



17-927

**TITLE:** Consider/Discuss/Act on a Resolution Authorizing the City Manager to Enter into Contracts/Agreements with Cigna Health and Life Insurance Company (Cigna) for Third Party Administrator Services for the Medical, Prescription Drugs and Dental Benefits Plans

**COUNCIL GOAL:** Operational Excellence

**MEETING DATE:** September 19, 2017

**DEPARTMENT:** Human Resources

**CONTACT:** Ike Obi, Human Resources Director

**RECOMMENDED CITY COUNCIL ACTION:**

- Approval of Resolution

**ITEM SUMMARY:**

- This Resolution authorizes a contract with Cigna to administer the City of McKinney's Medical, Prescription Drugs and Dental Benefits Plans, including providing access to a network of medical, prescription drugs and dental providers, adjudicate and pay claims, and manage pharmacy benefits.

**BACKGROUND INFORMATION:**

- Effective January 2018, the City of McKinney will introduce a consumer-driven healthcare option, with a health savings account (H.S.A.), as part of the City's overall strategy to manage healthcare costs, and provide the tools necessary to help employees make informed healthcare service access decisions. It is necessary that the City contracts with a third party administrator that can support employees with the evaluative tools necessary to make informed decisions about their cost and quality of healthcare services. Cigna has the resources to support the City's new healthcare strategy.
- Cigna has a health benefits administrative services contract with the City of Dallas.
- Chapter 791 of the Texas Government Code, "Interlocal Cooperation Contracts," authorizes local governments to contract directly with other governments to

increase their efficiency and effectiveness, and Texas Government Code Section 791.025(c) provides that a local government that purchases goods and any services reasonably required for the installation, operation or maintenance of those goods under the Interlocal Cooperation Act satisfies the requirement of the local government to seek competitive bids for the purchase of goods and their services.

- The City of McKinney will access Cigna's contract with the City of Dallas through an interlocal agreement that exists between the City of McKinney and the City of Dallas. The proposed agreement will allow the City to contract with Cigna to provide administrative services for the medical, prescription drugs and dental benefits.
- The administration of our Section 125 plan (Flexible Spending Accounts), and premiums for COBRA and Retiree will remain with Allegiance, our current third party administrator.

**FINANCIAL SUMMARY:**

- Estimated annual cost for services is approximately \$402,000.
- Annual cost savings from administrative fees is estimated at \$80,800.
- Funding is available in accounts:
  - 015-2110-413-8576 for Medical Claims
  - 015-2110-413-8577 for Prescription Drugs Claims
  - 015-2110-413-8574 for Dental Claims
  - 015-2110-413-8575 for Insurance Fixed Costs/Administrative Fees

**BOARD OR COMMISSION RECOMMENDATION: N/A**

**SUPPORTING MATERIALS:**

[Resolution](#)

[Cost Analysis of 2018 TPA](#)