

COUNCIL COMMUNICATION

From: The City Manager

Subject: BASIC Dependent Verification Audit Agreement

Manager's Recommendation:

I recommend that the Agreement with Benefit Administration Services International Corporation ("BASIC") be approved. The Agreement has been approved by me as to substance and the City Attorney as to form.

This vendor meets all requirements of the Contract Compliance Provisions, Title 1, Chapter 14, §14.35-14.44, of the Saginaw Code of Ordinances.

Justification:

Through successful negotiations with the collective bargaining units, the City was able to secure the opportunity to conduct annual open enrollments with each employee and dependent(s) enrolled in the City health care program. The Agreement will allow BASIC to directly assist the City with Verification of all dependents enrolled in the City's group health care program. Nationally recognized consultants have determined that 5-15% of dependents covered under an employer's health care plan are actually ineligible for coverage. Further studies indicate the average cost for each dependent on a health care plan is \$2,400.00 per year.

In the past, the City has requested dependent verification on an "as known" basis. However, it has been determined that a (100%) comprehensive dependent verification process is needed to remove ineligible dependents (when applicable). This will provide potential cost savings to the City's health care program.

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BASIC has been the provider for the City, with facilitating the federally required COBRA responsibilities for the City since 1999. In addition, it administers the Prescription Drug reimbursement program and the recent Premium Only Plan designed to allow employees to pay for health care premiums pre-tax. BASIC will provide the administrative services needed to efficiently deliver a quality Dependent Eligibility Verification program.

The necessary program reporting requirements, processing procedures and HIPPA responsibilities, will be handled by BASIC pursuant to the terms of the Agreement. The total, one time cost for BASIC to complete this project is estimated at \$14,000.00 to \$16,000.00. The Return on Investment (ROI) is estimated to be between \$70,000.00 to \$240,000.00 per year. The cost and more importantly, the savings will be spread across all departmental funds.

Council Action:

Council _____ moved that the recommendation of the City Manager be approved.