



MEMORANDUM

To: Mayor and City Council

From: Justin Vaughn, Assistant Director of Administration and Human Resources

Date: September 16, 2016

Reference: Approval of renewal proposal for Administrative Services Agreement with UMR, Inc.

2030: Top Quality City Workforce

The City staff is recommending that we renew our existing contract with UMR for third party administrative services. This will be the 10th year for the City of Coppel to retain UMR to administer our medical and Rx plan and the City has been served well by the discounts in claims costs afforded by our relationship with UMR and access to their PPO network. The renewal will be completed by amending the existing Administrative Services Agreement.

Analysis:

The annual administrative fees for this contract year with UMR are \$183,383.00 based on 352 covered employees which equals to a 13.02% increase over last year. The increase over current is due to the change to the Choice Plus network which will yield a net savings of -3.5% off medical expenses due to improved network discounts. UMR administrative services include medical, flexible spending, health reimbursement arrangement (HRA), claims processing, utilization review, ID card generation, internet-based web portal for employees to access claims utilization, run out claims administration, and United Health Care's PPO network access. Also attached is UMR's initial renewal proposal, as well as the current administrative services agreement for your review. The City's Medical plan is a self-insurance plan where all medical claims are processed and adjudicated on behalf of the City's plan through a third party administrator. The consequences on not approving this proposal would result in the City either going back to the market for these services or finding a fully insured carrier to cover the City's workforce and abandoning the Self –insurance funding method.

Legal Review:

The initial agreement was reviewed by the City Attorney's Office and recommended changes were made. This renewal proposal will be an addendum to the main agreement.

Fiscal Impact:

The cost is budgeted in the City's Medical Self Insurance Fund. .

Recommendation:

The city staff recommends the Mayor and City Council approval of the UMR renewal proposal as outlined above.