



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date:  
7/24/2018 ALL  
Item Creation Date:

T24701 - A1 Third Party Administrator for Self-Funded Integrated Medical and Pharmacy Health

Agenda Item#: 20.

### **Summary:**

ORDINANCE amending Ordinance 2014-0086 to increase the maximum contract amount to the contract between the City of Houston and **CIGNA HEALTH and LIFE INSURANCE COMPANY** for administrative services for self-funded integrated medical and pharmacy health plans; and declaring an emergency - \$20,515,980.00 - Benefit Fund

### **Background:**

S37-T24701-A1 – Approve an amendment to the Ordinance No. 2014-0086, passed on January 29, 2014, to increase the maximum contract amount **from \$29,200,000.00 to \$49,715,980.00** between the City of Houston and Cigna Health and Life Insurance Company.

The Director of the Human Resources Department recommends that City Council approve an amendment to the contract between the City of Houston and **Cigna Health and Life Insurance Company** (Approved by Ordinance No. 2014-0086) to contract amount from **\$29,200,000.00 to \$49,715,980.00**. This increase will cover third-party administration fees incurred through the end of the contract in 2019.

The City of Houston awarded a contract to CIGNA Health and Life Insurance Company for third-party medical administration services on January 29, 2014; with an effective date of May 1, 2014. This contract is for three (3) years with two (2) one-year options; and pursuant to Article 3.10 of the contract, the Human Resources Director has extended the contract. However, the original Request for Council Action (RCA) only provided funding for three (3) years. It is necessary to increase the maximum contract value to fully fund the contract to continue to provide quality health benefits to employees, retirees, and their eligible dependents.

The scope of service requires the contractor to provide the services of Third Party Administrator (TPA) and/or Pharmacy Benefit Management (PBM) for the City's self-insured integrated medical and pharmacy plans for 55,000 employees, retirees and eligible dependents and to approve the following health plans:

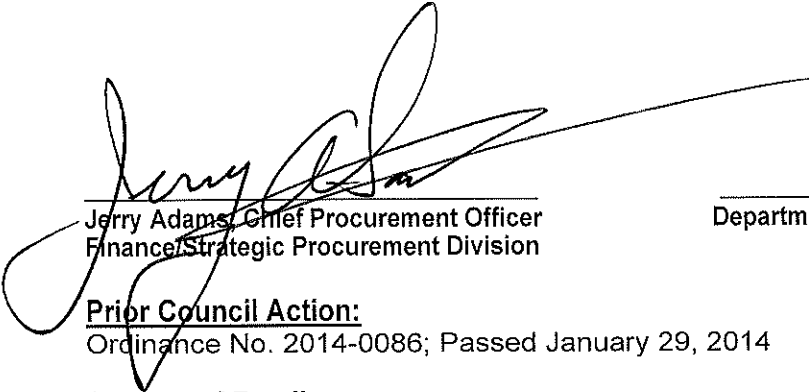
- Current Medical Plans: Limited Network Plan, Open Access Plan, Consumer Driven Health Plan (CDHP) with \$500/\$1,000 Health Reimbursement Account and Retirees of Texas Option Plus Plan for retirees residing in Texas but outside the service areas of the Limited Network Plan. HR also recommends that the City maintain the following:
  1. The self-funded status of the plans; and
  2. The wellness program with financial incentives for employees participating in health improvement activities and disincentives for employees non-participation.

### **MWBE Subcontracting:**

The contract was awarded with a 15% goal for MWBE participation, and Cigna, Inc. is currently achieving 14.01%

### **Fiscal Note:**

Funding for this item is included in the FY2018 and FY2019 Adopted Budget. Therefore, no Fiscal Note is required as stated in the Financial Policy.



Jerry Adams, Chief Procurement Officer  
Finance/Strategic Procurement Division

Departmental Approval Authority

**Prior Council Action:**

Ordinance No. 2014-0086; Passed January 29, 2014

**Amount of Funding:**

\$ 20,515,980.00 – Health Benefits Fund (9000)

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**ATTACHMENTS:**

<b>Description</b>	<b>Type</b>
Coversheet (revised)	Signed Cover sheet
Previous RCA	Backup Material
Ordinance 2014-86	Backup Material
Current Contract	Backup Material
Ordinance	Ordinance/Resolution/Motion
SAP Funding	Financial Information
SAP Funding	Financial Information