



**CITY OF RIVIERA BEACH, FLORIDA
CITY COUNCIL SPECIAL MEETING
MUNICIPAL COMPLEX COUNCIL CHAMBERS
AUGUST 10, 2011
3:00 PM**

- I. CITY CLERK CALLS TO ORDER
- II. ROLL CALL
- III. INVOCATION AND PLEDGE OF ALLEGIANCE
- IV. REGULAR
 1. RESOLUTION NO. ____ A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIVIERA BEACH, PALM BEACH COUNTY, FLORIDA, AUTHORIZING THE RENEWAL OF HEALTH CARE BENEFIT COVERAGE WITH COVENTRY HEALTH CARE OF FLORIDA, TO PROVIDE MEDICAL INSURANCE FOR CITY EMPLOYEES FOR THE POLICY YEAR 2011 – 2012 AND AUTHORIZING THE INTERIM FINANCE DIRECTOR TO MAKE PAYMENTS FROM THE VARIOUS CITY DEPARTMENTAL ACCOUNTS IN THE ESTIMATED AMOUNT OF \$3,485,373.60; AND PROVIDING AN EFFECTIVE DATE.
- V. ADJOURNMENT

CITY OF RIVIERA BEACH CITY COUNCIL
AGENDA ITEM SUMMARY

MEETING DATE: August 10, 2011
~~August 3, 2011~~

F11-083-1s
 AGENDA ITEM SUMMARY NO. ~~F11-081-6~~

- | | |
|---|--|
| <input type="checkbox"/> AWARDS / PRESENTATIONS / PETITIONS | <input checked="" type="checkbox"/> REGULAR |
| <input type="checkbox"/> CONSENT | <input checked="" type="checkbox"/> RESOLUTION |
| <input type="checkbox"/> PUBLIC HEARING | <input type="checkbox"/> DISCUSSION & DELIBERATION |
| <input type="checkbox"/> ORDINANCE ON SECOND READING | <input type="checkbox"/> BOARD APPOINTMENT |
| <input type="checkbox"/> ORDINANCE ON FIRST HEARING | <input type="checkbox"/> WORKSHOP |

TITLE/SUBJECT: Renewal of the City's Health Care Insurance Coverage with Coventry Health Care of Florida.

RECOMMENDATION / MOTION: Staff recommends the renewal of the City's Health Care Insurance Coverage with Coventry Health Care of Florida, with an increase of 2.25% including improved pharmaceutical programs; \$10,000 in funding for expanded wellness programs; and doubling on site customer service. In addition to the increased benefits, the City will pay \$675.46 per employee, per month for a total of \$3,485,373.60.

• Assistant City Manager	<i>DDW 7/27/11</i>	Library N/A
• City Attorney	<i>PXL 7/27/11</i>	Marina N/A
• City Clerk	<i>JS 7/27/11</i>	Police N/A
Community Development	N/A	Public Works N/A
• Finance	<i>KA 7/26/11</i>	• Purchasing
Fire N/A		<i>BA 7/27/2011</i>
• Human Resources	<i>CD 7/26/11</i>	Recreation & Parks N/A
Information Technology	N/A	Utility District N/A

APPROVED BY CITY MANAGER: *Ruth C. Jones*

DATE: 7-27-11

Originating Dept. Human Resources Department <i>[Signature]</i>	Costs: <u>\$3,485,373.60</u> Current FY: 2011-2012 Funding Source: <input type="checkbox"/> Capital Improvement <input checked="" type="checkbox"/> Operating <input type="checkbox"/> Other:	City Council Actions: <input type="checkbox"/> Approved <input type="checkbox"/> Approved w/conditions <input type="checkbox"/> Denied _____ <input type="checkbox"/> Tabled to _____ <input type="checkbox"/> Referred to Staff _____
User Dept. Human Resources	Budget Account Number: "Various Departmental Accounts"	Attachments: 1. Resolution 2. Comparative analysis of FMIT proposals and Coventry Proposals 3. Pie chart showing most utilized drugs by city employees 4. List of the number of physicians now accepting Coventry. 5. FMIT analysis of self insurance as an option for Cities.
Advertised: Date: Paper: <input checked="" type="checkbox"/> Not Required		
Affected Parties <input checked="" type="checkbox"/> Notified <input type="checkbox"/> Not Required		

BACKGROUND: the City of Riviera Beach historically has provided what most industry experts considered a "rich" health care benefit plan. Staff, in consultation with McKinley Financial Services, Inc., which acts as the City's consultant/broker, has been strategically moving the benefit structure to be more consistent with the public market. During the FY 2010/2011 budget deliberations, the City of Riviera Beach was in the 3rd year of a contract with Cigna to provide the City's health care coverage. The driving factor in the cost of health care is the experience rate or utilization of the health care coverage. The greater the use, the less profitable an insurance company can be in providing coverage to an organization. Catastrophic care (those procedures which cost more than \$50,000) is also a factor. Unfortunately, the City of Riviera Beach has experienced high utilization along with a number of catastrophic cases.

At a City Council workshop on health care benefits, staff presented the projected increase from Cigna and requested the ability to negotiate with Cigna. If negotiations failed the City administration committed to advertising for health care coverage. The negotiations with Cigna were not successful. In the context of the City's budgetary crisis the City Manager gave direction to seek a \$1 million dollar decrease in the City's health care costs. The City's RFP was structured requesting a \$1 million reduction in costs. Staff and McKinley Financial developed a strategy to move from simply employee and family coverage to a tiered approach providing employee, employee +1 and family coverage. The second component of the strategy is to aggressively pursue a wellness program which eventually will lower the number of catastrophic cases. The result of the strategy and the solicitation resulted in a recommendation and approval of Coventry Health Care of Florida to provide the City's coverage at a savings of \$750,000 below what the City had budgeted.

City Council's Directive to Seek Proposals from the Florida Municipal Insurance Trust and Self Insurance

Although City Council approved the recommendation with Coventry, the City Council also gave direction to staff to approach the Florida League of Cities (which does not respond to solicitations). The administration held several meetings with representatives of the Florida Municipal Insurance Trust (FMIT) and received proposals for coverage through United Health Care. The FMIT has also provided an analysis of the option of the City becoming self insured (see attached). In summary, a self insured program would require the City to set aside four months of benefit costs at October 1, 2011. The City's spends approximately \$330,000 a month so the City would be required to provide \$1,320,000 in a lump sum. The City is simply not in a position to do so at this time.

A comparative analysis is attached provided by McKinley Financial Services Inc. In summary, the Coventry proposal provides a \$145,000 savings compared to the FMIT/ United Health Care proposal.

City/Employee Issues

In transitioning to a new health care provider there will always be issues given the change. This will be particularly true when the City is moving aggressively to reduce its costs. There are really only three ways to reduce the City's health care costs: (1) shift the cost to employees; (2) lower benefits or (3) lower the City's overall utilization. The Risk Management Division has tracked the concerns during the first year of service with Coventry. The broad categories are:

1. Cost of Pharmaceuticals
2. Customer Service
3. Specific doctors which do not accept Coventry

The proposal from Coventry which is recommended addresses these issues in the following manner.

1. Cost of pharmaceuticals-Coventry is providing an enhanced pharmaceuticals program which provides a 66% discount for generic drugs purchased on line or mail order. Seventy percent (70%) (7 out of 10) of the top generic drugs utilized by employees are on the tier 1a list. An employee can get a three (3) month supply for one (1) co-pay. In Class 1 generics, an employee can receive a three (3) month supply for one co-pay. Staff, McKinley and Coventry will coordinate workshops for employees to ensure that all employees are aware of how to utilize the program.
2. Customer Service-Coventry currently has a representative on site once a month to assist employees with any issues they might be experiencing. Coventry has committed to having an employee on site twice a month.
3. A list is attached of all the physicians that Coventry has brought into their system at the specific request of the employee/city. Staff is conducting a survey to determine if there are employees who have not made a specific request to have their physician added to Coventry. Coventry has been awarded coverage for the Palm Beach County Health District and its 4,000 employees. We would anticipate that a number of new physicians and specialists will be added.

SUMMARY-The City's Administration continues to commit a significant amount of work on the health care insurance issue. The result of our strategic team recommendations along with last year's efforts means that the City will save over \$1,000,000 in its health care costs when this years' savings are added to the projected savings (\$300,000 under the 11% increase which was projected). As directed, staff met with the Florida Municipal Insurance Trust (Florida League of Cities) and received a formal proposal. The Coventry Renewal offer is \$145,000 less when compared to the Florida Municipal Insurance Trust proposal. The Coventry Renewal rate is 8.5% lower than the industry/market increases of 11%. The Coventry proposal addresses the issues that staff has raised concerning the following with respect to employees:

Cost of pharmaceuticals	Coverage for health care drugs are separated into tiers. Coventry is offering a three (3) month supply Tier 1 and 1a which includes seven (7) of the top ten drugs used by employees for one (1) co-pay (66% discount. A three (3) month supply of Tier 2 drugs for two (2) co-pays (33% discount). A three (3) month supply of tier 3 drugs is available with three (3) co-pays. Therefore, the most highly used drugs used by employees are deeply discounted.
Customer Service	Coventry will double the staff time on site from once a month to twice a month.
Doctors excepting Coventry	Coventry has provided a list which shows those physicians who requested and 100% have accepted Coventry of Fla. Staff is conducting a survey of employees to determine if there are employees who have not specifically requested their doctor to be added. In addition, Coventry is now covering the Palm Beach County Health District with 4,000 employees which will increase the number of physicians overall in Palm Beach County
Wellness	Coventry is providing an additional \$10,000 towards the City's Wellness Program.

Below is the cost of the bi-weekly premiums for our employees for Fiscal Year 2011 – 2012:

EMPLOYEE'S CURRENT BI-WEEKLY DEDUCTIONS:

EMPLOYEE'S NEW BI-WEEKLY DEDUCTIONS:

	<u>HMO</u>	<u>PPO</u>
Employee	0	9.97
Employee +1	122.15	136.12
Employee + Family	177.12	191.50

	<u>HMO</u>	<u>PPO</u>
Employee	0	14.40
Employee + 1	124.69	144.87
Employee + Family	180.80	203.58

Recommendation: Staff recommends approval.

RESOLUTION NO _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIVIERA BEACH, PALM BEACH COUNTY, FLORIDA, AUTHORIZING THE RENEWAL OF HEALTH CARE BENEFIT COVERAGE WITH COVENTRY HEALTH CARE OF FLORIDA, TO PROVIDE MEDICAL INSURANCE FOR CITY EMPLOYEES FOR THE POLICY YEAR 2011 – 2012 AND AUTHORIZING THE INTERIM FINANCE DIRECTOR TO MAKE PAYMENTS FROM THE VARIOUS CITY DEPARTMENTAL ACCOUNTS IN THE ESTIMATED AMOUNT OF \$3,485,373.60; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City is in need of its health insurance coverage for its employees for one (1) year (2011-2012); and

WHEREAS, the administration solicited proposals from the Florida Municipal Insurance Trust as directed by the City Council; and

WHEREAS, the administration also received renewal proposals from Coventry Health Care of Florida; and

WHEREAS, a comparative analysis, of the proposals from the two (2) entities, indicates the Coventry proposals provide coverage at a rate of \$145,000 less than the Florida Municipal Insurance Trust proposals; and

WHEREAS, the 2.5% insurance proposed by Coventry Insurance is below the industry rate.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RIVIERA BEACH, FLORIDA, as follows:

SECTION 1. That Coventry Health Care of Florida is awarded health care coverage for the City of Riviera Beach for Fiscal Year 2011-2012.

SECTION 2. The Interim Finance Director is authorized to make payments from various departmental accounts in the total amount of \$3,485,373.60.

SECTION 3. This Resolution shall become effective October 1, 2011, upon its passage and approval by the City Council.

PASSED and APPROVED this _____ day of _____, 2011.

RESOLUTION NO. _____
PAGE 2

APPROVED:

THOMAS A. MASTERS
MAYOR

JUDY L. DAVIS
CHAIRPERSON

ATTEST:

CARRIE E. WARD
MASTER MUNICIPAL CLERK
CITY CLERK

BILLIE E. BROOKS
CHAIR PRO TEM

DAWN S. PARDO
COUNCILPERSON

CEDRICK A. THOMAS
COUNCILPERSON

SHELBY L. LOWE
COUNCILPERSON

MOTIONED BY: _____

SECONDED BY: _____

J. DAVIS _____

B. BROOKS _____

D. PARDO _____

C. THOMAS _____

S. LOWE _____

REVIEWED AS TO LEGAL SUFFICIENCY

PAMALA HANNA RYAN, CITY ATTORNEY

DATE: _____



Coventry Renewal Vs.
League of Cities Plan

		COVENTRY Renewal		UHC
		FDCOA 1520 HMO OPTION	100-500 POS OPTION	Proposed Plan 2
IN-NETWORK	DEDUCTIBLE	\$500/Hospital only	\$500/\$1,000	\$250/\$500
	COINSURANCE (Insurance pays)	100%	100%	90%
	OUT OF POCKET MAXIMUM	\$1,500/\$4,500*	\$1,500/\$3,000*	\$2,500/\$5,000**
	LIFETIME MAXIMUM	Unlimited	Unlimited	Unlimited
	PCP / SPC	\$15/\$30	\$25/\$50	\$10/\$20
	IP HOSPITAL	\$200 a day, 1-5 after Deductible	100% after Deductible	90%
	OP SURGERY (Hospital/Amb Fac/Diag Ctr)	\$200 After Ded Hosp/\$100/\$50	\$0 After Ded \$250 ASC	\$100
	OP LAB & XRAY (Hospital/Amb Fac/Diag Ctr)	\$60/\$30/\$30	\$0 After Ded/\$50	\$0
	SCANS - MRI, PET, CT, etc (Hosp/Amb/Diag Ctr)	\$60/\$30/\$30	\$0 After Ded/\$50	\$100
	URGENT CARE	\$90	\$50	\$35
EMERGENCY / PRESCRIPTION	\$100	\$250	\$100	
		\$10/\$35/\$50/20%	\$10/\$30/\$55/25%	\$10/\$30/\$50
OUT-OF-NETWORK				
DEDUCTIBLE (Hospital Svcs)		N/A	\$1,000/\$2,000	\$500/\$1000
COINSURANCE (Insurance pays)		N/A	60%	70%
OUT OF POCKET MAXIMUM		N/A	\$5,000/\$10,000	\$5000/\$10000
LIFETIME MAXIMUM		N/A	Unlimited	Unlimited
HMO Enrollment	POS Enrollment			
Employee	226	\$675.46	\$706.68	\$699.13
Employee + 1	50	\$945.64	\$989.36	\$978.78
Family	138	\$1,067.21	\$1,116.56	\$1,104.62
Totals		\$347,210.94	\$48,167.44	\$407,032.56

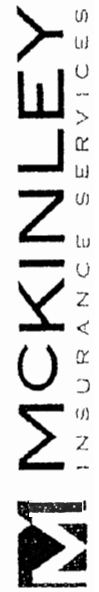
Combined Total HMO & POS Monthly \$395,378.38

2.95%

Percentage Inc/Dec

Dollar Differential \$11,654.18

* Includes Deductible
** Excludes Deductible





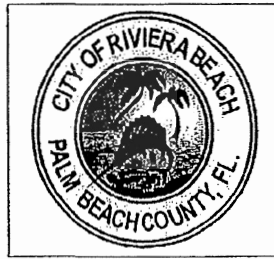
City of Riviera Beach Coventry
Updated Renewal Rates

	COVENTRY Current		COVENTRY Renewal	
	FDCOA 1520 HMO OPTION	100-500 POS OPTION	FDCOA 1520 HMO OPTION	100-500 POS OPTION
IN-NETWORK				
DEDUCTIBLE	\$500/Hospital only 100%	\$500/\$1,000 100%	\$500/Hospital only 100%	\$500/\$1,000 100%
COINSURANCE (Insurance pays)	\$1,500/\$4,500 Unlimited	\$1,500/\$3,000 Unlimited	\$1,500/\$4,500 Unlimited	\$1,500/\$3,000 Unlimited
OUT OF POCKET MAXIMUM	\$15/\$30 \$200 a day 1-5 after Deductible	\$25/\$50 100% after Deductible	\$15/\$30 \$200 a day 1-5 after Deductible	\$25/\$50 100% after Deductible
LIFETIME MAXIMUM	\$200 After Ded Hosp/\$100/\$50	\$0 aft ded	\$200 After Ded Hosp/\$100/\$50	\$0 After Ded \$250 ASC
PCP / SPC	\$60/\$30/\$30	\$0 aft ded/\$50	\$60/\$30/\$30	\$0 After Ded/\$50
IP HOSPITAL	\$60/\$30/\$30	\$0 aft ded/\$50	\$60/\$30/\$30	\$0 After Ded/\$50
OP SURGERY (Hospital/Amb Fac/Diag Ctr)	\$30	\$50	\$30	\$50
OP LAB & XRAY (Hospital/Amb Fac/Diag Ctr)	\$100	\$250	\$100	\$250
SCANS - MRI, PET, CT, etc (Hosp/Amb/Diag Ctr)	\$15/\$35/\$50/20%	\$10/\$30/\$55/25%	\$10/\$35/\$50/20%*	\$10/\$30/\$55/25%*
URGENT CARE				
EMERGENCY				
PRESCRIPTION				
Mail Order Prescriptions	3 co pays 90 day supply	3 co pays 90 day supply	Tier 1 co pay Tier 2 2 co pays Tier 3 3 co pays	Tier 1 co pay Tier 2 2 co pays Tier 3 3 co pays
OUT-OF-NETWORK				
DEDUCTIBLE (Hospital Svcs)	N/A	\$1,000/\$2,000	N/A	\$1,000/\$2,000
COINSURANCE (Insurance pays)	N/A	60%	N/A	60%
OUT OF POCKET MAXIMUM	N/A	\$5,000/\$10,000	N/A	\$5,000/\$10,000
LIFETIME MAXIMUM	N/A	Unlimited	N/A	Unlimited
Employee	HMO Enrollment	Pos Enrollment		
	226	38	\$661.68	\$706.68
Employee + 1	50	8	\$926.35	\$989.36
Family	138	12	\$1,045.45	\$1,116.56
	Monthly Totals		\$340,129.28	\$48,167.44
	Combined HMO & POS		\$46,537.10	\$395,378.38

Dollar Differential \$8,712.00
Percentage Inc/Dec 2.25%

*Tier 1 A \$3 copay mail order \$3 copay



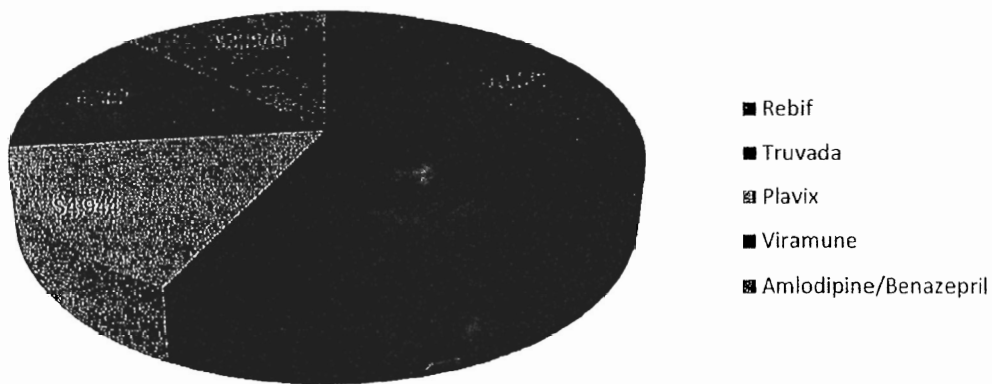


City of Riviera Beach Drug Comparison

**Cigna Top 5 Drugs By Dollar Amount
10-2007 Through 09-2008**



**Coventry Top 5 Drugs By Dollar Amonut
10-2010 Through 3-2011**



Summary of Unique Providers added to Plan by Product since 10-1-2010

Participation Specialty	Product Name		
	FL - 1HMO	FL - 1POS	FL - 7PPO
Advanced Registered Nurse Practitioner	4	4	4
Allergy and Immunology	3	3	3
Anesthesiology	6	6	6
Cardiology	2	1	0
Cardiology, Interventional	1	1	1
Cardiovascular Disease	11	11	11
Chiropractic	1	1	1
Dermatology	5	5	6
Endocrinology, Diabetes and Metabolism	1	1	1
Family Medicine	15	15	16
Family Practice	1	1	2
Gastroenterology	8	7	7
General Practice	0	0	1
Gynecology	2	2	1
Hand Surgery	0	0	2
Hospitalist	7	7	7
Internal Medicine	26	26	33
Maternal and Fetal Medicine	1	1	1
Nephrology	2	2	2
Neurological Surgery	3	3	3
Neurology	5	5	5
Nurse Midwife	1	1	1
Nurse Practitioner	1	1	1
Obstetrics and Gynecology	4	4	5
Oncology	1	1	1
Oral/Maxillofacial Surgery	2	2	2
Orthopaedic Surgery	13	14	14
Otolaryngology (ENT)	2	2	2
Pain Management	8	8	8
Pediatric Developmental-Behavioral	1	1	1
Pediatric Nephrology	1	1	1
Pediatrics	8	8	7
Physical Medicine and Rehabilitation	3	3	3
Physician Assistant	3	3	3
Podiatry	0	1	5
Proctology	1	1	1
Radiation Oncology	2	1	1
Registered Dietician	2	2	2
Reproductive Endocrinology/Infertility	1	0	0
Surgery, General	14	14	12
Thoracic Cardiovascular Surgery	1	1	1
Urology	9	9	9
Vascular Surgery	1	1	1
Grand Total	183	181	194

Facility - Ancillary Providers added to the plan by product since 10-1-2010

Service	Product Name		
	FL - 1HMO	FL - 1POS	FL - 7PPO
Ambulatory Surgery Center	2	2	2
Dialysis	1	-	1
Hospital	1	-	1
Prosthetics/Orthotics	1	-	1
Rehabilitation Therapy Facility	1	-	1
Skilled Nursing Facility	1	-	1
Specialty Hospital	1	-	1
Urgent Care Clinic	1	-	1
Grand Total	9	9	9

White, Paul D

From: Sullin, Marie
Sent: Tuesday, July 12, 2011 5:26 PM
To: Jones, Ruth; Perry, Doretha; White, Paul D
Subject: FW: Self funding

Ms. Jones,

Below is the information regarding self-insured from the League of Cities.

-----Original Message-----

From: Clay Austin [mailto:CAustin@flcities.com]
Sent: Thursday, June 30, 2011 5:36 PM
To: Sullin, Marie
Subject: Self funding

Here is a response I sent a group in central Florida a few days ago that speaks to the downfalls of self-funding. If you could share this with Mrs. Jones and let her know to please feel free to contact me with any questions at all.

"Please keep in mind that this is speaking in general to self funded arrangements. Without knowing exactly what program you are considering, it is hard to be specific. We can look back at that if needed. These are the most common risks to having a self funded program.

There is funding required to cover claims, ALWAYS. If you go through the year, and the premiums run short and do not cover claims, there will be a margin owed at the end of the contract. That does not even begin to take in to account administrative costs, which would be a constant fixed cost. This especially applies to year two. Even if the rate is adjusted back to where it should be, that just means it was under valued from the beginning. Looking back at your past few years claims, it would have been a significant margin owed. With the exception of this year, of course. Although we were all glad to see it, this year was an exception to the rule. All of this compounds if you experience a few bad years and you want to go back to the stability of a fully funded contract. You would still have to cover the entire runout of the incurred claims up to that point, even if with the claims tail coverage.

Network discounting is another driver of this. You receive, on average, around a 57% discount off of billed services from most of the major carriers in your area. Some are better than others, of course. This would not be true of a rented network through a self-funded arrangement. This is a direct impact on your claims, which translates directly to premium. So as that discount decreases through any self-funded arrangement, your claims increase proportionately. This is another factor that helps to compound runout claims exposure. Once in, you could be stuck. Unless you have the extra money lying around to buy your way out of the runout exposure.

Most self funding arrangements, unless offered through one of the major carriers (usually reserved for larger groups), do not have the backing or structure to offer the clinical programs in place with the major carrier networks. Fully funded carriers provide additional programs at a lower cost due to their size and vested interest in the claims. This goes back to the purchasing power conversation we had and economies of scale through an established carrier network. Also, you would be purchasing stop-loss on a small group under 500. If the group ever ran in to a string of large claims, the stop-loss premium could increase a great deal due to not being absorbed across a large population of several thousand. This is the basis of pooled risk. The group could be stuck paying this and most likely no fully-insured carrier would be willing to absorb the ongoing large claims if they are that bad."

I hope this helps. As always, please call me with any questions at all.

Clay Austin
Florida League of Cities
407-367-3432