



Date of Council Meeting: March 8, 2016

**TOWN OF LEESBURG
TOWN COUNCIL MEETING**

Subject: Employee Health Insurance

Staff Contact: Clark Case, Director of Finance & Administrative Services
Mark Hauer, Human Resource Manager
Octavia Andrew, Procurement Officer

Council Action Requested: To enter an Adoption Agreement for employee health benefits with The Local Choice which is a health benefits program created by the General Assembly.

Staff Recommendation: To terminate the Town's current healthcare coverage contracts with Anthem on June 30, 2016, and begin offering plans through The Local Choice effective July 1, 2016. The Town's health insurance consultant, Wells Fargo Insurance Services, supports this recommendation.

Commission Recommendation: Not applicable.

Fiscal Impact: The Town's health insurance consultant actuarial valuation of The Local Choice equates to 98% of the benefit level as provided with the Town's current Anthem plan. The Local Choice is anticipated to yield significant premium savings for most employees based on their election compared to the Town's current Anthem plan; and the Town is anticipated to save approximately 18% or more than \$1,000,000 overall compared to the Fiscal Year 2016 healthcare insurance budgeted costs. Savings are shared between the Town and employees. The Proposed Fiscal Year 2017 budget was developed utilizing these healthcare insurance costs to offset operational cost increases, the inclusion of pay-go financing for capital project management costs, and personnel increases.

The Town is in an excellent financial position to transition to The Local Choice primarily due to the reserve that has been established as a requirement of becoming self-insured beginning in Fiscal Year 2015. The Town has established and will continue to maintain a reserve sufficient to offset annual increases of 10% or below in healthcare costs and premiums for the next two fiscal years. This will allow both employees and the Town to better plan for healthcare costs and avoid budget impacts.

The Local Choice health benefits program was evaluated by both Town staff and the Town's health insurance consultants and it provides benefit plans that have the same Anthem network, providers, and basic level of benefit with some minor changes; however, depending on the type of service, some of the benefits will be slightly better than the Town's current plan. Additionally, some employees will see increased access to professional providers since the Local

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choice programs use the Anthem PPO network. The most notable difference is the inclusion of a \$100 deductible and a \$250 deductible, which still remain lower than most jurisdictions' offerings in the region. The "Employee plus Children" election is not available under The Local Choice program and will require participating in "Family" coverage. In order to lessen the impact to these employees, staff proposes allowing these employees to retain their current contribution level for Fiscal Year 2017. No new elections will be allowed for "Employee plus Children" and this subsidy will only be available for those enrolled in Fiscal Year 2016.

The following table reflects the bi-weekly amounts of the Town's current Fiscal Year 2016 Anthem coverage and The Local Choice for both the Town and employee contribution.

| THE LOCAL CHOICE | | | | CURRENT ANTHEM PLAN | | | |
|------------------------------|------------------|-----------------|--------------|---------------------------------------|------------------|-----------------|--------------|
| KeyAdvantage 250 | <u>Bi-Weekly</u> | | | HealthKeepers 10/Dental/Vision | <u>Bi-Weekly</u> | | |
| | Town | Employee | Total | | Town | Employee | Total |
| Coverage | Share | Share | Total | Coverage | Share | Share | Total |
| Employee Only | \$ 272.31 | \$ 27.69 | \$ 300.00 | Employee Only | \$ 343.20 | \$ 41.64 | \$ 384.84 |
| Employee plus 1 | \$ 461.54 | \$ 69.23 | \$ 530.77 | Employee + Child(ren) | \$ 579.97 | \$ 86.26 | \$ 666.23 |
| Family | \$ 646.15 | \$ 161.54 | \$ 807.69 | Employee + Spouse | \$ 685.13 | \$ 121.75 | \$ 806.88 |
| | | | | Family | \$ 910.24 | \$ 250.90 | \$ 1,161.14 |
| KeyAdvantage Expanded | <u>Bi-Weekly</u> | | | KeyCare 10 PPO/Dental/Vision | <u>Bi-Weekly</u> | | |
| | Town | Employee | Total | | Town | Employee | Total |
| Coverage | Share | Share | Total | Coverage | Share | Share | Total |
| Employee Only | \$ 288.46 | \$ 34.62 | \$ 323.08 | Employee Only | \$ 343.20 | \$ 61.92 | \$ 405.12 |
| Employee plus 1 | \$ 526.15 | \$ 73.85 | \$ 600.00 | Employee + Child(ren) | \$ 579.97 | \$ 121.62 | \$ 701.59 |
| Family | \$ 669.23 | \$ 207.69 | \$ 876.92 | Employee + Spouse | \$ 685.13 | \$ 165.43 | \$ 850.56 |
| | | | | Family | \$ 910.24 | \$ 312.78 | \$ 1,223.02 |

Work Plan Impact: None.

Executive Summary: The existing contract for employee health benefits commenced on July 1, 2012 and includes annual renewal options. All medical, dental, vision, life and disability plans are reviewed by the Town on an annual basis. In order to determine if the Town's employee health benefit plans are competitive with the marketplace, competitive negotiations were conducted through a formal procurement process. As a result of the procurement process, and after considerable time reviewing the Town's options, it was determined that the most cost effective healthcare coverage is to enter into an Adoption Agreement with The Local Choice (TLC) health benefits program. As such, the Town would terminate coverage with Anthem, and transition to TLC.

Background: The Town entered into a contract with Anthem Blue Cross Blue Shield on July 1, 2012 for a one-year term with four (4) one-year renewal options. The Town reviews all medical, dental, vision, life, and disability plans on an annual basis with the Town's consultant, Wells Fargo Insurance Services. With that review, it was discovered that the market may allow for more competitive and cost effective healthcare benefit plans. As a result of this, the Department of Finance & Administrative Services issued a Request for Proposal (RFP) on November 20, 2015, and solicited a proposal from TLC.

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The purpose of the RFP was to acquire health benefit plans for Town employees that are competitive with the marketplace in benefit design, network access, and cost. In response to the RFP, the Town received four (4) proposals; one from the incumbent contractor, Anthem, as well as Cigna, Meritain, and United Healthcare. Wells Fargo Insurance Services and Town Staff evaluated the proposals against the criteria listed in the RFP. Interview discussions were then conducted with the two (2) highest-ranked offerers, Anthem and United Healthcare.

The Local Choice is a health benefits program chartered through the Commonwealth of Virginia established to provide health insurance coverage for employees of local governments, local officers, teachers, and retirees, and their dependents, and currently services more than 60,000 participants. The TLC health benefits program was created by the General Assembly in 1989 and has been providing health coverage to local jurisdictions since 1990. Specialists in each benefits field administer medical, dental, prescription drug, behavioral health, and Employee Assistance Program services for the TLC plans. The Local Choice provides a choice of two medical plans administered by Anthem, a comprehensive dental plan offered through Delta Dental, and a basic vision plan.

The Local Choice medical plans use Anthem's PPO BlueCard Network which includes 100% of acute care hospitals in Virginia and 97% of physicians. This means that very few of the Town's employees and their dependents will need to change their doctors. Depending on the type of service, there will be some change in the benefits; however, overall, the plan offerings are similar to the Town's current plans. In addition to healthcare coverage, TLC also offers assistance with Affordable Care Act (ACA) reporting, which provides a great benefit and cost savings to the Town. Pursuant to Section 2.2-1204 of the Code of Virginia, the TLC health benefits program satisfies the requirements of the Virginia Public Procurement Act.

Attachments: Resolution

PRESENTED March 8, 2016

RESOLUTION NO. 2016-

ADOPTED _____

A RESOLUTION: ENTER AN ADOPTION AGREEMENT FOR EMPLOYEE HEALTH BENEFITS WITH THE LOCAL CHOICE

WHEREAS, the Department of Finance and Administrative Services issued a Request for Proposal for Employee Health Benefits on November 20, 2015; and

WHEREAS, the Town received four (4) proposals from the following firms:

- Anthem
- Cigna
- Meritain
- United Healthcare

WHEREAS, the Town solicited a proposal from The Local Choice which is a health benefits program created by the General Assembly in 1989; and

WHEREAS, pursuant to Section 2.2-1204 of the Code of Virginia, The Local Choice health benefits program established satisfies the requirements of the Virginia Public Procurement Act; and

WHEREAS, the Department of Finance and Administrative Services and the Town's healthcare consultant evaluated the proposals received; and

WHEREAS, based on the analysis, The Local Choice provides the most cost effective healthcare coverage; and

WHEREAS, transitioning from Anthem to The Local Choice for employee health benefits will allow for an estimated savings of approximately 18% in healthcare insurance costs for both the employees and the Town; and

WHEREAS, sufficient funding is included in the Town Manager's Proposed Fiscal Year 2017 Budget.

A RESOLUTION: ENTER AN ADOPTION AGREEMENT FOR EMPLOYEE HEALTH BENEFITS WITH THE LOCAL CHOICE

THEREFORE, RESOLVED by the Council of the Town of Leesburg in Virginia that the Town Manager is hereby authorized to execute an Adoption Agreement in a form approved by the Town Attorney with The Local Choice for employee health benefits effective July 1, 2016.

PASSED this _____ day of _____, 2016.

David S. Butler, Mayor
Town of Leesburg

ATTEST:

Clerk of Council