

BOARD OF ALDERMEN

ITEM NO. B(3)

AGENDA ITEM ABSTRACT
MEETING DATE: May 28, 2002

**SUBJECT: Recommendation for Health Insurance Coverage for Fiscal Year July 1, 2002-
June 30, 2003**

DEPARTMENT: Personnel	PUBLIC HEARING: YES ___ NO <u>x</u>
ATTACHMENTS: A. Resolution B. Health Insurance Premiums	FOR INFORMATION CONTACT: Desiree White – 918-7321

PURPOSE

The purpose of this item is to present the staff's recommendation for health insurance coverage for the 2002-2003 fiscal year. The staff requests that the Mayor and Board of Aldermen offer WellPath Community Health Plans as a total replacement health insurance carrier. Staff further recommends that the Town continue to contribute 50% toward the cost of dependent health care.

INFORMATION

Presently, the Town offers employees a choice of two health insurance plans – WellPath Community Health Plans and Partners Health Plan (recently purchased by Blue Cross/Blue Shield). The plans are almost identical, both offering HMO benefits with a large network of physicians and hospital choices. WellPath has provided coverage to employees for the past four years, with 60% of Town staff participating. Partners has a participation rate of approximately 40%, and has provided coverage to Town employees for a little over two years.

In preparing for the new year, staff considered several objectives that are important in selecting the Town's health insurance providers:

- **providing excellent coverage at affordable costs** – the premium increase received from WellPath this year was significantly lower than expected due to a relatively low claims experience;
- **providing coverage for domestic partners and retirees** – the Town provides coverage for domestic partners and retirees who have at least 10 years of service with the Town;
- **employee satisfaction** – staff has received few complaints about the services received from WellPath over the past year. The Town's representative has actively managed the account and been readily available to assist employees with any concerns that have been brought to the attention of the Personnel staff;
- **the current budget situation** – in reviewing the economic woes faced by the Town, staff pursued insurance providers who would provide benefits to address the needs of the organization overall and have a minimal budgetary impact.

Based upon these criteria, staff requested renewal quotes from WellPath and Partners, its current providers. The renewal rate for WellPath resulted in an increase of 12%, which would place the cost of individual coverage at \$226.94 per month. WellPath stated that the Town's claims experience this past year contributed to the modest increase in premiums. Partners, willing to provide a four-tier structure quote only, provided a renewal rate increase of 59.4%, skyrocketing the cost of individual coverage to \$338.04 per month. In response to the Partners renewal quote, staff requested a justification for the significant premium hike. However, Partners has yet to provide a response. Partners representatives did state that FY 02-03 would be the last year that coverage will be provided under the Partners name since the purchase of the company by Blue Cross and Blue Shield. Employers who have Partners plans currently have the option of switching to Blue Cross plans now, or keeping Partners for one additional year.

In addition to providing a Partners renewal quote, Blue Cross and Blue Shield provided a quote for two of their Blue Options plans. The plan having benefits most comparable to the plans presently provided by the Town was significantly higher in cost.

Over the past year, employee satisfaction with WellPath has remained steady, and to our knowledge there have been few problems. While WellPath and Partners are two distinct companies, the benefits provided by the Town's plans are almost identical. Given such, an information session was conducted to provide employees an opportunity to have WellPath benefits reviewed and to ask questions of the Town's WellPath representative. In addition to current WellPath subscribers, over half of the employees having Partners were in attendance at this meeting. None of the employees expressed a desire to continue coverage with Partners and would be interested in the Town's offering WellPath as a sole provider. With this in mind and the affordable rates quoted by WellPath, staff decided it best to maintain continuity of coverage by continuing to offer WellPath, but as a total replacement rather than a dual option.

RECOMMENDATION AND ACTION REQUESTED

The staff requests that the Mayor and Board of Aldermen continue to offer WellPath Community Health Plans, but as a total replacement rather than a dual option. Staff further recommends that the Town continue to contribute 50% toward the cost of dependent health care.