

**Agenda Item:** Discuss and Consider Approval of Medical Plan Provider for the 2020 Plan Year

**Background:** The Park Board provides competitive benefit package to their full-time employees which includes medical benefits. The Park Board currently participates alongside the Port of Galveston in the City of Galveston’s medical plan. Staff will evaluate benefit plans at least once every three years, in the event of a significant shift in plan costs or under the direction of the Board.

The current medical plan anticipates an increase in cost of 21% for the 2019-2020 Fiscal Year. As a result, staff is seeking approval from the Finance and Operations Committee for the medical plan options for the 2020 Medical Plan Year.

### **City of Galveston Medical Plan – Self Insured**

The Park Board joined the City of Galveston Medical Plan in January 2017 under an interlocal agreement. The Park Board pays a set monthly premium to the City of Galveston and defines their own employee-employer cost sharing arrangement.

The City of Galveston Medical Plan, which includes Park Board and Port of Galveston employees, experienced higher than anticipated claims in terms of dollars and frequency for the 2019 Medical Plan Year, leading to a depletion of the reserves set aside to pay claims and plan costs.

As a result of plan performance and increasing health care costs in general, the City of Galveston held a request for proposal which lead to a change of providers from Boon-Chapman to Blue Cross Blue Shield effective October 1, 2019. This change will result in an increase in premiums of 21% for the Park Board.

#### **Current Park Board Premiums and Funding**

<b>Employer Contributions</b>	\$551,270.00	81%
<b>Employee Contributions</b>	\$125,970.00	19%
<b>Total</b>	<b>\$677,240.00</b>	

#### **Proposed Park Board Premiums and Funding\***

<b>Employer Contributions</b>	\$735,630.00	85%
<b>Employee Contributions*</b>	\$125,970.00	15%
<b>Total</b>	<b>\$861,600.00</b>	

*\*Staff will come back to the Finance and Operations Committee and Board for approval of employee plan premiums for the FY 2019.2020 Plan Year before January 2019.*

### Important Considerations for the City of Galveston Medical Plan

- The Plan is Self-Insured. Self-insured plans differ from fully insured plans in that self-insured plans pay for actual costs incurred while fully insured plans are negotiated with the provider annually. The City of Galveston evaluated fully insured options, but they were not cost-effective.
- The change in provider from Boon Chapman to Blue Cross Blue Shield did not change deductibles, coinsurance or copayments for employees negatively. Nearly all benefits will remain the same or increase as a result of the change except for the free clinic and pharmacy offered by CareHere
- In lieu of CareHere services, the plan will be structured to provide a \$0.00 copay for primary care visits and generic prescriptions if the service or provider is in-network
- While the plan is self-insured, Blue Cross Blue Shield has provided for a maximum liability for the 2020 Plan Year, ensuring costs will not exceed a defined threshold.

### Humana – Fully Insured

Prior to joining the City of Galveston Medical Plan in 2017, the Park Board traditionally participated in fully insured plan options offered by Galveston Insurance Associates. Changing to this plan would result in an increase in premiums of 18%.

<b>Employer Contributions</b>	\$695,172.00	87%
<b>Employee Contributions*</b>	\$103,800.00	13%
<b>Total</b>	<b>\$798,972.00</b>	

### Important Considerations for the Humana Fully Insured Plan

- The Plan is fully insured. Fully insured plan costs are set annually by the insurer (in this case, Humana).
- If the plan underperforms in terms of costs, the insurer will benefit from the savings and they will not be shared with the employer. In the event plan costs exceed premiums, the insurer will be responsible for the difference.
- An increase in claims or catastrophic events (cancer, premature births, organ transplants) will lead to cost increase year over year, which was one of the primary drivers for moving to the City of Galveston Plan.
- This plan does not offer a free clinic as with the Boon Chapman Plan and does not offer the \$0.00 copay or generic prescription benefit as with the Blue Cross Blue Shield Plan

**Staff Recommendation:** Approved by the Finance Committee on September 11, 2019 - Continue benefits with the City of Galveston Medical Plan offered through Blue Cross Blue Shield for the 2020 Plan Year.

**Funding Source:** 2019-2020 Budget for Insurance Employees (GL-5060) and Insurance Contingency (GL-5061) cover costs of either option.