

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: September 13, 2013
Subject: Group Health Insurance

Council Action Requested:

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

Background Information:

We have been notified by our health insurance provider (Blue Cross Blue Shield) that effective October 1st, 2013, our premiums will increase by 4%. This amount is already factored into the budget. We have also been told that in January, we will see an additional 4% increase. The reason for the 4% increase in January is due to the impact of the Patient Protection and Affordable Care Act (more commonly referred to as Obama Care). Between the October and January rate increases, the total impact to our current rate will be an 8% increase.

Historically, we have renewed our insurance plan year on October 1st, which is also the beginning of our fiscal year. However, this year we would like to seek proposals and take bids on our group health insurance, and change the anniversary date from October 1st to January 1st. Moving the anniversary date to January 1st will give us sufficient time to go out for bids. Bidding the insurance plan will ensure we get the most competitive price for the City and the employees.

Moving the anniversary date from October to January also has the potential to benefit employees. With many insurance plans, the deductible resets every year in January, regardless of when the anniversary date occurs. In theory, an employee could have a

medical procedure that causes them to pay all or part of their deductible between January and September. Then, when October comes and we renew our plan, their deductible could be reset. If they had another medical need between October and December, they would have to pay their deductible again. So, in essence, an employee could be responsible for their deductible twice in any given year. This would likely only occur if we switched providers, but it is a possibility. Moving the anniversary date to coincide with when the deductible re-sets should eliminate that risk.

We anticipate seeking proposals in October and receiving bids in early November. That will give us sufficient time to review the plans and bring a recommendation back to the City Council in late November or early December.

Board/Citizen Input: N/A

Financial Impact: N/A

Staff Contacts:

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Attachments: N/A