



Legislation Text

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Continuation of Blue Cross and Blue Shield Administrative Services Contract (B)

This item involves a request for the City Commission to approve the continuance of Blue Cross and Blue Shield of Florida Inc. as the third party administrator and network provider for the City of Gainesville's Self-funded Health Plan.

Blue Cross and Blue Shield of Florida, Inc. has been the Administrator of the City's self-funded Group Health Plan since January 1, 1993. The City's contract with Blue Cross and Blue Shield of Florida, Inc. allows for annual renewals upon mutually agreeable rates. The current year renewal negotiations with Blue Cross Blue Shield will result in 7.25% increase administrative fees for our Group Health Plan. The increase is consistent with medical insurance trends and it should be noted that this increase follows a year in which Blue Cross Blue Shield did not increase its administrative fees.

Blue Cross and Blue Shield continues to have one of the largest networks in our area, and coupled with its nationwide affiliates, provides network coverage throughout the United States and many other countries worldwide. Currently, Blue Cross and Blue Shield is the provider to many large employers in our area including the State of Florida, Shands, the School Board of Alachua County, Alachua County Board of County Commissioners, and HCA. Blue Cross and Blue Shield's market presence in Alachua County allows it to negotiate favorable cost of service contracts with the local medical community. These provider contracts result in substantial savings to the City's health plan and our employees. For the twelve months ended September 30, 2006, the savings realized based on billed versus the Blue Cross and Blue Shield allowance amounted to almost thirteen million dollars. This discount rate was approximately sixty-three percent of the billed amount for services.

In addition to the favorable provider contracts, Blue Cross and Blue Shield maintains a local office that employs approximately thirty people. This local office has a specified individual dedicated to provide claims facilitation services to the City and its employees. This local presence allows employees to have face-to-face contact with a Blue Cross representative that has knowledge of our local providers and removes some of the depersonalization associated a 1-800 number.

Based on satisfactory past performance, the staff recommends that the City Commission authorize continuance of the Blue Cross and Blue Shield Administrative Services Contract for the City's self-funded Group Health Plan for the 2007 plan year. The City Commission is requested to approve issuance of an annual purchase order in an amount sufficient to cover applicable charges for the administrative services to Blue Cross and Blue Shield of Florida, Inc.

Based on current enrollment, the estimated cost is approximately \$1,700,000 and these funds have been budgeted in the Employee Health and Accident Benefits (EHAB) Fund.

The City Commission: 1) authorize continuing the Administrative Services Contract between the City of Gainesville and Blue Cross and Blue Shield of Florida, Inc. for one (1) additional year; 2) authorize issuance of a purchase order in an amount sufficient to cover applicable charges for the administrative services to Blue Cross and Blue Shield of Florida, Inc.; and 3) authorize the City Manager or his designee to negotiate and execute the extension to the Administrative Services Contract, subject to approval from the City Attorney as to form and legality.

Alternative Recommendation A:

This item has been specified sourced and approved annually by the City Commission, due to their extensive provider network, market share, and flexibility in plan design. In addition, the possibility of requiring employees to leave their current medical providers could have a significant impact on our covered members. However, should the City Commission wish, a formal Request for Proposals/Qualification process could be initiated in 2007 with any changes in supplier and/or coverages to be incorporated into the health plan year beginning January 1, 2008. The fiscal impact of this change is unknown at this time. Any savings or additional costs associated with a change in provider will be dependent on the network discounts available to our health plan.