fees have overall decreased more than 17%
- Overall claims over three years have decreased more than 2%
- Pharmacy rebates have increased by 40%
- All service guarantees have been met.
- Customer service calls placed to Cigna have all been resolved at the first level with the following exceptions:
 - Claim adjustment – 66% escalation
 - Claim disagreement – 81% escalation
 - Note: These high escalation rates are due, in part, to issues that cannot be resolved by customer support and must be handled by specialists in different business segments.