

# CITY OF HIGH POINT

## AGENDA ITEM



### **Title: Cigna Contract Renewal – Employee Health Care**

**From:** Angela Kirkwood, Director of Human Resources

**Meeting Date:** September 19, 2016

**Public Hearing:** N/A

**Advertising Date**

**Advertised By:** N/A

**Attachments:** Cigna Healthcare Contract

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#### **PURPOSE:**

Renew the contract between Cigna Healthcare and the of City of High Point for city employees healthcare coverage plan year of January 1, 2017 to December 31, 2107.

#### **BACKGROUND:**

The City of High Point offers healthcare coverage to its employees that include medical and dental care products. The plan year runs from January 1<sup>st</sup> to December 31st. At the City Manager's Briefing on Tuesday, September 6, 2016, Mark Browder of Mark III Employee Benefits, briefed the City Council on the Medical Plan and Dental Plan Renewal options.

#### **BUDGET IMPACT:**

Cigna Healthcare costs increased by 5% which would be equally split between the City and the employees and retirees. The annual cost is \$14,918,179. Cigna's dental coverage increased by 9% annual which would be equally split between the City and the employees and retirees. The annual cost is \$855,094. Staff will initiate conversations with healthcare providers during the first quarter of 2017, and present options to City Council for the January 1, 2018 to December 31, 2018, plan year.

#### **RECOMMENDATION / ACTION REQUESTED:**

Council is requested to authorize the City Manager to execute a twelve (12) month contract with Cigna Healthcare for healthcare coverage for city employees. Contract will be effective January 1, 2017 - December 31, 2017.

# **Cigna HealthCare**

## **Financial Proposal**

for

# **City of High Point**

211 S. Hamilton Street P.O. Box 230  
High Point, NC 27261  
SIC Code: 9199  
Account Number: 3319524

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Total Eligible Employees:	1362	Participating Subscribers:	1370
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Employer Contributions - Employee:	100%	Employer Contributions - Dependent:	40%
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Waiting Period:	Coverage effective on 1st day of employment
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Eligibility Definition:	Active Employees working 27 hours per week including part-time. Employee coverage terminates on the last day of employment. Dependents to age 26 (termination of coverage on birth date). Elected officials and Pre65 Retirees.
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**Effective Date: January 01, 2017**

Note: The Quoted rates are subject to final Underwriting approval and, as noted below, are subject to change in the event of changes in benefits selected or changes in the risk factors upon which the Quoted Rates are based. In addition, state law may require regulatory approval of rates. If required regulatory approval has not been obtained on the proposed effective date, the healthplan shall use rates that are consistent with its then currently approved rating methodology and the quoted rates shall be effective immediately on the date for which they are approved for use. The Quoted Rates are guaranteed while the Group Service Agreement remains in effect until the next anniversary date, unless enrollment changes by 10% in which case CIGNA HealthCare may change the Quoted Rate.

Date: June 30, 2016

Cigna Healthcare Financial Exhibit for:

## City of High Point

Effective Date: January 01, 2017

<b>Cigna PLAN OFFERED</b>		
Product	Open Access Plus Active / Cobra	Open Access Plus Pre65 Retirees
Plan Offering	Single Option	Single Option
Plan Name	Actives/Cobra	Pre65 Retirees
Medical Management Model	PHS+	PHS+
Health Advocacy	Included	Included
Situs	NC	NC
Funding	Fully Insured	Fully Insured
<b>Cigna MEDICAL BENEFITS*</b>		
Collective Deductible	NO	NO
Collective OOP	NO	NO
Combined Medical / Pharmacy Ded / OOP	Combined OOP Only	Combined OOP Only
Deductible / OOP Max Accumulator	Standard: One Way Accumulation	Standard: One Way Accumulation
<b>In-Network:</b>		
Office Copay - Non CSN-PCP / Office Copay CSN-PCP	\$25 / \$15	\$25 / \$15
Office Copay - Non CSN-SPC / Office Copay CSN-SPC	\$50 / \$35	\$50 / \$35
Inpatient Copay - Per Admit	NA	NA
Inpatient Copay - Per Day	NA	NA
Outpatient Facility Copay	NA	NA
Emergency Room Copay	\$150	\$150
Urgent Care Copay	\$75	\$75
ER/UC Plan Plan Ded Applies	NO	NO
Advanced Radiology Imaging Copay	\$0	\$0
Deductible - Individual	\$750	\$750
Deductible - Family	\$1,500	\$1,500
Out-of-Pocket - Individual	\$4,000	\$4,000
Out-of-Pocket - Family	\$8,000	\$8,000
Out-of-Pocket - Family - Individual Amount	\$4,000	\$4,000
Out-of-Pocket Max Plan Deductible	Includes Ded	Includes Ded
Out-of-Pocket Max Copays	All Copays Accumulate	All Copays Accumulate
Coinsurance	80%	80%
<b>Out Of Network:</b>		
Deductible - Individual	\$1,500	\$1,500
Deductible - Family	\$3,000	\$3,000
Out-of-Pocket - Individual	\$8,000	\$8,000
Out-of-Pocket - Family	\$16,000	\$16,000
Out-of-Pocket - Family - Individual Amount	\$8,000	\$8,000
Out-of-Pocket Max Plan Deductible	Includes Ded	Includes Ded
Out-of-Pocket Max Copays	All Benefit Deductibles Accumulate	All Benefit Deductibles Accumulate
Coinsurance	70%	70%
Maximum Reimbursable Charge	Option 2 - 110% Incl NSP & Bill Negotiation	Option 2 - 110% Incl NSP & Bill Negotiation
Inpatient Deductible - Per Admit	NA	NA
Inpatient Deductible - Per Day	NA	NA
Advanced Radiology Imaging Copay	\$0	\$0
<b>Pharmacy Benefits (G/B/NPB/4th Tier)</b>		
Pharmacy Network	National	National
Formulary/PDL	Standard	Standard
Retail Copay	\$15/\$35/\$60	\$15/\$35/\$60
Home Delivery Drug Copay	\$30/\$70/\$120	\$30/\$70/\$120
Deductible	NA	NA
Out-of-Pocket Max	Combined With Medical	Combined With Medical
<b>Mental Health/Substance Use Disorder (Yes/No)</b>	Yes	Yes
<b>Vision Rider (Yes/No)</b>	No	No

\*High level benefit summary. Please see your plan summary for a more detailed benefit description. If this proposal includes Cigna Care Network, the level of in-network benefits applicable may vary from what is shown above



Cigna Healthcare Financial Exhibit for:

# City of High Point

Effective Date: January 01, 2017

## CURRENT PROPOSAL

### Cigna PLAN OFFERED

Product	Open Access Plus Active / Cobra					
Plan Offering	Single Option					
Plan Name	Sold Plan					
Situs	NC					
	NCOAPA (ALL ACTIVE EMPLOYEES) NCOAPB (ALL ACTIVE EMPLOYEES) NCOAPC (ALL ACTIVE					
	Subscribers	Members	Current Rate	Renewal Rate	Monthly Billed Amount	Change
EMP	638		\$495.20	\$519.95	\$331,728.10	5.00%
EMP + SPOUSE	129		\$1,080.33	\$1,134.32	\$146,327.28	5.00%
EMP+CHILD(REN)	215		\$1,036.06	\$1,087.83	\$233,883.45	5.00%
EMP + FAMILY	304		\$1,409.79	\$1,480.24	\$449,992.96	5.00%
Monthly Billed Amount	1286	2695			\$1,161,931.79	

### Cigna PLAN OFFERED

Product	Open Access Plus Pre65 Retirees					
Plan Offering	Single Option					
Plan Name	Sold Plan					
Situs	NC					
	NCOAPB (ALL PRE-65 RETIREES) NCOAPC (ALL PRE-65 RETIREES) NCOAPD (ALL PRE-65					
	Subscribers	Members	Current Rate	Renewal Rate	Monthly Billed Amount	Change
EMP	49		\$594.34	\$624.04	\$30,577.96	5.00%
EMP + SPOUSE	21		\$1,297.50	\$1,362.34	\$28,609.14	5.00%
EMP+CHILD(REN)	6		\$1,244.29	\$1,306.47	\$7,838.82	5.00%
EMP + FAMILY	8		\$1,693.37	\$1,777.99	\$14,223.92	5.00%
Monthly Billed Amount	84	135			\$81,249.84	

Cigna Healthcare Financial Exhibit for:  
**City of High Point**  
 Effective Date: January 01, 2017

## PROPOSAL TERMS AND CONDITIONS for CURRENT PROPOSAL

### A. General Terms of this Proposal

CIGNA HealthCare is pleased to present this Proposal for a Fully Insured Non-Participating group medical and pharmacy benefit plan (the "Plan") sponsored by City of High Point. This proposal is valid for 60 days from its original date of release, 07/05/2016. Any revisions or updates to this proposal will not renew this valid timeframe unless expressly communicated by CIGNA HealthCare.

#### Proposal Caveats

CIGNA HealthCare may revise or withdraw this Proposal if:

- 1 there is a change to the effective date of the quote.
- 2 the policy period length is different than 12 months.
- 3 the policy will not be situated in NC.
- 4 the Plan benefits are different than shown in the RFP or benefit modifications are requested.
- 5 there is a change in any law, regulation, or required assessment or tax that changes CIGNA HealthCare's costs in offering the plan.
- 6 enrollment increases or decreases by 10% or more, by product or for the total account, from the enrollment assumptions used in establishing the rates and/or fees set forth herein.
- 7 participation is below 50%. This will be based on the total eligible employees, identified as 1362.
- 8 it is not the exclusive provider of Medical (/ Pharmacy / Vision) or like products for all of City of High Point's employees in all worksites
- 9 the employer contributes less than 50% toward the total cost of the plan.
- 10 the employer changes its level of contribution toward the cost of the coverage.
- 11 either one or more of the quoted sites withdraws prior to the effective date or terminates during the contract term, or at any time following enrollment.
- 12 the current waiting period is different than Coverage effective on 1st day of employment.
- 13 the final enrollment deviates from the quoted enrollment such that it results in a needed change in premium rates. Rates are based on final enrollment factors, including total number of enrollees, their age, sex, demographics, location and the distribution of enrollees by product or by customer tier.
- 14 any of the information upon which these rates or benefits were based (including Medical History Information) changes or is inaccurate.
- 15 Federal, State or Local action impacting the benefit levels quoted herein or affecting our ability to meet our obligations to you, to your employees/our customers or to our contracted providers. By way of illustration, such legislation or executive actions which impose controls or requirements that affect: our ability to determine rates; covered medical expenses or service benefits; providers delivery of care or the fees they charge; or our contracts with providers, may be deemed to so affect our contractual obligations. Should this happen, Cigna HealthCare will make a good faith effort to work to reach a new agreement that equitably reflects the circumstances as altered by government action
- 16 there is any reimbursement arrangement ("gap" cards, etc.) that subsidizes or reduces the out-of-pocket obligation of covered persons under the policy.
- 17 Client confirmation of employee counts reveal the group to be a Small Employer, as defined under the Patient Protection and Affordable Care Act, and accordingly CIGNA HealthCare is not able to offer a PPACA compliant plan.

### B. Scope and Application of this Proposal

Unless otherwise indicated, this Proposal:

- 1 supersedes and renders null and void any prior CIGNA HealthCare offer or proposal with respect to the Plan.
- 2 or policy may be canceled as of any Premium Due Date if the number of insured Employees fails to meet the minimum required per group participation rules; or for failure to comply with any other material plan provision relating to Employer contributions or group participation rules.
- 3 requires a separate benefit option due to state regulations, if you have purchased any product with CIGNA HealthCare Behavioral Advantage and you have customers residing in NC or CA.
- 4 does not apply to part-time or seasonal employees for any plan.
- 5 includes the Network Savings Program (NSP) and other Cost Containment programs designed to contain costs with respect to charges for health care services/supplies that are covered by the Plan. For administering these programs, CIGNA HealthCare retains a portion of the savings or recoveries generated.
- 6 includes a maximum reimbursable charge for out-of-network coverage equal to 110% of a fee schedule developed by CIGNA HealthCare based upon a methodology similar to that used by Medicare to determine the allowable fee for similar services in the geographic market OR 80th percentile of charges made by providers of such service or supply in the geographic area where the service is received.
- 7 assumes all employees are located in the network area, and that all employees are only eligible for the CIGNA HealthCare or any other affiliated company product offerings specified.
- 8 requires you notify us within 30 days if any information set forth in this form changes at any time while coverage is provided to you by CIGNA HealthCare.
- 9 may require regulatory approval of rates. If, as of their proposed effective date, regulatory approval is not obtained, the healthplan shall use rates consistent with its then currently approved rates and the foregoing rates shall be effective automatically. If a product is new and has never had approved rates, the effective date of coverage will be postponed until regulatory approval is received.
- 10 allows caveats and conditions set forth in this document to survive execution of any final contract and/or issuance by CIGNA HealthCare of any policy and/or Group Service Agreement.
- 11 assumes that CIGNA HealthCare's standard insurance policy form approved for use in the applicable state by the state insurance regulator will be issued. Because the insurance policy and certificate terms require regulatory approval, there is very little flexibility to change the provisions. The provisions of the insurance policy and certificate will control in the event of a conflict with the terms of the request for proposal and the Proposal.
- 12 Medicare eligible retirees are not included in this plan unless mandated by state legislation.
- 13 excludes charges for converting a qualified customer of a group plan to an individual plan.
- 14 is a high-level summary of the proposed coverage. It does not identify all the categories of health care expenses that are covered or excluded.
- 15 may include state required continuation rates which will match the rates for the underlying plan. For Nebraska and New York Over Age Dependents the rates will match the employee rate for the underlying plan.
- 16 assumes that the group health plan or health insurance coverage to which this proposal applies will not be a "grandfathered health plan" under the Patient Protection and Affordable Care Act (the "Act") and that it will be subject to all requirements of the Act applicable to a group health plan or health insurance coverage unless otherwise specified in writing.

Cigna Healthcare Financial Exhibit for:  
**City of High Point**  
 Effective Date: January 01, 2017

- 17 Includes applicable Patient Protection and Affordable Care Act fees and assessments imposed upon health insurers including the Comparative Effectiveness Research Fee, the Health Insurance Industry Fee and the Transitional Reinsurance Assessment.
- 18 assumes applicable requirements of the Patient Protection and Affordable Care Act will be implemented on the effective date/renewal date unless you direct otherwise.
- 19 The plan presented has an actuarial value, determined by CIGNA HealthCare, of 60% or greater. This determination was made using CIGNA HealthCare's manual rating application which may produce an actuarial value slightly different than the official HHS calculator. Although we would expect any deviation to be small, you will have to consult with your actuarial consultant for a more precise determination of the plan's actuarial value. CIGNA HealthCare does not provide actuarial certifications.
- 20 Assumes a non-CIGNA HealthCare Pharmacy Benefit Manager administers oral or other self-administered anti-cancer prescription medication claims at a copayment/coinsurance level that is no less favorable than that for intravenous or injected anti-cancer medication prescribed for the same purpose and covered under employer's CIGNA HealthCare plan. This assumption is applicable only if: (a) employer has contracted with a PBM (not CIGNA HealthCare); (b) employer's plan is either insured, or, if self-funded, not subject to ERISA (i.e., is a church, government or association plan); and (c) employer's CIGNA HealthCare plan is situated in IA, HI, NM, OR, NJ, NE, VA, MA, NV, FL, ME, GA or a state with similar chemotherapy coverage law, or covers one or more individuals residing in CO, OK, VT, WA, TX, LA, MO or OH or in a state with similar extraterritorial chemotherapy coverage mandate.
- 21 Includes Fixed Charges for behavioral care services arranged by CIGNA Behavioral Health, Inc. However, this may not apply in certain states.
- 22 Includes capitated charges for the provision of Hi-Tech Radiology services by MedSolutions, Inc. However, this may not apply in certain states.
- 23 Includes charges made by third parties for care management programs to contain the cost of specific health services/items and/or improve adherence to evidence-based guidelines to promote patient safety and efficient care (e.g., charges for management of diagnostic cardiology, radiation therapy and musculoskeletal procedures.)
- 24 In order to implement the requested benefit design, different funding arrangements (i.e., insured, self-insured and/or HMO) involving affiliated CIGNA HealthCare companies may be required with respect to plan participants residing in certain states.
- 25 assumes when/if a CIGNA HealthCare non-voluntary vision benefit is added to the medical plan, it is added as a rider and always non-excepted, regardless of funding.
- 26 does not apply to individuals unless employed by the policyholder or an entity that participates in an association or trust that is the policyholder.
- 27 Important Notice Regarding Benefit Advisor Compensation - The premium for this guaranteed cost (i.e., non-Shared Returns) policy may not include compensation payable to your benefit advisor. Check with your CIGNA HealthCare Sales representative to confirm whether this is the case. When that is the case, the proposed billed amount includes both premium and benefit advisor fees, which are not part of the monthly premium and CIGNA HealthCare will include any benefit advisor fees agreed to by the client and benefit advisor on client invoices and forward payments received to the benefit advisor if both the client and the benefit advisor authorize CIGNA HealthCare to do so by signing CIGNA HealthCare's Client and Benefit Advisor Acknowledgement Form. When required, this form must be signed before the date when the new rates take effect. If the form is not signed, the benefit advisor will be responsible for billing the client directly for any benefit advisor fees.
- 28 CIGNA HealthCare may have an agreement with your benefit advisor, under which the benefit advisor may be paid for providing marketplace intelligence or for the performance of administrative services. The qualification for and amount of this payment may be based upon overall business growth and/or retention levels. Any such payment is funded through CIGNA HealthCare's general overhead.
- 29 the benefit advisor may qualify for incentive payment (monetary or non-monetary) from CIGNA HealthCare. For example, the benefit advisor may receive payment based upon new sales, new customer growth or retention. This incentive payment is funded from CIGNA HealthCare's general overhead.
- 30 CIGNA HealthCare sponsors programs to inform benefit advisors about CIGNA HealthCare's plan coverage and services (including producer advisory councils). The cost of these events is funded through CIGNA HealthCare's general overhead.

**Additional General Terms of this Proposal:**

- 31 The information contained in this Proposal by CIGNA HealthCare is proprietary and highly confidential. It is being provided with the understanding that it will not be used by the employer, its representatives or consultants for any purpose other than the evaluation of the Proposal. Under no circumstances is any of the information contained herein (including excerpts, summaries, extracts, and evaluations thereof) to be used, disseminated, disclosed or otherwise communicated to any person or entity other than the employer, its representatives and consultants, and their respective employees who are directly involved in the evaluation process.

### Gap Fund Acknowledgement

Are your employees reimbursed for their co-payments, co-insurance cost, deductibles or out of pocket expenses? Yes, \$15 co-payments for blood pressure, diabetes and cholesterol prescriptions.

If so, please let us know the details below. If not, please still confirm and sign below.

To encourage and assist employees and covered dependents with taking blood pressure, diabetes, and cholesterol medications regularly, the city reimburses prescription copay amounts for these categories of medications at the current generic co-pay amount of \$15. Employees are required to present prescription receipts for reimbursement on diabetes and cholesterol medications. For blood pressure medication, employees must also visit the Safety & Health Clinic for a blood pressure check each time a prescription receipt is turned in for reimbursement.

We assume NO subsidization or reimbursement for any portion of the employees' cost-sharing responsibilities. And that's how we set the premium rates/charges for all benefit plans insured and/or administered for you by Cigna HealthCare companies ("Cigna HealthCare, we, us").

Subsidization/reimbursement is also known as "Gap Funding". That is because employees receive money to fund the gap between their cost-share responsibility and Cigna HealthCare's payments.

Do you offer any of these plans? ☒ YES ☐ NO

- Health Savings Account (HSA)
- Health Reimbursement Account (HRA)
- Other means to reimburse employees for health plan expenses
- Healthy Awards Account Program only

If YES, please confirm the following:

- How much is the employer funding amount? up to \$360 annually
- What is the reimbursement order? Does the HSA and/or HRA fund pay first, or something else? The Healthy Awards Account pays first.
- Is there an annual rollover provision for the fund? ☒ YES ☐ NO
- Any changes in employer funding in the past year or future year? ☐ YES ☒ NO
- If YES, please provide details: \_\_\_\_\_

Please notify Cigna HealthCare prior to implementing any "Gap Funding" program. Cigna HealthCare will determine if we need to change the premium rates/charges both now and in the future based on the information you provide.

Please affirm that the above information is true and complete. Thanks!

City of High Point

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_



## Underwriting Contingencies For City of High Point

CIGNA HealthCare reserves the right to change the Quoted Rates and/or Quoted Benefits or to decline to offer coverage if any of the foregoing information is inaccurate or changes prior to the proposed Effective Date indicated above, or if the quoted rates and/or fees are not agreed to within 60 days of receipt of this summary information form. If any of the information identified above changes either prior to the proposed Effective Date or while coverage is in effect, you agree to notify us promptly of such change.

The "Underwriting Contingencies" set forth above shall survive execution of any insurance policy, application, etc., issued by CIGNA HealthCare or any other affiliated company, and shall further survive the effective date of any such policies.

**The benefits displayed in this summary are, for the most part, modular benefit packages used to develop the rates. Please review the Benefit Summary and its attachments for information about the benefits available in your sites.**

"CIGNA HealthCare" refers to various operating subsidiaries of CIGNA Corporation. Products and services are provided by these subsidiaries and not by CIGNA Corporation. These subsidiaries include Connecticut General Life Insurance Company, CIGNA Health and Life Insurance Company, and HMO or service company subsidiaries of CIGNA Health Corporation and CIGNA Dental Health, Inc.

I UNDERSTAND AND AGREE ON BEHALF OF CONTRACTHOLDER THAT CIGNA HEALTHCARE MAY, NOTWITHSTANDING THE TERMS OF THE INSURANCE POLICY OR SERVICE AGREEMENT, REVISE ANY PREMIUM RATES OR PREPAYMENTS FEES AT ANY TIME IF THE ENROLLMENT OR EMPLOYER CONTRIBUTION LEVEL IS DIFFERENT THAN ASSUMED BY CIGNA HEALTHCARE IN UNDERWRITING THE CONTRACT OR IF CIGNA HEALTHCARE IS (i) REQUIRED TO PAY ANY ASSESSMENT, OR (ii) INCUR ADDITIONAL COSTS IN ADMINISTERING THE CONTRACT AS A RESULT OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT AND THE REGULATIONS PROMULGATED THEREUNDER.

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Client Signature

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Date

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Client Name

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Date