



## Legislation Text

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File #: ID#23-1029, Version: 1

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### **SUBJECT/RECOMMENDATION:**

Authorize funding and amend agreements with Evernorth Behavioral Health (Evernorth) and Cigna Healthcare (Cigna) for the employee assistance program and city medical insurance (under a self-insured funding arrangement) for period January 1, 2024 through December 31, 2024, for a total not-to-exceed amount of \$27.1 million (\$55,000 for Evernorth and \$27,045,000 for Cigna), pursuant to RFP 26-22, to be funded by city budgeted funds, payroll deductions of employees and retiree premiums; and authorize the appropriate officials to execute same. (consent)

### **SUMMARY:**

In support of the strategic objective of superior public service and enhancing employee health and productivity through a holistic approach to workplace wellness and benefit resources, staff is recommending a 4.8% total increase to the medical insurance funding and renewing the employee assistance program with no increase in cost. Staff is recommending these renewals due to satisfaction with the current benefits and little to no increase to cost. The City conducted a Request for Proposals in 2022 for the 2023 plan year to ensure the City is receiving the best pricing and scope of services available.

Historically, the City's health insurance costs have escalated due to annual increases in the cost of medical care and pharmaceuticals. These increased costs are reflected in the City's claims experience. Medical inflation has exceeded 7% nationally, with Florida costs typically 3% - 4% higher than national averages. Renewal projections for calendar year 2024 indicate a 4.8% increase in plan expenses is expected, due to the increased pharmacy costs, specifically in the specialty drug space, and inflationary factors. The overall funding increase of 4.8% is expected to cover projected plan expenses for the 2024 Plan Year.

For the 2023 Plan Year, the City absorbed a larger share than normal of the 13.1% increase in cost to reduce the increase for employees with dependent coverage. Staff recommends that the City begin transitioning back to the agreed upon contribution schedule of paying 100% of the employee only cost, 75% of the cost for employees with one dependent, and 68% of the cost for employees with family coverage. The City is recommending funding 100% for employees without dependents, 75.5% for employees with one dependent, and 69% for employees with family coverage for the 2024 plan year, and returning to the normal schedule for the 2025 plan year. This approach increases employee share with a lesser financial impact than going back to the agreed upon schedule in one year alone.

Included in the medical premiums for the 2024 plan year is the continuation of the Motivate Me incentive program through Cigna. Under this program, employees can receive incentives (up to \$200 per year) when participating in various preventative healthcare activities such as annual wellness screenings, more advanced screenings such as colonoscopies and mammograms, and chronic health condition coaching. These rewards are directly tied to cost drivers on the City's medical plan and are an essential part of controlling increases over the long term. All incentive costs are included in the medical plan funding. The total incentive payouts for the 2022 plan year were \$72,075. For the 2023 plan year to date, total incentive payouts are approximately \$35,000.

The amendment changes to the original agreement are mainly audit rights and for financials, there were no changes to the ASO fee but there is an improvement in the prescription rebate terms. The care management fees were also updated to the 2024 rates.

The original agreement with Evernorth and Cigna was approved by Council in September 2022 pursuant to RFP 26-22.

The City's fiscal 2024 budget for the employer share of health insurance costs is \$23,543,765 which includes \$21,812,865 across all operations for health plan costs, and \$1,730,900 budgeted for the Employee Health Center.

**APPROPRIATION CODE AND AMOUNT:**

Funds are available in cost codes 5907590-530300 (contractual services), 5907590-545602 (major medical claims), and 5907590-545601 (insurance premiums-EAP).