

Office of the City Manager

City of Richland Hills, Texas

## Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council  
From: Eric Strong  
Date: November 5, 2013  
Subject: Group Health Insurance

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### **Council Action Requested:**

Consider authorization for staff to seek proposals for employee group health insurance.

### **Background Information:**

At the September 17<sup>th</sup>, 2013 City Council Meeting, the City Council unanimously approved authorizing staff to proceed with bidding out the annual health insurance renewal with a new anniversary date of January 1<sup>st</sup>. This was based on us being told that we were going to experience a 4% increase in October due to our experience, and an additional 4% increase in January based on the new regulations imposed by the Patient Protection and Affordable Care Act (more commonly referred to as Obamacare).

The information we had previously received seems to be constantly evolving, and as such, I wanted to bring this item to your attention one more time before we formally act on putting the insurance out to bid.

Within the past week, we have been notified by our current Group Health insurance Provider (Blue Cross), that our January increase is actually going to be 15.9%, not the 4% we had originally been told.

Blue Cross has also said that if we are willing to renew without going out to bid, then they are able to give us an "Existing Customer" discount. That would drop our renewal to 5.6%. However, if we bid it out, they have told us that their bid will reflect a 15.9%

increase (neither the 5.6% nor the 15.9% include the 4% increase we already received in October). To put those increases into financial terms, a 5.6% increase would cost the City approximately \$23,700 more per year, while a 15.9% increase would cost the City approximately \$67,293 more per year.

Due to the fact that you authorized us to put the insurance plan out to bid under a different set of assumptions than we currently face, I wanted to give you one more opportunity to look at how we proceed.

It is still my recommendation that you consider putting the plan out for bid. I think that given that we are looking at an even larger increase than anticipated, it does make some sense to see what the market has to offer. There is some risk in this, because bidding it out appears to forfeit any “existing customer” benefit we would receive. However, I feel fairly strong that even if we received that discount for staying with them this year, we would end up seeing that increase built into pricing next year, so any benefit is probably temporary.

If Council still wants to bid out the plan, we will open up bidding this week and close the bidding process November 26<sup>th</sup>. That would allow us to bring the item back to Council for approval at the December 3<sup>rd</sup> meeting. The proposed RFP that we would use is attached to this document.

**Board/Citizen Input:** N/A

**Financial Impact:** N/A

**Staff Contacts:**

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Assistant City Manager  
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**Attachments:** Proposed RFP for Group Health Insurance

CITY OF RICHLAND HILLS  
3200 DIANA DRIVE  
RICHLAND HILLS, TEXAS 76118

REQUEST FOR BIDS AND SPECIFICATIONS  
ON  
EMPLOYEE GROUP HEALTH BENEFITS

November 7, 2013

CITY OF RICHLAND HILLS  
BID SPECIFICATIONS ON  
EMPLOYEE GROUP HEALTH BENEFITS

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CITY OF RICHLAND HILLS, TEXAS

Notice to Bidders

The City of Richland Hills is accepting sealed bids for Employee Group Health Insurance. Bids will be accepted by the City Secretary, 3200 Diana Drive Richland Hills, Texas 76118 until November 26, 2013 at 2:30 p.m., to be then and there opened for consideration. For bid specifications and further information, contact Barbara Mann, Director of Finance , at 817-616-3800. The City reserves the right to reject any or all bids or the right to waive all formalities and award the bid to best serve the interest of the City of Richland Hills. Late bids will be rejected.

Bids may be mailed to:  
City of Richland Hills  
City Secretary  
3200 Diana Drive  
Richland Hills, Texas 76118

Bids may be hand delivered to  
City of Richland Hills  
City Secretary  
3200 Diana Drive  
Richland Hills, Texas 76118

General Information and Instructions

1. The City of Richland Hills is calling for bids on the Group Health Benefits for eligible employees and their dependents. Anniversary date of the Plan January 1, 2014.
2. The City of Richland Hills currently pays 100% for each full time employee's major medical benefit coverage. The employee pays for dependent costs.
3. Sealed bids will be received by the City Secretary's office until 2:30 p.m. on November 26, 2013, to be then and there opened for consideration. Facsimiles will not be accepted.
4. All coverages for insurance bids shall be guaranteed for a minimum of one (1) year contract period with options for renewal if agreeable between the two parties. Renewals must be provided to the City of Richland Hills 90 days prior to anniversary date.
5. Since there are important considerations involved in selecting a Carrier in addition to rates, the City of Richland Hills will not be required to accept the lowest bid.
6. The Carrier must submit evidence of ability to service the group without undue requirements of the City of 70 employees. Each Carrier should provide a list of references it has serviced comparable to our size.
7. The City of Richland Hills reserves the right to reject any and all bids and to accept any bid deemed advantageous to the City of Richland Hills. Any deviation from these specifications must be stated in detail.
8. The City of Richland Hills reserves the right to make separate contract awards on any of the insurance plans described in the specifications. If the Carrier desires to restrict the proposal to considerations on an "all or none" basis for all group insurance categories or for any combination of group plans, such restrictions must be clearly stated on the insurer's proposal form.
9. It is the intention of the City of Richland Hills to submit the contract or contracts to be recommended for approval to the City Council at the December 3, 2013 meeting.
10. Bids must be submitted for coverage on all eligible full time regular employees and their dependents. Full time is defined as thirty hours or more worked per week. Dependent is defined as the employees' spouse and unmarried children from birth to Age 26. Adopted children, step-children or foster child(ren) who are in a regular legal parent-child relationship are also classified as eligible dependents. Children who are currently disabled will be covered as long as they are totally disabled and dependent upon support from their parents.
11. All current full time employees and their dependents are eligible for coverage on January 1, 2014.
12. The City of Richland Hills will accept only fully insured contract proposals.

13. All contracts must be directly with Insurance Carriers and not through a third party administrator.
14. Please submit 2 copies of the proposal.

EFFECTIVE DATE

Unless otherwise specified, the effective date of coverage for all benefits shall be January 1, 2014 at 12:01 a.m., Central Standard Time.

## PLAN ADMINISTRATION QUALIFICATIONS

1. City Responsibilities: The City of Richland Hills will provide for payroll deductions of dependent premium and advise the carrier of additions/deletions from the coverage. The City of Richland Hills will assist in the logistics of the enrollment process.
2. Selected Carrier Responsibilities: The Carrier will provide the claim forms, claim instructions, employee booklets outlining the benefits and instructions on filing a claim, identification cards, enrollment and orientation materials, and other appropriate communication materials deemed necessary by the City of Richland Hills.
3. The City of Richland Hills requires assistance with all federal/state mandated regulations as it relates to insurance benefits (i.e., COBRA, HIPAA, Healthcare Reform, etc.)

## UNDERWRITING DATA

The underwriting exposure, and loss data included in the specifications have been assembled by the Entity. While every effort has been made to ensure the accuracy of this information, it cannot be guaranteed. It shall be the responsibility of the successful broker and/or insurer(s) to review this information and work with the Entity on an ongoing basis to ensure that all relevant exposures are included in the Entity's insurance coverage.

If it becomes necessary to revise any part of this bid, a written addendum will be provided to all bidders. The Entity is not bound by any oral representations, clarifications, or changes made in the written specifications by the Entity employees, unless such clarification or change is provided to bidders in written addendum from an authorized representative of the Entity.

## PLAN SPECIFICATIONS

The City of Richland Hills currently offers eligible employees a PPO plan. Proposals should be comparable to current plan benefits for the PPO plan and include alternate options. Similar format as current plan and include with (1) \$2,000 deductible; (2) \$2,500 deductible; and (3) HSA compatible plan with \$3,000 deductible, 100% in-network.

Currently, 67 employees participate in the PPO plan. The City of Richland Hills contributes 100% of the employee only cost for PPO coverage. The City of Richland Hills contributes 0% for dependent coverage.

Current Rates

Employee Only	\$496.74
Employee/Children	\$894.13
Employee/Spouse	\$1053.09
Employee/Family	\$1405.78