

City Council – Action Request Form

Date: May 13, 2025

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

From: Joy Simmons, Human Resources Manager
Sharon Wojda, Assistant City Manager

Council Action Requested:

Resolution authorizing the City Manager to enter a contract with Cigna to administer the city's self-funded health and dental insurance plan.

Strategic Focus Area: Service Excellence

Strategic Objective: N/A

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

The current one-year extension agreement with Cigna to administer the City's self-insured medical and dental plans ends on December 31, 2025. In preparation for the 2026 medical and dental plan year, a competitive proposal process was conducted to identify a medical and dental provider. Human Resources staff with the assistance of various department leaders reviewed three (3) proposals for medical services. Proposals were received from Aetna, Blue Cross Blue Shield of NC (BCBSNC) and Cigna (incumbent). Dental proposals were received from Aetna, Blue Cross Blue Shield of NC (BCBSNC), Cigna (incumbent), Delta Dental, and MetLife. The panel conducted in-person interviews with BCBSNC and Cigna for medical and dental services along with Delta Dental for dental only services. Parameters for the proposals included comparable plan designs to the current plans. This process was managed by the City's benefits broker Willis Towers Watson. The criteria used to score proposals, and their respective weights are below:

Committee Action:

Committee _____ **Action** _____

For _____ **Against** _____

Remarks: _____

- MWBE Commitment (20%)
- Cost Effectiveness/Price Value (35%)
- Qualifications/Experience (35%)
- Quality of Proposal (10%)

Scores for all medical proposed are below:

Provider	Score	Overall Ranking
Cigna	462	1
BCBSNC	286	2
Aetna	226	3

Based on a sample of medical and pharmacy claims, the City's the estimated cost compared to other carriers for medical claims and administrative fees totals \$26.9M with \$11.3M (42%) being pharmacy cost. The Cigna medical proposal included the following:

- No change to current fees: \$35.36 per employee per month (PEPM) totaling \$1,065,790
 - 3-year Medical Administrative Services Only (ASO) fees guarantee (2026, 2027, 2028) with 3% increases in years 4 and 5
 - Year 4: \$36.42
 - Year 5: \$37.51
- Medical Discount Guarantee: Estimated \$117,408 of ASO fees at risk in 2026
- Performance Guarantees: Estimated \$421,278 at risk
- Annual Innovation Funds: \$100,000 (technology, wellness communication, etc.)
 - A \$100,000 universal fund annually will be available for city to use at their discretion. Funds can be used for technology, wellness, implementation, audit, etc. Funds do not rollover
- \$160,000 annually to support MWBE initiatives.
- Member disruption was the least for medical providers/facilities and pharmacy drug tiers utilization
- CIGNA has committed to coming onsite monthly if needed for any service issues
- Healthy Rewards Wellness Program
- Bundled pricing with dental, pharmacy, and behavioral health.

The Cigna dental proposal included the following:

- 0% renewal with 3-year rate guarantee of \$2.45 PEPM totaling \$61,475
- \$7,000 annually to support MWBE initiatives
- \$5,000 annually Innovation Fund for technology, communication, etc.
- Performance guarantees with \$9,200 at risk

Scores for all dental proposed are below:

Provider	Score	Rank
Cigna	453	1
Aetna	262	2
Delta Dental	234	3
BCBSNC	207	4
MetLife	149	5

Cigna provided the most competitive performance guarantees and is willing to place 46.62% of their dental administrative fees at-risk.

The panel recommends accepting the proposal from Cigna for medical and dental services.