



## Request for City Council Committee Action from the Departments of Human Resources and Finance

**Date:** July 23, 2014

**To:** Honorable Elizabeth Glidden, Chair, Committee of the Whole

**Referral to:** Ways & Means/Budget Committee

**Subject:** City of Minneapolis Medical Plan Benefit Recommendations

### **Recommendation:**

Authorize the proper City officials to enter into a fully-insured contract with Medica as the selected provider of City of Minneapolis Medical Plan benefits for a period of three years starting January 1, 2015 with an option to extend the contract for up to two additional one-year periods.

### **Previous Directives:**

On May 23, 2014, the City Council authorized proper City officials to release a request for proposal (RFP) for medical plan benefits for coverage effective January 1, 2015. The medical plan RFP requested proposals for both fully-insured and self-insured funding options.

### **Department Information**

Prepared by: Joyce Traver, Sandy Christensen

Approved by: Patience Ferguson – Director Human Resources  
Kevin Carpenter – Finance Officer

Presenters in Committee: Joyce Traver, Sandy Christensen

### **Financial Impact**

Action is within the Business Plan.

### **Supporting Information**

Working with outside consultants and members of the Benefits subcommittee of the Citywide Labor Management Committee (the "BLMC"), Human Resources staff developed and released a Request for Proposals for Medical Insurance on May 28, 2014. The RFP requested proposals for both fully- and self-insured funding options incorporating a number of requirements, including wellness programs and transparency initiatives that provide information on provider cost and quality.

On June 23, 2014, proposals were received from Medica (the current provider), Blue Cross and Blue Shield of Minnesota, HealthPartners and PreferredOne. Proposals for self-insured plans generally reflected potential savings in line with previous City estimates. At the same time, both Medica and HealthPartners proposed extremely competitive, fully-insured plans that included premium rates with guaranteed savings that were comparable with expected savings under self-insured funding.

City staff and the BLMC recommend that the City enter into a contract with Medica under the fully-insured plan option for coverage beginning January 1, 2015. The decision to choose Medica for provision of continued medical insurance coverage was based on several criteria including:

- A 3% premium decrease for 2015 and premium rate caps of 5% for both 2016 and 2017 which provides for savings similar to that anticipated in moving to a self-insured plan.
- A superior wellness program as a result of Medica's new partnership with RedBrick which will enhance the user's experience and continue to improve claims experience.
- Medica's agreement to work with City representatives to refine the City's wellness program and develop a custom transparency solution to improve customer options and choices.
- Mitigate disruption associated with new provider networks, drug formularies and health management programs that would create employee dissatisfaction and communications particularly as the City moves forward with the ERP upgrade and process changes.

Human Resources, Finance and Property Services, and union members of the BLMC will continue to focus on the long-term stability of the City's medical plan, providing updates to City leaders on a periodic basis, and will build on the work that has been done to prepare the City for self-insured funding when it makes sense to do so.