

STATEMENT OF BUDGET IMPACT
(Policy Number 94-45)
Budgetary Review of Proposed Resolution &
Ordinances with Financial Implication.

Date: October 12, 2016

File: BIS 17 – 018

File: TMP-2016-536

Proposed Legislation:

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA, AUTHORIZING THE APPROPRIATE CITY OFFICIALS TO EXECUTE AGREEMENTS BETWEEN CIGNA AND THE CITY OF HOLLYWOOD FOR MEDICAL & PRESCRIPTION DRUG ADMINISTRATION, DENTAL ADMINISTRATION; P & a GROUP AND THE CITY OF HOLLYWOOD FOR FSA AND HRA ADMINISTRATION; VSP AND THE CITY OF HOLLYWOOD FOR VISION INSURANCE FOR A NOT TO EXCEED AMOUNT OF 110% OF \$919,930.00 ANNUALLY.

Statement of Budget Impact:

1. No Budget Impact associated with this action;
2. Sufficient budgetary resources identified/available;
3. Budgetary resources not identified/unavailable;
4. Potential Revenue is possible with this action;
5. Will not increase the cost of Housing;
6. May increase the cost of Housing; (CDAB review required)

Explanation:

This Resolution seeks authorization for the appropriate City Officials to enter into and execute various agreements between the City of Hollywood and Cigna Insurance for the administration of the City's Medical, Prescription Drug, and Dental plans; between the City and P & A Group for the administration of the City's FSA and HRA plans; and between the City and VSP for the Vision Care plan. Previously the City's Benefits Consultant, the Gehring Group, issued a Request for Proposals (RFP) to interested third party administrators and insurance carriers seeking proposals for administrative services related to the above identified lines of insurance and insurance plan administration. Upon review of the various responses, it was determined that Cigna Insurance offered the most competitive medical and prescription drug administration plans. Additionally, Cigna offered additional incentives to the City including wellness

funds and an on-line enrollment and administration system. The agreement with Cigna Insurance will have a five (5) year term with no increase in the administration fees in the first three (3) years of the agreement and a 2% increase in the fees in the fourth and fifth years. The administrative fees to be charged by Cigna will result in a savings of over \$261,000 in FY 2017 versus the current administrative fees charged.

With respect to the City's dental plan, it was determined that Cigna insurance offered the most favorable discount for dental plan administrative fees resulting in a savings of over \$31,000 annually in the first three years of the five year agreement. After the initial three years Cigna has agreed to cap the increase in the dental plan administrative fees to 1.7% and 2.1% in the fourth and fifth years respectively.

With respect to the administration of the City's Flexible Spending Account plan, it is recommended that the City switch plan administration to the P & A Group. This will result in a small annual increase in administrative fees of just over \$5,700 annually. The P & A Group will also administer the City's Health Reimbursement Account to ensure legal compliance.

Lastly, with respect to the City's Vision Care plan, it was recommended that VSP continue to provide insurance coverage for vision care. There will be an increase in the cost of the vision care plan to be offered to City employees.

Funding for the administrative fees to be paid based upon the recommendations of the Gehring Group's review and analysis of the bid responses received by the City is available in the Self Insurance Fund 58 with account #58.1241.00000.590.009199 to cover health care expenditures. Funding for the various fees associated with the administration of these plans or insurance coverage will be requested in future fiscal years as part of the appropriate fiscal year's proposed operating budget subject to the approval of the City Commission.

PREPARED AND APPROVED BY:

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