

**CITY COUNCIL AGENDA TOPIC**

Resolution authorizing execution of a one-year agreement between the City of Bellevue and Premera Blue Cross, with the option to extend for one additional contract term, for medical and prescription drug third party administrative services.

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**EXECUTIVE SUMMARY****ACTION**

This Resolution authorizes execution of an agreement with Premera Blue Cross to provide administrative services for employee medical and prescription drug benefit programs.

**RECOMMENDATION**

Move to adopt Resolution No. 10565

**BACKGROUND/ANALYSIS**

Medical and prescription drug benefit coverage is provided as part of the City of Bellevue's benefits package for staff. Historically, the City has retained third party administrators to pay claims under its self-insured medical and prescription drug benefit programs.

Responsibilities of the third-party administrator include:

- Processing covered employee and dependent medical, hospital, and prescription drug claims.
- Establishing and maintaining provider networks by negotiating with providers (physicians, hospitals, labs, etc.) for claims discounts, which are passed along to the City,
- Providing case and chronic condition support, including utilization reviews; and
- Reporting and benchmarking on City of Bellevue claims data.

In 2022, the City conducted a competitive bidding process with the assistance of the City's health and welfare broker and consultant, Gallagher Benefit Services. As provided in the request for proposals, the City intended to contract with the selected vendor for up to five years, through the end of 2027.

Selection criteria identified in the request for proposals included:

- Ability to administer the current City of Bellevue medical and prescription drug plan designs, which consist of custom plan designs and a standard plan design; and
- Ability to process City of Bellevue claims electronically (adjudication).

Proposals were received from the following medical claims third party administrators: Premera Blue Cross, Regence Blue Shield and First Choice. Premera Blue Cross was selected.

In 2023, the City entered into a one-year agreement with Premera Blue Cross that it then extended for three additional years, through 2025.

Staff recommend the City execute a new one-year agreement with Premera Blue Cross that can be extended through the end of 2027 based on the following qualifications and services Premera provides:

- Premera Blue Cross has one of the largest provider networks in the country, with deep provider discounts.
- Competitive quote for services, reducing their base administrative fee by over 20 percent while providing three years of rate guarantees.
- Accurate claims adjudication processing based upon accepted insurance industry practices.
- Strong reporting capabilities and benchmarking data.
- Dedication to customer service for members by phone, online, and mobile platforms; and
- Virtual care (for example, 98point6, Talk Space, Spring Health, Health Hub virtual programs for digestive health, musculoskeletal, women's health, tobacco cessation) and chronic condition support.

If approved, the initial agreement term will begin January 1, 2026, and terminate December 31, 2026. The City can extend the agreement for an additional contract term, through the end of 2027. The base administration fees are guaranteed for two years of services, through December 31, 2027.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

This Resolution supports the City Council vision for high performance government and the City's core values by providing excellent health benefit coverage to employees, thereby helping to attract, engage, and retain a high-performing, diverse workforce.

### **Fiscal Impact**

Staff estimate it will cost \$1,620,000, plus applicable taxes, for Premera Blue Cross to administer the City's self-insured medical and prescription drug program for the next two years. Because the administration fees are based on enrollment, the actual costs may fluctuate slightly as enrollment changes. Sufficient funds exist in the 2026 Health Benefits Fund Operating Budget to cover this cost. Funding for any additional years will be requested in future Health Benefits Fund Operating Budgets.

## **OPTIONS**

1. Adopt the Resolution authorizing execution of a one-year agreement between the City of Bellevue and Premera Blue Cross, with the option to extend for one additional contract term, for medical and prescription drug third party administrative services.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS**

Proposed Resolution No. 10565

## **AVAILABLE IN COUNCIL LIBRARY**

Premera Blue Cross Administrative Services Agreement