

Mayor and Council Communication

DATE: 02/02/21

M&C FILE NUMBER: M&C 21-0087

LOG NAME: 14MEDICARE2020INCREASE

SUBJECT

(ALL) Authorize Increase in Contract Amount of \$352,600.00 for Agreement with Aetna Life Insurance Company for Administration of Fully Insured Medicare Advantage Plans for Plan Year 2020 Resulting in a Total Annual Amount of \$8,847,600.00

RECOMMENDATION:

It is recommended that the City Council authorize an increase of \$352,600.00 in the contract amount for the agreement with Aetna Life Insurance Company for administration of two fully insured Medicare Advantage Plans for plan year 2020 resulting in a total annual amount of \$8,847,600.00.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to increase the contract amount with Aetna Life Insurance Company (Aetna) for the City's fully insured Medicare Advantage Plans by the amount of \$352,600.00 resulting in a total cost for the year of \$8,847,600.00 for plan year 2020.

Following a 2018 competitive bidding process, Aetna was selected to provide a fully insured Medicare Advantage Plan the City's Medicare retirees. As indicated in M&C C-28799, the quoted cost was not inclusive of the Health Insurance Fee (HIF). Included in the Affordable Care Act legislation of 2010, the HIF was a tax on health insurers. In December 2015, Congress passed a moratorium on HIF for three years and then extended that for 2019. Unfortunately, for 2020, the HIF was not waived and the additional \$35 per member/per month fee was added to our cost, increasing our annual cost by \$352,600.00.

Fortunately, the HIF was repealed by Congress to be effective January 1, 2021 and this will no longer be an issue going forward.

Approval of this M&C would increase the total authorized costs for the fully insured Medicare Advantage product for plan year 2020 to be in the amount of \$8,847,600.00.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are available in the current operating budget, as previously appropriated, in the Retiree Healthcare Trust Fund to support the approval of the above recommendation and the increase in the contracted agreement amount. Prior to any expenditure being incurred, the Human Resources Department has the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Jay Chapa 5804

Originating Business Unit Head: Nathan Gregory 7783

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