



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution for the transition of health benefits providers for medical, dental, vision, life and disability insurance, and FSA and COBRA administration.

DATE: August 15, 2024

DEPARTMENT: Human Resources and Communications

PRESENTED BY: Joanna Merrill, Director of Human Resources and Communications

INTRODUCTION/BACKGROUND:

In 2020, the City authorized HUB International (HUB), the City's current health benefits broker, to conduct a comprehensive evaluation of the City's health benefits plans. On August 20, 2020, the City Council authorized a change to move from The Texas Municipal League (TML) to United Healthcare (UHC) as the new provider for medical, dental, vision, basic life, voluntary life, short-term disability, and long-term disability to reduce costs.

Since adopting UHC as the City's new benefit provider HUB and staff have negotiated with UHC to maintain or enhance services and to keep plan renewal costs as low as possible over the last three renewal years. As a best practice, HUB recommended and conducted another comprehensive evaluation of the City's health benefits plans. In accordance with Texas Local Government Code, the City issued a Request for Proposals (RFP) to perform a comprehensive analysis and evaluate bids from multiple carriers.

The RFP process produced the following best and final responses for consideration:

- UHC submitted:
 - +40% increase to the current medical rates.
 - +17% increase to the current dental rates.
 - 0% increase to the current vision plans.
 - +16% combined net increase to life insurance, short-term and long-term disability.
 - No other incentives, credits, or rate guarantees offered as a part of the renewal submission.
- CIGNA and Renaissance submitted:
 - 0% rate pass to the current medical rates (matches current plan design coverages).
 - -24% decrease to the current dental rates
 - -11% decrease to the current vision rates
 - Renaissance provided a combined overall net decrease of -32% to life insurance, short-term and long-term disability (while providing an enhanced weekly maximum payout to employees on our short-term disability plan).
 - Providing \$15,000 credit on first month's invoice

- Including a \$2,000 wellness incentive as part of their wellness program initiative
- 15% rate cap guarantee for the year two renewal proposals
- Blue Cross Blue Shield (BCBS) submitted:
 - +2% increase to current medical rates if we kept the PPO plan as a stand alone
 - -7.8% decrease to the current medical rates if we included an HMO plan option (this would reduce current plan design coverages and in multiple areas the out-of-pocket costs to employees would increase).
 - +1% increase to the current dental rates.
 - +15% increase to the current vision plans.
 - +43% combined net increase to life insurance, short-term and long-term disability (no changes to the current offerings).
 - 9.5% rate cap guarantee for the year two renewal proposals

Based on the proposals submitted for consideration staff recommends that the City transition adopt CIGNA and Renaissance as the new health insurance benefit providers.

Reduction in costs, maintenance of current benefits, and enhancement of benefits in some of the new plans were large factors in the decision-making process. Staff also factored in minimizing disruptions to the current plan designs and offerings while conducting this analysis.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

This proposal corresponds to the Strategic Action Plan in the following areas.

- 5.1.1 Evaluate and Update Compensation and Benefit Plans inclusive of Public Safety
- 5.1.7 Research and Implement Recruitment and Retention Policies

LONGTERM FINANCIAL & BUDGETARY IMPACT:

Total benefit costs for the employee benefit packages will save an estimated \$328,000 in FY 2024-25 compared to the current renewal rates.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

I move to approve a resolution authorizing the City Manager to execute agreements for the implementation of medical, dental, vision, basic life, and voluntary life insurance, and short-term disability, long-term disability, flexible spending account, and COBRA administration.