



City of Gainesville Agenda Report

File #: 2022-755

Agenda Date: December 1, 2022

Department: Risk Management

Title: Florida Blue Administrative Service Amendment and Specific Stop Loss Renewal. This item will extend the Administrative Service Agreement and Specific Stop Loss Renewal through Plan Year 2023

Description: This Item continues the Administrative Service arrangement with Florida Blue and accepts the Stop Loss Quote

Explanation:

The City of Gainesville utilizes a self-funded risk model to provide its community builders, retirees and their dependents a health financing benefit, commonly referred to as health insurance. Under a self-funded health care financing model, the plan sponsor (City of Gainesville) assumes the risk associated with the cost of financing the health care cost of its covered members of the plan. Due to volume of claims payment activity, the City uses a third party administrator to adjudicate and process those claims incurred by the members covered by the plan. The second, and very important cost mitigation component provided by the administrator is access to a broad network of providers at negotiated discounted reimbursement.

Florida Blue has been providing both local and national network access for many years for this plan and has a history of having both the most comprehensive network but the network that provides for the highest discounts off price of care in our area. While staff was interested in exploring a number of options during the past year, that was put on the back burner while staff worked on stabilizing the benefit module in its new system, Workday. Member data and demographics is transferred electronically between the City and Florida Blue to improve member benefit changes and reduce differences between our internal benefit system and that of Florida. The integration is vendor specific and takes considerable amount of Staff time and effort to build or modify. Even adding additional options had the potential hamper stabilization efforts. The stabilization efforts has been an all hands on deck priority from the Interim City Manager and Charter Officers. This effort included significant staff time commitment from the Benefits Management Team. This limited the available time to focus on the larger

health benefit solution, and given the extreme resource commitment, there simply was not enough bandwidth to change the benefit model or vendors.

Florida Blue has agreed to provide a one year extension to our Administration Services Agreement so that the City can stabilize our system. Staff believes this is the best option moving through end of 2023. The rates for 2023, are lower than the current Administrative Service rates which will result in reduced administrative fees for Plan Year 2023. In addition, the City worked with Florida Blue for a single year extension instead of the vendor practice of preferring a three year extension. This was a result of leveraging our long-term relationship with Florida Blue and required approval from higher levels of management. The draft agreement is attached as backup.

Staff is also recommending continuing the Stop-Loss agreement with Florida Blue for the concurrent plan year. The City's health plan uses a risk transfer tool referred to as specific stop-loss insurance. The purpose of the tool is to backstop the group health plan against catastrophic individual claims. This risk transfer tool helps mitigate large swings in claims experience thus making forward trend analysis more reliable and provides a more stable rate structure over time. The quotes for the stop loss insurance are attached as back. The recommendation is to continue at the current risk level (\$350,000). This recommendation is based on plan history and a lack of net savings moving the plan's risk exposure higher. Essentially, the reduced rate does not justify the additional risk. The renewal is at a 7.5% increase over expiring and is consistent with projected medical and pharmacy cost increases for 2023.

Strategic Connection:

Goal 5: "Best in Class" Neighbor Services

Fiscal Note:

The total contract amount is approximately \$1.25 million for the Administrative Services Agreement and approximately \$682,000 for the Stop Loss Insurance. These amounts vary based on actual enrollment and mix of individual and multi person contracts.

Recommendation:

The City Commission: 1) Approve the Contract for Administrative Services and Stop Loss Insurance renewal with Florida Blue; 2) Authorize the purchase order in an amount sufficient to pay the per contract fees and stop loss insurance premiums consistent with the per contract fees and rates; 3) Authorize the Interim City Manager or designee to sign all contracts with Florida Blue subject to review by the City Attorney as to form and legality.