



**CITY OF FORT BRAGG**

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**COUNCIL COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** April 21, 2015  
(Note: Meeting will be held @ 5:00 p.m. at Fort Bragg Town Hall)

**TO:** Finance & Administration Committee

**FROM:** Ginny Feth-Michel, Assistant City Manager

**AGENDA ITEM TITLE:** **Receive Report and Provide Direction to Council Regarding Redwood Empire Municipal Insurance Fund (REMIF) Self-Funded Medical Plan Offerings for FY2015-16**

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**ISSUE:**

The Redwood Empire Municipal Insurance Fund (REMIF) Board of Directors appointed a Health Care Committee ("HCC") to evaluate and make recommendations to the Board regarding a move from providing fully insured health insurance plans to member cities to a self-funded (also known as self-insured) model. At the April 2, 2015 REMIF Board meeting, the Board approved the move from the Anthem fully insured medical plan to a self-funded arrangement, approved the HCC's recommendation to contract with HealthComp Third Party Administrators to administer the new plan and directed the HCC to develop medical plan offerings and premium rates. REMIF has provided the plan designs and rates and each member city must determine which REMIF plans to offer its employees in FY 2015-16. This item is brought to the Finance & Administration Committee for a recommendation to the full City Council regarding which plan designs to offer to Fort Bragg employees.

**SUMMARY:**

The HCC reviewed self-funded plan designs; prepared and distributed a request for proposals (RFP) for third party plan administrators (TPA), Pharmacy Benefit Managers, and stop loss carriers; evaluated the RFPs; interviewed the responding firms; and developed plan benefit designs. Attachment 1 presents an overview of self-funded program components and the partners that REMIF selected to administer and deliver employee medical benefits.

There were four major positive benefits that prompted the move from a fully insured to a self-funded plan: 1) avoids payment of the Health Insurance Providers Fee that is imposed as a result of the Affordable Care Act, which for REMIF will total over \$650,000 in FY 2014-15; 2) reduces costs related to administration and loss exposure; 3) provides flexibility in plan design that allows for reduced claim exposure; and 4) allows access to additional services (i.e. COBRA administration, wellness programs, online enrollment) at a lower cost through the TPA or other plan partners.

The FY 2015-16 Anthem premium increases were initially proposed at 14.42%. REMIF's broker, RealCare, after review of REMIF plan claims history, was able to negotiate an 8% increase.

Based on actuary calculations, the preliminary FY 2015-16 self-funded rates for the REMIF Plans, presented on Attachment 2, will be less than the FY 2014-15 rates which will result in savings to both the City (which pays 80% of the premium costs) and City employees (who pay 20% of the premium costs).

Following is a summary of the responsibilities of each of the selected self-funded partners.

<b>Role</b>	<b>Selected Partner</b>	<b>Responsibility</b>
Third Party Administrator	HealthComp	Administers enrollment and claims management; including enrollment and eligibility, claims review and payment, dispute resolution and billing.
Provider Network	Anthem	Provides access to hospitals, physicians, clinics, labs and diagnostic services.
Pharmacy Benefit Management	Envision Pharmacy Services	Develops pricing for prescription drugs, processes and pays for prescription drug claims, maintains a pharmacy network, establishes a formulary and manages cost containment measures in the plan
Stop Loss Insurance	Voya Employee Benefits	Provides Stop Loss insurance to protect against large individual claims and plan claims in excess of \$175,000
Broker	RealCare	Provides implementation and open enrollment coordination, compliance and claims assistance. Negotiates pricing with vendors and manages contracts with outside vendors
HCC	NA – REMIF Committee	Establishes Plan Policies and Procedures. Monitor Plan costs and reserves. Review appeals and make recommendations to the REMIF Board for resolution.

The REMIF Plan is called a “self-funded” plan because the Plan itself is responsible for claims payments. To mitigate excess risk, the Plan contracts with a stop loss insurance carrier that will cover excess claims for individual and the plan as a whole. There are two types of insurance the Stop Loss Carrier, Voya Employee Benefits provides: 1.) Individual Claims: the Plan will pay any individual claim up to \$175,000, then the insurance would reimburse the Plan for any claim costs exceeding that amount. There is not a policy year maximum for individual stop loss; 2.) Aggregate Claims: insurance would reimburse up to an additional \$1,000,000 in Plan costs for any plan year where total qualifying Plan claims exceed 25% more than the expected claims.

One of the goals of the HCC was to contract with a Provider Network and Pharmacy Benefit Manager that would result in the least amount of disruption for employees. Therefore the REMIF Plan has contracted with Anthem to “rent” the same network that was available in the Anthem EPO and HSA plans. The REMIF Plan contracted with EnvisionRx Pharmacy Benefit Manager. The EnvisionRx pharmacy network includes CVS, Mendocino Coast Pharmacy, RiteAid and Safeway and includes a mail order program similar to what is currently available. Therefore these two networks should be identical to what employees currently have access to.

As noted above, one of the benefits to a self-funded plan is the flexibility allowed in medical plan designs. The HCC, with input from the REMIF Board, reviewed the current Anthem plans, compared the benefit structure to other plans offered in California and the related costs associated with each plan and developed four available plans. The FY 2015-16 REMIF Plan options are presented in Attachment 2. The City of Fort Bragg’s current plan participation is:

Summary of Plan Participation					
As of April 1, 2015					
		Current Plan Offerings			
		EPO	H.S.A	Waived	Total
<b>Active Employees</b>					
Waived Coverage				4	4
Employee Only		12	5		17
Employee + One		16	0		16
Family		21	2		23
		49	7	4	60
<b>Retirees</b>					
Employee Only		6			6
Employee + One		2			2
		8	0	0	8
<b>Total</b>		<b>57</b>	<b>7</b>	<b>4</b>	<b>68</b>

## **RECOMMENDATION:**

The Finance & Administration Committee should make a recommendation to the City Council regarding which plan(s) to offer for FY 2015-16. Attachment 2 presents a summary of the Plan Design Offerings and Preliminary Costs. REMIF distributed this information on Friday, April 17<sup>th</sup> and staff was unable to complete an analysis prior to distribution of this Summary Report. Staff will provide additional analysis at the Finance & Administration Committee meeting regarding plan costs and impacts to the City’s budget.

**ATTACHMENTS:**

Attachment 1 – Flow Chart of Self Fund Program Components.

Attachment 2 – Plan Design Offerings and Preliminary Costs