

November 14, 2012

ITEM NO. F3

**AUTHORIZATION TO AMEND AND EXTEND CONTRACT NO. 11070
WITH BLUE CROSS BLUE SHIELD (MEDICAL AND DENTAL)
FOR THE CHA'S EMPLOYEE HEALTH BENEFIT PLANS**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners (1) authorize the Chief Executive Officer or his designee to amend and extend Contract No. 11070 with Blue Cross Blue Shield for one year extension for FY2013 for medical benefits and employee dental benefits and (2) approve funding therefor in an amount not to exceed \$5,985,074.00 and \$288,938.00 for medical and dental benefits, respectively, for an aggregate amount of \$6,274,012.00 for FY2013, covering eligible participants of the CHA and eligible participants of the CHA affiliates.

The Executive Vice-President of Finance/Chief Financial Officer and the Office of the General Counsel have completed all necessary due diligence to support the submission of this action and recommend the approval of this item accordingly.

CORPORATE GOAL

To expand our capacity to recruit and retain talent.

CONTRACT INFORMATION

BLUE CROSS BLUE SHIELD
300 E Randolph St
Chicago, IL 60607

Contract Type: Medical Insurance Coverage
Contract Term: 01/01/2013– 12/31/13 Option
Term: one-year option period
Contract Amount: \$5,985,074.00

M/W/DBE Participation:

Waiver: Yes

Section 3: NA (Considered 'Supply and Delivery')

BLUE CROSS BLUE SHIELD
Coverage
300 E Randolph St
Chicago, IL 60607

Contract Type: Dental Insurance

Contract Term: 01/01/13 – 12/31/13
Option Terms: one-year option period
Contract Amount: \$288,938.00

M/W/DBE Participation:

Waiver: Yes

Section 3: NA (Considered 'Supply and Delivery')

GENERAL BACKGROUND

The CHA's current contract with Blue Cross Blue Shield (BCBS) for employee healthcare plan benefits (medical and dental) will terminate on December 31, 2012 and must be extended or replaced effective January 1, 2013. The U.S. Department of Housing and Urban Development ("HUD") has previously authorized the CHA to utilize its insurance Broker of Record to solicit competitive insurance bids on behalf of the CHA.

Although CHA did not receive guaranteed medical premium rates for FY 2013, CHA estimated an increase of \$450,000 for FY 2013 for an amount not-to-exceed \$5,400,000.00 based on projected increases in medical insurance premiums for FY2013 for all BCBS clients and a possible enrollment (*employee headcount*) increase during the plan year for 2013. Essentially, medical renewal rates are based on claims experience (*amount paid out by insurer compared to the premiums paid*), promptness of payment of premiums, the size of the group and the number of months of claims experience used to evaluate renewals. The trend factor for BCBS renewals are currently averaging at 12.5% across organizational size similar to CHA. However, after experiencing \$1.2 million in "shock" claims and the migration of 42 participants from the HMO to PPO plan, our costs increased by 21%.

The not-to-exceed amounts for both medical and dental benefit plans reflect the total amount of premiums needed to cover the projected headcount of CHA's eligible participants and the eligible participants of CHA's affiliates. As in previous years, CHA's affiliates will reimburse CHA for 100% of the premiums (approximately \$500,000) needed to cover their eligible participating employees for the above referenced Employee Health Benefit Plans during the term of these contracts, which will be an offset to the total not-to-exceed amount of premiums.

Based upon the above considerations and the recommendation of CHA's management, it is in the best interest of the CHA to (1) authorize the Chief Executive Officer or his designee to amend and extend Contract No. 11070 with Blue Cross Blue Shield for one year extension for FY2013 for medical benefits and employee dental benefits and (2) approve funding therefor in an amount not to exceed \$5,985,074.00 and \$288,938.00 for medical and dental benefits, respectively, for an aggregate amount of \$6,274,012.00 for FY2013, covering eligible participants of the CHA and eligible participants of the CHA affiliates.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and all applicable federal (HUD) procurement laws.

The Executive Vice-President of Finance/Chief Financial Officer concurs with the recommendation to amend and extend Contract No. 11070 with Blue Cross Blue Shield.

The CEO/President recommends that the Board of Commissioners approve the recommendation to amend and extend Contract No. 11070 with Blue Cross Blue Shield.

RESOLUTION NO. 2012-CHA-101

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated November 14, 2012 entitled "AUTHORIZATION TO AMEND AND EXTEND CONTRACT NO. 11070 WITH BLUE CROSS BLUE SHIELD (MEDICAL AND DENTAL) FOR THE CHA'S EMPLOYEE HEALTH BENEFIT PLANS";

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT the Board of Commissioners (1) authorizes the Chief Executive Officer or his designee to amend and extend Contract No. 11070 with Blue Cross Blue Shield for one year extension for FY2013 for medical benefits and employee dental benefits and (2) approves funding therefor in an amount not to exceed \$5,985,074.00 and \$288,938.00 for medical and dental benefits, respectively, for an aggregate amount of \$6,274,012.00 for FY2013, covering eligible participants of the CHA and eligible participants of the CHA affiliates.

