

City of Providence
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 505

EFFECTIVE November 17, 2014

RESOLVED, That the Members of the Providence City Council
hereby Authorize Approval of the following Three-Year Contract Extension by the
Board of Contract and Supply, in accordance with Section 21-26 of the Code of
Ordinances.


Blue Cross Blue Shield of Rhode Island
(Human Resources)

IN CITY COUNCIL

NOV 06 2014

READ AND PASSED


PRES.


CLERK
ACTING

Effective without the
Mayor's Signature


Lori L. Hagen
City Clerk
ACTING

MATTHEW M. CLARKIN, JR.
INTERNAL AUDITOR
25 DORRANCE STREET, ROOM #307
PROVIDENCE, RI 02903
Phone: (401) 421-7740 EXT. 577
Fax: (401) 351-1056
mclarkin@providenceri.com



City of Providence, Rhode Island Office of the Internal Auditor

October 2, 2014

Ms. Lori Hagen
City Clerk
City of Providence
25 Dorrance Street
Providence, RI 02903

Dear Ms. Hagen:

In accordance with Section 21-26 of the City's Code of Ordinances, I am writing to request that the following requested contract awards be submitted to the City Council and the Ways & Means Committee.

- *Human Resources* – Approval of a three-year extension to the contract with Delta Dental of Rhode Island for employee dental insurance.
- *Human Resources* – Approval of three-year extension to the contract with Blue Cross Blue Shield of Rhode Island for the administration of the city's health insurance program.
- *Human Resources* – Approval of an amendment to the contract with Mercer Health & Benefits, LLC, the city's current health and benefits consulting firm, from a one-year agreement to a three-year agreement at an annual cost of \$330,000.

If you have any questions or concerns regarding any of these items, please contact me. Thank you for your consideration with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.", is written over a horizontal line.

Matthew M. Clarkin, Jr.
Internal Auditor

Cc: Alan Sepe, Director of Operations
Francisco Ramirez, Director of Purchasing
Yvonne Graf – Chief of Staff – City Council
Jim Lombardi, City Treasurer



CITY OF PROVIDENCE
Angel Taveras, Mayor

October 1, 2014

The Honorable Angel Taveras
Chairman, Board of Contract and Supply
City Hall
Providence, RI 02903

Dear Mayor Taveras:

The City is currently in the final year of (3) three year agreement with Blue Cross Blue Shield of RI (BCBSRI). The current contract is set to expire June 30, 2015.

We are respectfully requesting permission enter into renewal of the BCBSRI contract for an additional three years. We submit the following reasons to support our request:

- There is a great administrative cost involved in changing medical administrators
- The claims discount available from BCBS is equal to or better than that from United Healthcare
- The City is looking to create a multi-year partnership with BCBSRI, working together on long-term strategic initiatives (such as Patient Centered Medical Homes and High Deductible Consumer Driven Plans) in order to achieve further savings to the COP
- BCBSRI has partnered with the COP in streamlining the complicated processes of the shift of all eligible retirees to Medicare and the Coordination of Benefits process; moving carriers would cause disruption in an already vulnerable population

In addition, BCBSRI has made a competitive financial offer:

ASO (Administrative Services Only)

- The proposed ASO rates for FY15, FY16, and FY17 are \$36.68, \$37.60, and \$38.54 respectively (This translates into a 0% increase in FY15 and a 2.5% increase in FY16 and FY17).
- The proposed admin fees are all below Mercer's book of business benchmark for ASO fees (The average ASO fee across all vendors in 2013 was \$39.36, while the average ASO fee for BCBS was \$42.82)

Stop Loss:

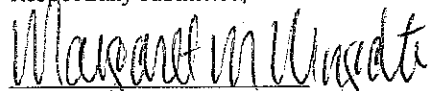
- 19.1% increase to non WRI (down from 22.4%)
- Mercer utilized Stop Loss Center of Excellence to negotiate with BCBSRI
- WRI Stop Loss: 17.8% increase (down from 20.0%)

Plan 65

- Experience rated product
- Final increase +4.5% (down from 5.8%)

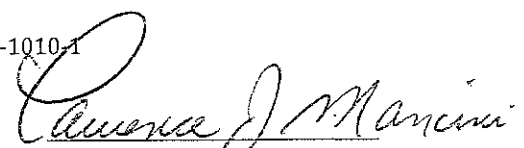
By accepting the multi-year agreement, BCBSRI would also fund \$55,000 towards a claims audit to be conducted during both FY15 and FY17. In addition, BCBSRI would also fund \$29,000 in each year of the multi-year agreement towards wellness offerings. This would include both a Wellness Account Representative and an online Wellness Portal.

Respectfully submitted,


Margaret M. Wingate
Manager of Employee Benefits

Account Code: 891-900-1010-1

Financial Approval:


Lawrence J. Mancini
Acting Director of Administration/
Director of Finance

HUMAN RESOURCES | WORKERS' COMPENSATION

Providence City Hall | 25 Dorrance Street, Room 108, Providence, Rhode Island 02903
401 421 7740 ph | 401 272 0867 fax
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Administration (ASO) and Stop Loss Summary -- High Level

		Current	FY Renewal (Initial)	FY15 Renewal (Negotiated)
ASO		\$3,173,113.44	\$3,173,113.44	\$3,173,113.44
12/24, \$1 Million Specific SL		\$821,826	\$957,644	\$932,556
12/24, \$500K Specific WRI SL		\$63,957.60	\$73,094.40	\$71,723.88
Annual Estimated Premium		\$4,058,897	\$4,203,851	\$4,177,394
Annual Change \$ (from current)		n/a	\$144,954	\$118,497
Annual Change \$ (from initial renewal)		n/a	n/a	(\$26,458)
Annual Change % (from current)		n/a	3.6%	2.9%
Annual Change % (from initial renewal)		n/a	n/a	-0.6%

Note:

The Paid Administrative Fee presumes that BCBSRI will fund \$55,000 towards a claims audit to be conducted during Years 1 and 3.

STOP LOSS -- MEDICAL

12/24: \$1 MILLION SPECIFIC		Current	FY Renewal (Initial)	FY15 Renewal (Negotiated)
		\$9.50	\$11.07	\$10.78
Lives (as of April 2014)		7,209	7,209	7,209
Annual Premium		\$821,826	\$957,644	\$932,556
Annual Change \$ (from current)		n/a	\$135,818	\$110,730
Annual Change \$ (from Initial renewal)		n/a	n/a	(\$25,087)
Annual Change % (from current)		n/a	16.5%	13.5%
Annual Change % (from Initial renewal)		n/a	n/a	-2.6%

STOP LOSS -- WRI

12/24: \$500,000 SPECIFIC		Current	FY Renewal (Initial)	FY15 Renewal (Negotiated)
		\$1.40	\$1.60	\$1.57
Lives		3,807	3,807	3,807
Annual Premium		\$63,958	\$73,094	\$71,724
Annual Change \$ (from current)		n/a	\$9,137	\$7,766
Annual Change \$ (from Initial renewal)		n/a	n/a	(\$1,371)
Annual Change % (from current)		n/a	14.3%	12.1%
Annual Change % (from Initial renewal)		n/a	n/a	-1.9%

Fully Insured Plan 65

		Current	FY Renewal (Initial)	FY15 Renewal (Negotiated)
	Plan 65	\$157.01	\$166.13	\$164.08
Lives		2,288	2,288	2,288
Annual Premium		\$4,310,867	\$4,561,265	\$4,504,856
Annual Change \$ (from current)		n/a	\$250,399	\$193,989
Annual Change \$ (from negotiated)		n/a	n/a	(\$56,410)
Annual Change % (from current)		n/a	5.8%	4.5%
Annual Change % (from negotiated)		n/a	n/a	-1.2%