



Exhibit O

AGENDA ITEM STAFF ANALYSIS

Project/Issue Name: Resolution #07-R-23 A Resolution of the City Council of the city of Republic, Missouri Authorizing the City Administrator to Enter into an Agreement with Premier Health Plans for Employee Health Insurance for 2008.

Submitted By: Director of Finance

Date: December 10, 2007

Issue Statement

Employee health insurance is due for renewal for the 2008 policy year.

Discussion and/or Analysis

Premier Health Plans offers a renewal of equivalent City coverage which is a guaranteed rate as presented and which has a rate lock meaning it is essentially at last year's rate, \$349.00 per month vs. the \$347.00 for the past year.

Projected medical coverage cost to the City for 2008 is \$465,000. This is 10% of direct salary expense which is \$465,000 for 2008.

Proposals for health insurance with guaranteed premiums (not requiring underwriting) were requested from Missouri Consolidated Health Care Plan, Humana, Trustmark, Premier Health, United Health Care, Coventry, Cox Blue Cross/Blue Shield and Principal.

Insurance Providers:

1. Missouri Consolidated is a group-coverage plan sponsored by the State of Missouri and administered through Premier Health and utilizes St. Johns Hospital. They had two plans in what was considered the City's price range; however, the deductible was higher as was the prescription coverage.

2. United Healthcare was competitive on the medical but not on the prescription coverage. However, it would require employees to change physicians, carrier and hospital for a marginal savings to the City but with an increase in out-of-pocket costs for the employees.
3. Cox Blue Cross/Blue Shield declined coverage without either the full underwriting process or three years of loss data which is not available.
4. Principal declined coverage without either the full underwriting process or three years of loss data which is not available.
5. Premier offered a renewal rate of \$369.00 which was negotiated down to \$349.00 which is in effect a rate hold of the 2007 rate.
6. Humana offered two plans which were in the price range of the City. With one the deductible was \$1,500 and prescriptions were \$10-30-50 on a three tier level and it was not selected. The second plan has \$1,000 deductible and prescription coverage of \$10-30-50. While this plan would save the City on premiums (potential \$30,000 – 40,000), it would shift the cost to the employee through higher prescription costs, and a wellness program of some lesser coverage. The three tier prescription cost moves the employee costs up substantially and quickly due to the number of medicines on the tier 2 and tier 3 list.
7. Coventry offers a plan and cost similar to both United Healthcare and Humana with the same restrictions of prescriptions, network, and coverage.
8. Trustmark offered a plan that is very competitive but revised it. The revision took the premium to \$383.00 from the initial \$328.00 and Rx was also increased.
9. The current provider, Mercy Health Plans/Premier Health, offered an initial renewal quote of \$369.00 per employee at the current level of service. Our insurance agent on our behalf has negotiated that rate down to \$349.00 --- the present rate is \$347.00. The office visit is equal to or better than other providers; the prescription cost is the best of the providers at \$10.00/\$20.00 and Premier presently only has seven drugs on the second tier and this is significant for employees. Premier will provide an Employee Assistance Program for \$1.48 per month. This cost has been included in the rates provided below.

Selection factors:

1. Customer service regarding claims payment and access to someone familiar with the City and its employees.
2. Medical history of City employees (precludes any underwriting issues or problems with existing conditions) and relationship with the City.
3. There are four primary drivers for medical insurance cost for a group:
 - Office visit cost
 - Prescription cost
 - Deductible
 - Co-Pay
4. Other factors are:
 - Out-of-pocket expense to the employee
 - Lifetime maximums for some benefits or policy as a whole for major medical
 - Preventive health services
 - Geographic area of coverage
 - Actual medical provider

5. Recommendation 1 of a 2 part recommendation:

With all factors considered the recommendation is to remain with the present provider

- Rate: \$350.89 (\$349.41 medical plus \$1.48 EAP)
- Office visit: 15.00/25.00 (the \$25.00 is out of network)
- Rx: 10.00/20.00 (the \$20.00 is for tier two medications and Premier only has 7 drugs currently on the tier two list)
- Co-Pay: 80/50% (50% is out of network)
- Deductible: \$1,000/3,000 (\$3,000 is the maximum for a family)
- Preventive services: 11 Health Screening Procedures
- There will be no underwriting issues
- There will be no pre existing questions relative to the premium
- Claims payment and customer service has been excellent

When the employees were queried this fall about medical coverage this plan does what the majority indicated they desired. This also matches the survey from 2006.

The cost to the City remains essentially unchanged and the benefits to the employees remain unchanged.

6. With the recommendation for the major medical being made, there is an additional recommendation regarding medical coverage which is referred to as My-Choice. The City would offer two plans:

	<u>Plan 1 (PPO Plan 12)</u>	<u>Plan 2 (PPO Plan 13)</u>
Monthly Premium	\$350.89	\$302.64
Office Visit	15.00/25.00	25.00/35.00
Rx	10.00/20.00	15.00/30.00
Co-Pay	80/50	80/50

No employee is denied coverage under Plan 1; however, an employee can by choice select Plan 2. Example:

Will you wear your seatbelt? Yes-Plan 1; No, but will take training-Plan 1; No, and I refuse the offer of training-Plan 2 but by the choice of the employee. There are 7 categories 1) Seat Belt, 2) Tobacco Usage, 3) Obesity, 4) Blood Pressure, 5) Cholesterol, 6) Diabetes, 7) Utilize the Health Screenings Offered.

The purpose is to encourage a healthier life style without limiting coverage. Premier acknowledges that this program will in the first year likely drive up costs due to unknown conditions being detected, but the long run is a healthier workforce and lower medical costs. They are taking a look further down the road than just 1 year, and in the longer run the City will benefit. Note – this does not change the cost of Plan 1.

One way to accomplish the screenings is to schedule the St. Johns wellness team to visit the City, and this is being discussed notwithstanding the selection/approval of the medical coverage for 2008.

7. Recommendation 2 of the 2 part recommendation:

That the Council approve the My-Choice Program for 2008