

**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.

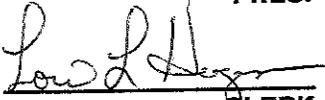
Blue Cross Blue Shield of Rhode Island  
(Human Resources)

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.", written over a light blue 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 respectively 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:**

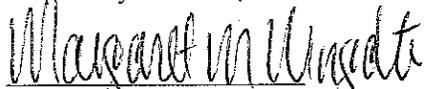
- 19.1% increase to non WRI (down from 22.4%)
- Mercer utilized Stop Loss Center of Excellence to negotiate with BCBSRI
- WRI Stop Loss: 17.8% increase (down from 20.0%)

**Plan 65**

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

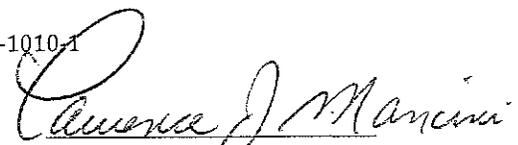
By accepting the multi-year agreement, BCBSRI would also fund \$55,000 towards a claims audit to be conducted during both FY15 and FY17. In addition, BCBSRI would also fund \$29,000 in each year of the multi-year agreement towards wellness offerings. This would include both a Wellness Account Representative 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  
[www.providenceri.com](http://www.providenceri.com)

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

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

STOP LOSS -- WRI

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

|                                    | Plan 65           | Current     | FY Renewal (Initial) | FY15 Renewal (Negotiated) |
|------------------------------------|-------------------|-------------|----------------------|---------------------------|
| Lives                              | \$157.01<br>2,288 |             | \$166.13<br>2,288    | \$164.08<br>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%                     |