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**CITY OF RIVIERA BEACH – MEMORANDUM**

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**TO:** HONORABLE MAYOR, CHAIRPERSON, AND CITY COUNCIL

**THROUGH:** JONATHAN EVANS, CITY MANAGER, MPA, MBA, ICMA-CM

**FROM:** EUREKA YOUNG, INTERIM HUMAN RESOURCES DIRECTOR

**SUBJECT:** **CITY’ S HEALTH INSURANCE COVERAGE RENEWAL – AETNA HEALTHCARE OF FLORIDA for FY 2020-2021**

**DATE:** SEPTEMBER 16, 2020

**CC:** GENERAL PUBLIC

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**Background:**

Currently, the City of Riviera Beach offers group medical insurance to existing full time employees, dependents, and retirees through Aetna Healthcare of Florida at a cost of approximately \$5.9 million annually. Due to our high claim experience, Aetna provided a quote with a 19% rate increase for the FY 2020-2021.

This fiscal year the City's utilization percentage has increased to 108% (Aggregated Premium billed \$7,110,299 vs. Aggregated Incurred Claims \$7,700,919) over a 12-month period. The utilization rate is comprised of several cost drivers, included by not limited to, utilization for an emergency room, hospitalization, and pharmacy. Due to the 108% utilization rate, the City is trending at a 19% renewal increased.

Comparing year-over- year data, the City has maintained utilization at 108% for the same time period. Although elective procedures were paused due to the pandemic, COVID-19 claims are included in the 2020 data. Because of the inclusion of these claims and additional unknown COVID-19 related claims, medical cost for the future are unpredictable.

As a result, staff met with Gehring Group regarding additional measures to decrease our claims experience and stabilize our utilization. Please see the attached report: “Claim vs Premiums Paid.” To stabilize the rates, various options were reviewed with a focus to reduce the City’s and employee’s cost.

Aetna has proposed an increase of 8.9% over the current annual premium, with limited plan modifications for fiscal year 2020-2021.

On August 22, 2020, City staff held a review session outing the proposed modifications to the



City's group health insurance coverage within the context of the budget process with City Council.

The City has determined that it is in the best interest of the City and its employees to execute the renewal application with Aetna Health Care of Florida with the plan modifications outlined in the analysis.

Based on recommendations from the Gehring Group, the staff is recommending Aetna Healthcare of Florida for 2020-2021 Fiscal Year with minimal plan changes that result in the least impact to the City's and employee's contribution.

Below are the proposed changes to achieve a rate of 8.99% for FY 2020-2021 Fiscal Year:

1. Maintain partnership with Aetna and receive a \$25,000 credit - to be applied during FY 2021.
2. Introduce EPO Network \$2,000 High Deductible Health Plan with a Health Reimbursement Account (HRA) as the base plan design with Aetna contributing \$500 single/ \$1,000 family.
3. Introduce EPO Buy-up HMO Plan \$750 Deductible with co-pays as a Buy-up option.
4. Introduce EPO POS Plan \$1,000 Deductible as a Buy-Up option.
5. Maintain the current Flexible Spending Account (FSA) Plan.

In addition, Aetna will continue offering \$30,000 towards Wellness and add bi-weekly visits of a wellness coach to assist employees with their health care needs.

**Citywide Goal:**

The Citywide Goal is to Enhance Government Stewardship

**Budget/Fiscal Impact:**

The City anticipates an estimated renewal of 8.9% and receive a \$25,000 Credit for FY 20-21

**Recommendation:**

City staff is recommending the approval of Aetna Health Plan of Florida Inc. for 2020-2021 as the healthcare provider for the City.

**Attachments:**

1. Resolution Number 78-20
2. Aetna Utilization Report
3. Agenda Item Background Summary