Voluntary Supplemental Insurance Plans, Voluntary Dental Insurance Plans and Flexible Spending Account Programs

Briefing by Human Resources Department
OVERVIEW

The Voluntary Supplemental and Dental Insurance Plans, and Flexible Spending Account (FSA) Programs contracts will expire April 30, 2016.

Supplemental and Dental Insurance

- Only participants’ contributions will fund the plans.

Flexible Spending Account

- Administrative fees will be offset by FICA employer savings.
PROCUREMENT PROCESS

- RFPs were released August 28, 2015. Responses were received September 28, 2015
- Ten (10) vendors submitted proposals for Supplemental Insurance
- Seven (7) vendors submitted proposals for Dental Insurance Plans
- Six (6) vendors submitted proposals to provide Flexible Spending Account Program Administration
Criteria for evaluation of proposals:

- The ability of the vendor to perform the Scope of Services requested in the RFP
- Financial competitiveness and guarantees against rate escalation over a multi-year contract
- The vendor’s agreement with Performance Guarantees and compliance with City of Houston contracting requirements
- The ability of the vendor to provide the best value for the dollars that employees or the City of Houston will expend

References

An evaluation committee (EC), with oversight from the Strategic Purchasing Division, evaluated and rated each proposal. The Evaluation Committee consisted of five (5) members from Human Resources and Solid Waste.
VOLUNTARY SUPPLEMENTAL INSURANCE PLANS
More than 10,000 employees have elected 23,550 policies that also cover dependents.

- **Accident Plan** (24-hour coverage)
  - Provides payments for expenses incurred from an accident

- **Hospital Indemnity Plan**
  - Provides a daily benefit for hospital confinement due to a covered accident or sickness

- **Cancer Plan**
  - Provides reimbursement for expenses incurred in the diagnosis and treatment of cancer
PROPOSED SUPPLEMENTAL PLANS

Retain two plans
- Accident Plan (24-hour coverage)
- Hospital Indemnity Plan

Offer new plan
- Critical Illness with Cancer Plan
  - Pays a lump sum benefit upon diagnosis of cancer, heart attack, stroke, coma and other critical illnesses

Discontinue offering the Cancer Plan
- Cancer Plan (covers only cancer)
  - Replace this plan with the Critical Illness with Cancer Plan that covers more critical illnesses, and pays a lump sum for diagnosis

Employees may retain their current supplemental insurance plans or elect to enroll in a new plan.
VOLUNTARY DENTAL INSURANCE PLANS
DENTAL PLANS IN REVIEW

The following dental plans are offered:

- **Dental Health Maintenance Organization (DHMO)**
  - Provides coverage for 14,441 employees and retirees
  - Plan provides copayment structure for all covered services provided by in-network dentists
    - Preventive services are covered at $0 copayment
    - Orthodontic services

- **Dental Preferred Provider Organization (DPPO)**
  - Provides coverage for 9,958 employees and retirees
  - Plan benefits are:
    - 100% - preventive services (exams, cleaning, x-rays, fluoride application, etc.)
    - 80% - basic services (fillings, extractions, root canals, etc.)
    - 50% - major restorative services (crowns, bridges, dentures, etc.)
    - Orthodontic services
  - Members may seek treatment from providers of choice
PROPOSED NEW DENTAL BENEFITS

- Add pediatric anesthesia to both DHMO and Dental PPO plans
- Increase annual plan maximum for the Dental PPO plan from $1,500 per member per year to $2,000 per member per year
- Increase payment percentile from 85% to 90% for Dental PPO plan, which results in less out-of-pocket expense for employees
- MWBE commitment of 11% of administrative fees
FLEXIBLE SPENDING ACCOUNT (FSA) PROGRAMS
The current Supplemental Insurance vendor administered the FSA plans at no cost to the City of Houston as a value-added contract incentive.

- **Health Care Flexible Spending Account**
  - Pre-tax IRS Code Section 125 benefit
  - Lowers taxable income
  - Pre-taxed income is used to pay covered expenses at point of service
  - Can use debit card or file paper claims

- **Dependent Care Flexible Spending Account**
  - Pre-tax IRS Code Section 125 benefit
  - Lowers taxable income
  - Pre-taxed income is used to reimburse employees for eligible dependent care expenses
FSA PROGRAM

- Utilize Employer FICA Savings to offset cost – end result is cost neutrality to City of Houston
- The City currently saves over $300,000 per year in FICA payments based on the employer FICA rate of 7.65%
RECOMMENDATIONS

- Offer three Voluntary Supplemental Insurance Plans
  - Accident Plan
  - Hospital Indemnity Plan
  - New Critical Illness with Cancer Plan

- Discontinue offering the Cancer Plan

- Offer two Voluntary Dental Insurance Plans with enhanced benefits
  - Dental Health Maintenance Organization (DHMO)
  - Dental Preferred Provider Organization (DPPO)

- Approve an administrator for Flexible Spending Account Program
  - Health Care Flexible Spending Account
  - Dependent Care Reimbursement Account