

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

**Briefing  
by**

**Human Resources Department**



**CITY OF HOUSTON  
BUDGET AND FISCAL AFFAIRS COMMITTEE  
NOVEMBER 19, 2015**

# 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

# PROCUREMENT PROCESS CONT'D

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## **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**

# SUPPLEMENTAL PLANS IN REVIEW

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***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

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## ***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

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- 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**

# FSA PROGRAM IN REVIEW

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***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

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- 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