



**Item:** Authorization for the City Manager to Enter into and Execute an Agreement for Employee Health Care Benefits

**From:** Human Resources

**Initiated By:** Human Resources Department

**Presented By:** Linda Williams, Human Resources Manager

**Action Requested:** Authorize the City Manager to Enter into and Execute an Agreement with the Montana Municipal Interlocal Authority (MMIA) for Employee Health Care Benefits

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**Suggested Motion:**

1. Commissioner moves:

“I move that the City Commission authorize the City Manager to enter into and execute an agreement with MMIA for Employee Health Care Benefits.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

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**Staff Recommendation:** Authorize the City Manager to enter into and execute an agreement with MMIA for Employee Health Care Benefits.

**Background:**

Significant Impacts

The City has contracted with Blue Cross and Blue Shield of Montana (BCBSMT) since January of 1991 for third party administrative services of its self-insured employee group health insurance plan. The current contract is for a three-year period through 6/30/13.

Purpose

The City’s Employee Health Care Benefits provides health care benefits (medical, dental and vision) to current eligible employees and retirees. Retirees self-pay the entire health care premium.

### Evaluation and Selection Process

A Request for Proposal (RFP) was advertised in the *Great Falls Tribune* on March 17, March 24 and April 10, 2013 and posted on the City's website in order to assess the market and allow other carriers an opportunity to bid on the services BCBSMT has been providing for the past 22 years. The proposals were due on April 10, 2013.

The City contracted with Mountain West Benefits (Coordinated Care Partners, LLC) to assist in the RFP process and evaluation. The consultant, Mary Kay Puckett, recommended having the top three bidders (BCBSMT, EBMS, and MMIA) make an oral presentation of their proposal.

BCBSMT and EBMS provided proposals with costs associated with third party claims administration wherein the City would remain self-insured. MMIA provided costs associated with providing a fully-insured plan. The main difference is in the risk associated with remaining self-insured verses joining a pool of other employers (municipalities) wherein the participants share in the risk. This sharing of risk provides more stability with regards to rates and potential losses. MMIA also offers a robust wellness program with incentives, included in their fee schedule. Management assistance in plan design and program administration is also included in their rates. Please see the attached financial analysis from the consultant, Mary Kay Puckett.

### Conclusion

After reviewing the written proposals and listening to the oral presentations, the consultant's recommendation is to move the City's health benefits plan to MMIA. Staff concurs with the recommendation.

### **Financial Impact:**

The projected savings by moving to MMIA is approximately \$170,000 the first plan year, 7/1/13 – 6/30/14.

### **Alternatives:**

The City Commission could vote not to authorize the City Manager to enter into and execute an agreement with MMIA for Employee Health Care Benefits.

### **Attachments/Exhibits:**

Financial analysis and recommendation prepared by Mary Kay Puckett with Mountain West Benefits.

# MOUNTAIN WEST *Benefits*

April 30, 2013

Linda Williams, HR Manager  
City of Great Falls  
P.O Box 5021  
Great Falls, MT 59403

Subject: RFP for Third Party Administrative Services

Dear Linda:

Attached please find a financial analysis of the responses from the top three bidders to the City's RFP for Third Party Administrative Services. Per your request, these were also compared to your current contract.

Utilized in the comparison were expected claims factor from each bid, in addition to fixed cost. Since the MMIA bid (which provided fully funded rates) included a separate dental and vision quote, current claims for the past 12 months were used to determine a comparative cost for the other bids. In addition, assumptions were made with regard to the medical management and network costs in order to develop apples to apples comparisons. There were many additional services provided in the MMIA quote that were not included in the others, e.g. Wellness incentives, EAP, Nurseline, and the ACA fees and have been added to the analysis.

#### Considerations:

1. Should the City of Great Falls change administrators, the BCBSMT contract requires three months of administrative fees be paid to process "run-out" claims. The administrative cost would be approximately \$52,000; the estimated claims expense would be \$550,000, for a total expense of \$600,000.
2. Should the City move to the MMIA program, the fully insured equivalent premium would include any cost for stop loss claims that were incurred prior to July 1, 2013 but paid after. Also, run-out claims would be included in the premium quoted.
3. There is a "gain share" advantage to continuing self-funded. In a good claims year, there is an opportunity to save expense as a stand-alone plan. In a pooled program like MMIA, positive results are shared with other cities.
4. During the finalist presentations MMIA communicated that the current ACA fees (comparative analysis and reinsurance) which are estimated to be \$65.00 per member per year or a total of \$49,836.75 for the 2013-2014 plan year, are paid by MMIA beginning January, 2014; whereas should the City remain in a current stand-alone self-funded contract, you would be responsible for those fees –thus I've included the fees in the analysis.

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WWW.MWBS-INSURANCE.COM



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Linda Williams

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The financial difference between BCBSMT and the MMIA program is fairly small. Based on several conversations with the City staff, there are future benefits to being part of a larger pool that include stability of rates and management assistance to the health plan. For all of the reasons stated, Mountain West Benefits recommends the MMIA program.

One additional consideration, which could apply regardless if the City remains in a stand-alone self-funded plan or moves to the MMIA program is to seriously consider the EMBS Employer based clinic – miCare. As presented on Friday, miCare clinics have saved employers on the average 15% of their claims cost over three year period which could be as high as \$1,000,000 savings for the City of Great Falls. In addition, an on-site clinic would provide your employees access to primary care services at or near the workplace which saves additional cost by reducing time spent away from their jobs. I would recommend the City request a full pro forma from EBMS that would outline the specific savings.

I hope this information has been helpful. Please let me know if you have any additional questions. As always it's a pleasure working for you.

Sincerely,



Mary Kay Puckett, CHC

Attachment



	<b>EBMS</b>	<b>BCBSMT</b>	<b>MMIA</b>	<b>Current</b>
Expected Paid	\$1,000.33	\$844.17	\$811.79	\$945.59
Dental/Vision Claims *	\$60.40	\$60.40	\$91.20	\$60.40
Stop Loss (275k)	\$41.62	\$34.53	22.82	\$53.86
<b>Administrative Fee (PEPM)</b>				
Medical/Rx	\$19.50	\$26.70	\$61.58	\$29.07
Dental	\$2.50	\$2.95	Included	Included
COBRA	\$2.00	\$0.60	Included	\$0.60
HIPAA	Included	\$0.25	Included	Included
Networks **	\$4.65	Included	Included	Included
Utilization Management	\$2.00	\$1.19	Included	\$1.19
Case Management	\$1.60	\$3.88	Included	\$3.88
Disease Management	\$4.25	Incl in CM	Included	\$2.00
Stop Loss Coordination	Included	\$1.00	Included	\$1.00
Set Up Fee	\$0.49	N/A	Included	N/A
4. ACA Fees	\$6.94	\$6.94	Included	N/A
<b>Sub Total:</b>	<b>\$1,146.28</b>	<b>\$982.61</b>	<b>\$987.39</b>	<b>\$1,097.59</b>
1. Nurseline	not included	not included	\$0.95	not included
2. Wellness	\$3.00 not incl	***	\$20.00	***
3. EAP	not included	\$0.94	\$1.88	\$0.94
<b>Sub Total ****</b>	<b>\$0.00</b>	<b>\$0.94</b>	<b>\$22.83</b>	<b>\$0.94</b>
<b>Comparative Total</b>	<b>\$1,146.28</b>	<b>\$988.60</b>	<b>\$964.56</b>	<b>\$1,098.53</b>
<b>Annual Projected Cost</b>	<b>\$8,239,461</b>	<b>\$7,106,057</b>	<b>\$6,933,257</b>	<b>\$7,896,234</b>

\*Enhanced benefits for dental / vision for MMIA

\*\*For BCBS and Current = in state included in claims, out of state included in admin fee

\*\*\*BCBMT includes a sophisticated on-line wellness program - incentives are not included

\*\*\*\* All 4 of these items included in MMIA premium rate and bid