



Request for City Council Committee Action from the Department of Human Resources

Date January 23, 2006

To Ways and Means Committee
Referral to City Council

Subject Receive and Appropriate Settlement Funds received from Blue Cross Blue Shield of Minnesota

Recommendation

1) Receive funds in the amount of \$107,034.27 from Blue Cross Blue Shield of Minnesota for settlement of the Tow Distributing class action litigation.

2) Increase the appropriation in 0600-815-8156 by \$107,034.27 and increase the revenue appropriation in 0600-815-8156 by \$107,034.27.

Previous Directives

None

Prepared or Submitted by: Brenda A. Meehl, Benefits Manager, 612-673-3120

Approved by: _____
Pamela French
Human Resources Director

Steven Bosacker
City Coordinator

Permanent Review Committee (PRC) Approval _____ Not Applicable X

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Policy Review Group (PRG) Approval _____ Date of Approval _____ Not Applicable X

Note: The Policy Review Group is a committee co-chaired by the City Clerk and the City Coordinator that must review all requests related to establishing or changing enterprise policies.

Presenter in Committee: Ilena Lonetti, Director of Enterprise Services, 612-673-2591

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

Action requires an appropriation increase to the _____ Capital Budget or X Operating Budget.

Action provides increased revenue for appropriation increase.

Action requires use of contingency or reserves.

Business Plan: _____ Action is within the plan. _____ Action requires a change to plan.

___ Other financial impact (Explain):

___ Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other

Background/Supporting Information Attached

In 1994, Blue Cross and Blue Shield of Minnesota (BCBS) and the state of Minnesota filed a lawsuit against cigarette manufacturers and their trade associations on grounds the industry deceived consumers, resulting in higher health care costs for Blue Cross under its employer-sponsored fully insured group health insurance policies, as well as for non-monetary relief, and received \$469 million dollars.

Subsequently a lawsuit was brought against BCBS by various employer groups indicating that Blue Cross' settlement be paid directly to subscribers. BCBS maintains that the increased health care costs were incurred directly by BCBS and not by the subscribers. However, to reach a resolution, a settlement agreement was reached in May 2005 which called for the distribution of \$41 million to eligible employer groups (less plaintiffs' attorneys' fees and court awarded costs).

The City Benefits office received notice in July 2005 of this settlement agreement and its right to file a claim form for any potential share of the settlement the City may be entitled to. That claim form was filed and received by BCBS in July 2005.

BCBS received final approval of the settlement agreement in late 2005 and distributed settlement checks to eligible employer groups the end of December 2005. The City of Minneapolis received a check on December 27, 2005, in the amount of \$107,034.27.

Staff requests that the City Council receives and appropriates the settlement funds from Blue Cross Blue Shield of Minnesota in the amount of \$107,034.27, and authorize appropriate city staff to ensure the funds are utilized and spent within the requirements of the law (i.e. to benefit the health plan via wellness programs).