

**CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**
**Council Meeting Date: 12/08/2016
Agenda Item: 6A2**

ACTION: Approve a one-year contract renewal with United Healthcare Insurance Company for a Medicare Advantage Health Maintenance Organization, Medicare Supplement and Medicare Prescription Drug plan for Medicare eligible retirees.

FISCAL IMPACT: Total cost of this contract will not exceed \$2,500,000 during the one-year contract period. Sufficient funds have been appropriated in the Health Fund – cost center 4168 (Retirees) – for the anticipated expenditures.

RECOMMENDATION: Approve the renewal of the contract.

BACKGROUND INFORMATION: (T15-051) City Council originally approved the award of a contract to United Healthcare Insurance Company for a Medicare Advantage Health Maintenance Organization, Medicare Supplement and Medicare Prescription Drug plan for Medicare eligible retirees on October 2, 2014 (effective date of policy January 1, 2015) for an initial one-year period with four one-year renewal options. This renewal request is the second of four available renewal options.

Participation in Plans

Plan	Participation – Retiree Only
Senior Supplement	164
HMO	40
PPO	181
Waived with stipend	68
Waived with no stipend	62

Group 1 – Plan Descriptions and Costs

City of Tempe Retirees – Medicare Supplemental Plans Subsidy: Retiree subsidized at 100% / dependent subsidized at 70% for base plan (National PPO) or lower cost plan. Surviving eligible dependent subsidized at 70% for base plan or lower cost plan.

Coverage Category	Total Monthly Premium	Retiree Monthly Premium	City Contribution
<i>Senior Supplemental Plan</i>			
Retiree	\$463.88	\$109.17	\$354.71
Surviving Eligible Dependent	\$463.88	\$215.58	\$248.30
Retiree + Dependent both 65+	\$927.76	\$324.75	\$603.01
<i>Medicare Advantage NPPO Plan</i>			
Retiree	\$354.71	-	\$354.71
Surviving Eligible dependent	\$354.71	\$106.41	\$248.30
Retiree + Dependent both 65+	\$709.42	\$106.41	\$603.01
<i>HMO Plan</i>			
Retiree	\$244.73	-	\$244.73
Surviving Eligible Dependent	\$244.73	\$73.42	\$171.31
Retiree + Dependent both 65+	\$489.46	\$73.42	\$416.04

Group 2 – Plan Description and Costs

City of Tempe Retirees – Medicare Supplemental Plans Subsidy: Up to \$350/month maximum for retiree and eligible dependent. Surviving eligible dependent receives up to \$175/month.

Coverage Category	Total Monthly Premium	Retiree Monthly Premium	City Contribution
<i>Senior Supplemental Plan</i>			
Retiree	\$463.88	\$113.88	\$350.00
Surviving Eligible Dependent	\$463.88	\$288.88	\$175.00
Retiree + Dependent both 65+	\$927.76	\$577.76	\$350.00
<i>Medicare Advantage NPPO Plan</i>			
Retiree	\$354.71	\$4.71	\$350.00
Surviving Eligible Dependent	\$354.71	\$179.71	\$175.00
Retiree + Dependent both 65+	\$709.42	\$359.42	\$350.00
<i>HMO Plan</i>			
Retiree	\$244.73	-	\$244.73
Surviving Eligible Dependent	\$244.73	\$69.73	\$175.00
Retiree + Dependent both 65+	\$489.46	\$139.46	\$350.00

Contractor Performance

The performance of the awarded firm was rated by the Internal Service Department, and the retiree group, as follows:

Criteria	Meets Contract Requirements	Does NOT meet Contract Requirements
Personnel are responsive, cooperative and available	x	
Overall quality of products or services delivered	x	
Timeliness of performance	x	
Quality of follow-up in resolving complaints or problems	x	
Firm's promptness in submitting accurate invoices	x	

While from a technical standpoint United Healthcare meets contract standards Internal Services will work with United Healthcare to insure that improvements are made in overall responsiveness in the future

Renewal Cost

There is an overall rate increase of 4% related to the Senior Supplement plan only – the City's contribution remains unchanged. The national trend shows an 11% cost increase.

All other available plans remain at the same rate as the previous contract period.

ATTACHMENTS: None

STAFF CONTACT(S): Suzanne Olson, Human Resources Benefits Manager, (480) 350-2975

Department Director: Renie Broderick, Internal Services Director
 Legal review by: David Park, Assistant City Attorney
 Prepared by: Tony Allen, CPPB, Procurement Officer