CITY OF LAREDO
WORKSHOP
M2019-W-01
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
June 10, 2019
5:00 P.M.

I. CALL TO ORDER

Mayor Pro-Tempore Roberto Balli called the meeting to order.

II. PLEDGE OF ALLEGIANCE

Mayor Pro-Tempore Roberto Balli led in the pledge of allegiance.

III. MOMENT OF SILENCE

Mayor Pro-Tempore Roberto Balli led in moment of silence.

IV. ROLL CALL

In attendance:

Vidal Rodriguez	District II
Mercurio “Merc” Martinez, III	District III
Alberto Torres, Jr.	District IV
Norma “Nelly” Vielma	District V
Dr. Marte Martinez	District VI
George J. Altgelt	District VII
MPT Roberto Balli	District VIII, Mayor Pro-Tempore
Jose A. Valdez, Jr.	City Secretary
Rosario Cabello	Co-Interim City Manager
Robert Eads	Co-Interim City Manager
Kristina L. Hale	City Attorney

Cm. Vielma joined at 5:11 p.m.
Cm. Altgelt joined at 5:21 p.m.

Citizen comments

Blas Martinez, Jr., of Laurel Insurance and Associates reminded Council that Laurel Insurance has worked well with the City for many years through their local office. He noted that the agency takes its relationship with the City very seriously and are easily accessible to employees, many of whom have their personal cell phone numbers and call them directly if they have questions. The partners of Laurel Insurance and Associates have over 100 years of combined experience in the insurance business, and employee benefits are their sole products. He stated that since January 2019, Laurel Insurance has received over 400 emails

from City staff asking for assistance. Over 100 employees have come to the agency's offices for assistance with disability or medical claims and insurance products. Those visits lead to follow-up emails and visits. He reminded Council that the City's employees rely upon and expect customized service, which Laurel will continue to provide. He noted that this process has been confusing as broker agencies typically work on the City side to ensure that the insurance company is delivering on the promises made during the bid process. Also, the broker gets feedback from the City regarding what services are and are not working and other considerations. However, he learned from a vendor that the vendors were instructed not to contact Laurel Insurance and Associates and leave them out of the process.

V. STAFF REPORTS

1. Staff report on Sunset review of the State Plumbing Boards of Examiners, with possible action.

   Victor Linares, Acting Building Director, reported that the State of Texas essentially abolished the State Plumbing Board of Examiners, meaning that they will no longer manage insurances, requirements, or licensing. After the June 3, 2019 Council meeting, Governor Greg Abbott noted his intention to salvage or reinstate the Board. To-date, staff has not heard anything new from the Governor's Office. The effective date of the Board abolishment is September 1, 2019 in which all requirements of the Plumbing License Law will cease to apply. He reported that staff still has a meeting with local plumbers on Tuesday, June 11, 2019, to discuss the new changes and their projected implications for the City.

   Dr. Marte Martinez asked if the City would transfer the duties from the State Plumbing Boards of Examiners to the City or a local entity to continue to perform those functions. Mr. Linares confirmed that this would be the intention if the abolishment is carried out and noted that the examination and testing portion would probably be outsourced, which other municipalities are prepared to do. There are independent testing agencies that can carry out these duties. City staff has not reached out to any examiners at this point, but staff will develop a course of action after the meeting with local plumbers. Mr. Linares assured Council that staff has time before this abolishment goes into effect, if it is not salvaged, for the City to perform the necessary steps to be ready to take on these duties.

   Dr. Martinez countered that Council needs something in writing within the next two weeks to a month. Mr. Linares confirmed that staff would work on the language. Dr. Martinez asked staff to bring this item back at the July 1, 2019, Council meeting.

   Rosario Cabello, Co-Interim City Manager, confirmed that staff would do so and will also provide updates to Council via their Friday packets as the information becomes available.

   No action taken.

2. Staff report on Texas House Bill 852, which would amend the Local Government Code to prohibit municipalities from considering certain measures of the valuation

of a dwelling when determining building and inspection fees, with possible action.

Victor Linares, Acting Building Director, reported that State Bill 852 prohibits municipalities from using valuations for residential new construction or remodeling for their fees. Cities also may not require disclosure of information related to the values of the costs. Regarding the City of Laredo's building permits, HB 852 affects items related to foundation, framing, insulation, and final inspections. The City assesses its building fees based on plan reviews (specifications), clerical costs, inspection costs, vehicle costs, and facility operations (at 12%).

MPT asked if the Building Department could use square footage as the basis for fees. Mr. Linares confirmed that this is possible. He presented the Department's proposed residential fee structure as follows:

Description	Current	Proposed	Difference
Block Fence	$40	$53	$13
Reroof	$50	$60	$10
Porches/Palapas	$50	$80	$30
Storage Rooms	$50	$80	$30
Remodel (0-1,000 SF)	$50	$80	$30
Remodel (1,001-2,000 SF)	$50	$92	$42
Remodel (+2,000 SF)	$50	$105	$55
New (0-1,000 SF)	$450	$240	($210)
New (1,001-2,000 SF)	$720	$305	($415)
New (2,001-3,000 SF)	$960	$375	($585)
New (3,001-4,000 SF)	$1,200	$440	($760)
New (4,001-5,000 SF)	$1,440	$510	($930)
New (5,001-6,000 SF)	$1,665	$575	($1,090)
New (6,001-7,000 SF)	$1,821	$645	($1,176)
New (+7,000 SF)	$1,939	$710	($1,229)

Mr. Linares estimated a loss of Building revenues due to this change of about $414,200 annually or $34,500 monthly. MPT Balli asked why staff does not raise its proposed rates so that the City does not suffer such a significant loss.

Robert Eads, Co-Interim City Manager, clarified that staff wants to be fair and stated his concern that staff is not capturing all costs in its analysis. MPT Balli voiced his opinion that the proposed fees seem low given what the City pays its staff. He voiced his dissatisfaction with the proposal as submitted by staff.

Rosario Cabello, Co-Interim City Manager, reported that most permit fees occur within the 2,001-3,000 SF tier. MPT Balli noted that this tier is where the difference in fees is a loss of revenue.

Cm. Vielma cautioned Council and staff not to undermine the spirit of the law, which is essentially a prohibition of hiking up permit fees. She noted that, regardless of the square footage in a project, staff spends about the same amount of time reviewing the plans. The fee structure should be justified by the amount of time that staff

spends with each permit application. She added that if staff calls an applicant and schedules an inspection but the applicant does not show up at the scheduled time, then staff should include an extra charge for the waste of time and resources going to the missed appointment.

Mr. Linares explained that the Department's re-inspection fee is $50; with some change in policies, the Department is enforcing that fee more strictly. However, he noted that $50 is too low. Cm. Altgelt suggested making the re-inspection fee more expensive that the first inspection fee, as it would encourage applicants to meet their requirements correctly the first time.

Cm. Vielma reiterated that staff needs to account for actual time. If at the end of the process, the proposed fee structure is a wash or a profit, that structure is not in keeping with the spirit of the law. Mr. Eads agreed, noting that no one on staff intends to do so. He also noted that staff has not completed its analysis of all costs associated with building permit fees.

Mr. Linares reported that the proposed fee structure comes out to about $0.24 per square foot. Other municipalities are in the same process, but several of similar municipalities are proposing a higher cost per square foot. McAllen's proposal is about $0.30 per square foot or higher while the City of San Antonio is proposing over $0.60 per square foot. He could not speak to their expenses.

Dr. Marte Martinez voiced his understanding of the spirit of the law and that lower fees will incentivize development and growth. He voiced his disagreement with the sentiment that the same amount of time is spent on reviewing a 2,000-3,000 SF plan versus a 4,000-5,000 SF plan. Projects with greater square footage have to review more electrical outlets, more plumbing, and other requirements. There is also a difference between commercial and residential construction and the construction of a kitchen versus an office. He voiced his opinion that a fee structure based on square footage does not do justice to the work made by staff in reviewing different establishments.

Mrs. Cabello reminded Council that the proposed fees are strictly for residential permits. The House Bill is also strictly related to residential permits fees. Dr. Martinez conceded to her point.

Mr. Linares added that mileage is included in the Department's calculations so far. Cm. Vielma noted that in new subdivision development with multiple, identical house floorplans, the Department will reduce the amount of time reviewing each plan and will therefore reduce those costs.

Cm. Altgelt countered that not all homes come online at the same time. Cm. Vielma reiterated that the plan review will occur at the same time and will not be as time-consuming. Mr. Linares stated that the states supersedes the City of Laredo. At this time, the Department cannot charge a fee.

Kristina L. Hale, City Attorney, clarified that there are other options. The City can

issue the permits and invoice the applicants or charge a price and then refund the applicant. She reiterated that there are options available for staff.

Mrs. Cabello confirmed that staff will bring this item back before Council at the next Council meeting, June 17, 2019.

3. Consideration to award contract FY19-045 for the following Basic and Voluntary Products: (The City of Laredo intends to award a three year initial contract from October 1, 2019 through September 30, 2022 with the City of Laredo retaining the right to renew for up to two (2) additional one (1) year renewal periods. Funding is available in the Health & Benefits Fund.)

    1) Group Life/AD&D
        a. Basic Life-Securian Financial (Direct)
        b. Basic AD&D-Securian Financial (Direct)
        c. Voluntary Life-Securian Financial (Direct)
        d. Voluntary AD&D-Securian Financial (Direct)

    MPT Balli voiced serious concerns about changing the City's healthcare policy; one of the benefits of working with the City of Laredo is that its employees have top notch health insurance. This superior health insurance helps the City retain many of its employees. He noted his hesitation to change insurance options, especially reducing benefits or services, just to save a few dollars.

    Melina Bermudez, Human Resources Director, reported that the current cost of the Standard Basic Life and AD&D insurance costs $69,533; to renew the policy without changes has a cost of $60,975, and switching providers to Securian Life, which staff recommends, would cost $58,836. With these savings, the City will be able to increase its payment to the employee life insurance from $35,000 to $40,000. She asked Council to approve staff's recommendation to select Securian Life for Basic Life and Basic AD&D insurance.

    Cm. Torres asked what difference the City's employees will see in their service as a result of this savings. Rosa Salinas of the Human Resources Department explained that the life and AD&D insurances do not have many events per year, so staff will communicate directly with the company. She clarified that Life and AD&D insurance claims are filed in the event an employee passes away, which does not happen often in a year. When it does occur, the employee or their next of kin comes to the Human Resources Department, where staff puts together their claim packet and submits it to the provider. This process will remain the same with Securian Life.

    Rosario Cabello, Co-Interim City Manager, reminded Council that switching to Securian Life provides an added benefit of the employee getting more money, about $5,000 more, in the event of an accident. Mrs. Salinas added that the City will apply the savings towards the increase of insurance coverage in the amount of $5,000 for Life and another $5,000 for AD&D, also known as a double indemnity.

    Alma Alviar of the Human Resources Department clarified that the employee or

their beneficiary works through the Human Resources Department to submit their claims, not directly with the provider or broker. The Department provides the information to the broker regarding the employee paying their premium, their salary information, and proof of insurance and death or dismemberment. Staff fills out the death claim form with all necessary information and the broker submits that form to the insurance company. Staff can also fax the form directly to the insurance company.

Dr. Marte Martinez asked if the Human Resources Department is prepared to handle overtaking the services that would otherwise be offered by the broker after a claim is submitted and pending resolution. He also asked if there is any benefit to having a third party aid the Department in that process. Mrs. Salinas explained that these types of claims are not very frequent; The City experiences about five employee deaths per year. Therefore, staff is prepared to overtake the services that would otherwise be offered by the broker. Staff is able to contact the insurance provider directly and handle any follow-up inquiries or scheduling of beneficiary payment.

Christine “Tina” Cerda of Laurel Insurance and Associates explained that working directly with the insurance provider may sound very easy, but she reminded that the process is more complicated. All communication must be by secure email, and most claims are not faxed but mailed overnight. By working directly with the insurance provider, the City would be incurring that additional expense. Also, for many of the claims, there is not a simple 1-800 number to call and complete the process; the process must be intimately understood on a regular basis. She reiterated Mr. Laurel’s sentiments that Laurel Insurance has a 24-hour answering service, meaning that Laurel Insurance brokers are available to help City employees on holidays when the City is closed; the family members of employees who suffer death or dismemberment cannot wait until the City resumes normal business hours to make their arrangements and receive support. She reminded Council that if a spouse or child has died, the last thing that a bereaved family member needs is to call a call center or 1-800 number with prompts to get through in order to reach a person. To the family members of the five or so employees that may die annually, the extra cost is worthwhile for the local support that Laurel Insurance and Associates provides. She noted her opinion that for Laurel Insurance and Associates to assist the City in putting together RFQs and RFPs and then the City dealing directly with insurance providers is not good business practice. Dealing directly with the insurance provider will have inherent barriers with technology, language, and industry maturity. While the City may only process five death claims a year, Laurel processes death claims every week as a business reality. She reiterated that the agency has not been involved in the process, so the additional $5,000 going to employees’ policies has only just been disclosed to her and her associates at this meeting. Therefore, they have not been able to go to the standard provider and ask if they will add the additional $5,000.

Mrs. Cabello clarified that contacting the standard about the additional $5,000 is done by the City for the City, not the broker. Negotiations are done by the City. Mrs. Cerda countered that Laurel has a large volume of business with these insurance

companies and, based on that volume of business, Laurel Insurance and Associates is able to ask them for things that the insurance provider will do for the broker that they may not do for City staff. She asked Council for the opportunity for Laurel Insurance and Associates to reach out to the standard to secure the additional $5,000 before making a decision on this item.

Blas Martinez of Laurel Insurance and Associates reported that the RFP called for a $35,000 benefit; he had not been aware of a $40,000 benefit during the bid process until a meeting two or three weeks ago.

Robert Eads, Co-Interim City Manager, clarified that the additional $5,000 comes from staff's recommendation as to what the City can provide its employees as an added benefit with the savings from switching providers. Cm. Torres asked what would happen if the standard provider is able to offer a $40,000 policy at the same price as staff's recommendation. Mr. Eads explained that if the standard and competitor providers are offering the same level of services, then staff would recommend whichever provider is the lowest cost to the City. The savings to the City would allow staff to add additional services to the employees.

Dr. Martinez noted that there is still a savings from last year by keeping the current standard and asked why staff cannot use those savings as proposed. Keeping the current standard still provides a cost savings to the City which can be paid forward to the employee.

Miguel Pescador, Purchasing Agent, reported that the reason the City utilized its option to directly communicate with the insurance companies was to negotiate the best possible contract. MPT Balli interjected that going this way may get the City a lower cost but at the expense of reduced services. He voiced his concern that dealing directly with the insurance companies will leave many employees with the feeling of being stranded with their health questions and no better off than if they did not have health insurance to begin with.

Cm. Vielma asked who gave the directive to change from using the insurance broker when compiling the RFP to excluding them from the process. She noted her concern that the City is operating above board and ethically.

Mr. Pescador assured Council that staff attempted to carry out this RFP with as little bias as possible. Staff presented a tentative schedule to the Human Resources Department and the HUB International consultant.

MPT Balli asked management if they received complaints from employees that they were dissatisfied with their life and health insurance. Mrs. Cabello stated that she was not aware of any such complaints. MPT reminded management that employees are happy with their insurance as is.

Mrs. Salinas recalled that the process used to be different, and as more companies began to bid on the process, Laurel Insurance would submit almost all of them. The agency would always sign a non-collusive disclaimer affirming that they had not or

will not discuss the bid information amongst the companies. She clarified that the City did not include Laurel in the last three RFP processes simply to keep the integrity of the process intact. Excluding them from the process is not illegal, based on the counsel given to staff.

Cm. Altgelt noted that between the new standard cost and the competitive price from Securian Life, the difference is about $1,100. That difference represents the removal of local support with a company with which the City has a longstanding working relationship.

Mrs. Cabello reminded Council that City staff was tasked with providing the best offer they could, financially and operationally. That has resulted in staff's current recommendation. If Council feels differently, she reminded them that they have final approval.

Motion to accept the standard renewal for Basic Life and Basic AD&D insurance.

Moved: Dr. Marte Martinez
Second: Cm. Vielma
For: 7 Against: 0 Abstain: 0

Mr. Blas Martinez voiced his offense to the comments made by Mrs. Salinas and other staff regarding Laurel Insurance and Associates's ethics. He emphasized that the agency is very ethical and operate above board, never engaging in collusion or playing different insurance companies against one another.

Mrs. Bermudez reported that the Voluntary Term Life and Voluntary AD&D insurance is the same cost for the standard renewal and Securian Life. However, staff recommends Securian Life waived the actively at work provision at initial transition, grandfathered all coverages, and granted open enrollment with no needed evidence of coverage for increases in volume.

Mrs. Salinas reminded Council that these offers are the vendors' best and final offers. Mrs. Cabello added that the Voluntary Life and AD&D bids were done without a broker. MTP Balli asked why that was so, noting his understanding that the City would get a better price with a broker.

Cm. Altgelt asked why the City is not bundling its services for a better deal.

Randy McGraw of HUB International confirmed that all companies submitted the same cost for these products. While Basic Life and AD&D insurance is paid for by the City, Voluntary products are paid for solely by the employee.

Motion to accept the standard renewal for Voluntary Life and Voluntary AD&D insurance.

Moved: Dr. Marte Martinez
Second: Cm. Mercurio Martinez

For: 6 Against: 0 Abstain: 0

Cm. Torres was not present.

Mr. McGraw explained that the City uses its formal bid process through insurance carriers; Laurel Insurance and Associates acts as agents through half or most of the carriers while some bid directly. The primary difference between the products' costs would be if the agents charge commissions. He confirmed that the City bundled some services to see if aggregating more responses from the carriers would result in a savings.

Mr. Blas Martinez reported that he contacted the standard company, who Laurel Insurance and Associates represents, and the company said that they were not asked if they could provide a guarantee issue opportunity. The company said that they were not asked to provide that but that they would for Laurel.

Mrs. Cerda stated that the agency regularly asks for such an opportunity from the insurance companies. She cautioned Council from doing so every year because doing so would result in employees refusing the insurance every year until they knew that they were sick or declining in health. The City would then see the general health of the employee pool deteriorating, and rates would escalate. She reminded Council that several years ago, this same situation happened when the City opted for a dental insurance group without the assistance of Laurel Insurance and Associates, and the City's dental rates increased by 40%, a dramatic increase. She explained that the City wants to be cautious with its open enrollment opportunities and offer them sporadically rather than continuously.

Mr. McGraw clarified that all insurance companies were asked the same questions regarding a one-time special open enrollment opportunities. The City followed the same processes with each vendor.

MPT Balli reminded Council that they already voted on these issues and encouraged them to move on.

2) Group Dental
AETNA by Laurel Insurance and Associates, Inc.

Mrs. Bermudez reported that the current provider is Metlife; their best and final offer (with commissions) was reported as $1.468 million. Blue Cross Blue Shield's best and final offer (also with commissions) was reported as $1.487 million; Aetna ASO's offer was reported as $1.247 million. Mrs. Bermudez noted that staff recommends Aetna as the City's dental provider. If the City were to stay with Metlife Dental, employees would pay about $285 more per year for the Deluxe Family plan.

Mrs. Salinas explained that the City asked for self-funded plans; Metlife did not submit a response to that, and Blue Cross Blue Shield rescinded what they submitted. With Aetna as the only self-funded (ASO) dental provider, employees will not see much of an increase in their premium taken out of each paycheck.

Cindee Soza, Director of Account Management for Blue Cross Blue Shield of Texas, explained that BCBS TX rescinded its dental offer because the City asked for bids net of commissions.

Louie Heerwagen of Aetna reported that Aetna only works with Laurel Insurance and Associates as their service office. He clarified that there is commission in Aetna's bid response to pay for Laurel, who will service this product if selected by the City. He stated that this dental plan is the same arrangement that Webb County has with Aetna. Aetna does not have a local office or local staff. The commission would equate to $0.25 per employee per month. He added that the health insurance bid submitted by Aetna includes commission too at a cost of $5.20 per employee per month.

Mr. McGraw noted that all companies that included commissions in their bid had consistent commission loads incorporated.

Cm. Rodriguez noted that most of the employees in attendance will not be affected by rate increases or changes to services, but he asked if City employees were given a survey of what kind of insurance services they would prefer.

Mrs. Cabello noted that management did not survey employees, but key employees were on the selection committee to represent a lot of those workers. Utilities and Health Department officials were on the committee, and Dr. Gonzalez served as a health insurance expert, as well. She assured Council that City employees are going to want the insurance with the lower price because more employees will be able to afford that.

Cm. Rodriguez asked if Council must make a decision today or if they could wait until a survey is conducted. He reminded staff that they administer surveys on a wide range of topics throughout the year and voiced his frustration that one was not done on this important matter. Mrs. Cabello noted that insurance matters are very complicated and most employees would want the product with the lower price. That is what staff chose for Council's consideration. Cm. Rodriguez reiterated that he wanted to see that in a survey straight from the employees. Cm. Altgelt agreed.

Mr. Eads noted that staff agrees with Cm. Rodriguez's sentiments, as well. However, if nothing is changed, employees will pay $1.669 million for dental insurance rather than the potential $1.247 million for the same services. He reminded Council that the companies' services mirror each other, meaning that they are identical. Therefore, paying more for the exact same service is not ideal. Staff's intention is not to remove any services from employees but to contain their costs as much as possible.

Motion to accept the dental insurance product as presented by Aetna ASO.

Moved: Dr. Marte Martinez
Second: Cm. Altgelt

For: 6 Against: 0 Abstain: 0

Cm. Vielma was not present.

3) Group Vision
The Guardian (Davis Vision) by Laurel Insurance and Associates, Inc.

Mrs. Bermudez reported that the current group vision provider, Superior Vision, submitted a renewal plan at $211,791; competitor Guardian "Davis Vision" presented a plan for $206,141. Staff recommends Guardian "Davis Vision" because of the lower cost and the fact that Guardian was increased the frame allowance from $130 per frame to $150 per frame. Additionally, Guardian also provides a 20% discount on frames. This product is completely voluntary, and the employee pays 100% of the premium for group vision.

Ms. Alviar clarified that the cost for contact lenses is the same as that for frames. A broker provides support and assistance.

Motion to accept Guardian "Davis Vision" as the provider for group vision insurance.

Moved: Dr. Marte Martinez
Second: Cm. Altgelt
For: 6 Against: 0 Abstain: 0

Cm. Vielma was not present.

4) Personal Insurance
a. Long Term Disability-Ochs, Inc (Direct)
b. Short Term Disability-Ochs, Inc (Direct)
c. Accident-Colonial by Laurel Insurance and Associates, Inc.
d. Cancer- The Guardian by Laurel Insurance and Associates, Inc.
e. Critical Illness - The Guardian by Laurel Insurance and Associates, Inc.

Mrs. Bermudez reported that Short and Long Term Disability is currently offered by UNUM; renewal with UNUM would increase the cost from $421,425.63 to $495,656.47. Competitor OCHS submitted a disability insurance proposal for $406,036.20, and The Standard responded in the amount of $546,624.00. She reported that staff recommends the lowest bidder for Short and Long Term Disability coverage, OCHS. Staff would communicate directly with OCHS for this coverage. The Standard and UNUM are administered locally through Laurel Insurance and Associates.

Cm. Altgelt initiated a motion to accept staff's recommendation for OCHS.

Mrs. Bermudez reported that if the City keeps its current provider for Short and Long Term Disability insurance, it will result in an increased cost of $100 per employee per year on average, on top of what the employees currently pay. Since this type of insurance is voluntary, the employee pays 100% of the premium.

Mrs. Salinas confirmed that OCHS is matching the services that are currently provided by UNUM. Ms. Alviar confirmed that staff fills out the employer section of any forms related to Short and Long Term Disability insurance, then the Department directs the employee to the broker for further assistance. If Council approves OCHS as the new provider, then staff will send insurance documentation directly to the insurance provider rather than using the broker. Staff is prepared for this change; disability claims per fiscal year average about one per week, but last fiscal year there were only 29 claims. Filling out these forms are simple; she estimated that Laurel Insurance and Associates are currently faxing the documentation to the insurance provider.

Mrs. Cerda countered that the process is much more involved than a simple fax. She explained that disability insurance protects an employee's income if they are not able to work due to an accident or an illness that occurs off the job and for women while they are out on maternity leave. The plan pays 60% of the employee's salary for up to 90 days for short term disability and 3 years for long term disability. The 54 or so employees who utilize this insurance are very sick employees, such as those suffering from cancer or heart disease. She reported that the claims process occurs in three parts. First, the employers fill out their appropriate section of the forms and verify salary information. The rest of the form is the doctor's portion to verify the medical condition, and other portions. Mrs. Cerda confirmed that disability claims can be very time-consuming because not all doctors' offices submit their required paperwork in a timely manner. It often takes multiple phone calls to secure the paperwork from a medical provider. She recalled some claims that took 45 days from the time they were submitted to the time they began payment. During that time, the employee checks their mailbox every day and call the broker asking about the delay and why their money has not arrived. Laurel Insurance and Associates will call doctors' offices and follow up as much as they can to ensure payment on these claims. The reason why UNUM submitted an increase in its disability product is because of the providers' and brokers' experiences and ratio of claims versus premium. The employees who submit claims on their disability insurance often stay in the system for a long time, and she cautioned Council that the City must maintain solvency in its plans rather than running on a deficit. She emphasized that the City does not want to self-fund disability insurance. She added that of the disability claims submitted since FY16-17, all were accepted by the insurance provider.

Dr. Martinez asked what the Human Resources Department is doing to help its disabled employees return to work when they are ready or if they are in fear for their jobs despite being very sick.

Mrs. Alviar reported that the Employee Health and Wellness Division has a return to work program that follows up and meets with employees to check their status before they have been out of work for a year. She reported that two employees in Health and Benefits are available for this task if OCHS is accepted by Council. Staff also gives the employees the disability claim. The claim form has three sections: the employee section, the physician section, and the employer section.

Mr. Blas Martinez reported that Laurel Insurance and Associates has eight staff members in its Laredo office; usually Mrs. Cerda and he take care of disability claims and have gone to clients' houses, hospitals, and to jobsites to assist clients with their disability claims. He clarified that the only disability claims that are submitted that are not accepted are injuries that occur on the job, as those are resolved through workers' compensation rather than disability insurance.

Mrs. Cerda clarified that the rate for disability insurance is based on the employees' ages and salaries. Therefore, older and higher-wage employees will see more of an increased cost than lower-wage and younger employees. She reported that about 50% of the City's employees participate in disability insurance coverage at 901 employees; 657 employees participate in accident coverage.

Mr. Blas Martinez added that this insurance is voluntary, so if an employee feels that the additional cost is too much, they do not have to continue participating.

Dr. Martinez asked if the costs for disability insurance will go up next year even with OCHS or another company to remain solvent with the claims submitted by City employees. Ms. Alviar confirmed that the City has a three-year guarantee for employees.

Motion to accept Long Term Disability insurance coverage through OCHS.

Moved: Cm. Altgelt
Second: Cm. Rodriguez
For: 7 Against: 0 Abstain: 0

Motion to award Short Term Disability insurance coverage to UNUM.

Moved: Cm. Torres
Second: Dr. Marte Martinez
For: 7 Against: 0 Abstain: 0

Mrs. Bermudez reported that renewing the Accident coverage plan with Colonial would cost $156,950.04; however, Colonial guaranteed a rate of $141,243.72 for five years and increased coverage to $100,000 versus the $50,000 coverage of the other two competitors. Aetna submitted a response that only guaranteed their rate of $139,787.28 for three years for a $50,000 policy. The Guardian guaranteed two years of a rate of $133,916.76 for a $50,000 policy. Staff recommends Colonial at the five-years-guarantee rate of $141,243.72 for the increased coverage amount of $100,000.

Motion to accept Accidental insurance coverage through Colonial at the five-years-guaranteed rate of $141,243.72 for a $100,000 policy.

Moved: Cm. Altgelt
Second: Cm. Rodriguez

For: 7 Against: 0 Abstain: 0

Mrs. Bermudez reported that staff recommends The Guardian for the City's Cancer insurance coverage as they offered a four-tiered rate structure with enhanced benefits. The biweekly rates are lower than all of the other competitors for Cancer coverage. She explained that the current Cancer insurance provider, Colonial, has a Level 2 and Level 3 tier with varied benefits in each plan. For instance, Colonial will guarantee a Level 2 policy holder with $100 per day for hospital confinement and a Level 3 policy holder with $200 per day. The Guardian guarantees a policy holder, in either Plan 1 or Plan 2, $300 per day for hospital confinement.

Mr. Blas Martinez reminded Council that Laurel Insurance and Associates was not engaged in the dialogue with the other two insurance providers for this coverage. However, he reported that several employees who are out due to cancer, and he asked that Council ensure a complete takeover so that those employees do not lose any coverage or benefits because of a change in their insurance carrier.

MPT Balli noted that the biweekly rates for employees and families increases with the Guardian, thought the employee only coverage has a reduction in the biweekly rate.

Mrs. Salinas confirmed that employees with Cancer insurance coverage are able to stay in the plan they currently have; they are grandfathered in. The Guardian has guaranteed that in writing.

Motion to accept Cancer insurance coverage through The Guardian.

Moved: Cm. Altgelt
Second: Cm. Rodriguez
For: 7 Against: 0 Abstain: 0

Mrs. Bermudez explained that Critical Illness insurance coverage includes heart attack, stroke, renal failure, and coronary bypass surgery. The coverage and benefits were the same among all companies submitting to the RFP for this type of insurance: Colonial Life (the current provider), Sunlife, and the Guardian. She noted that staff recommends the Guardian for this coverage due to the biweekly age rates, which are based upon tobacco use. For non-tobacco use, the rates decrease as the employee ages compared to the other competitors.

Mr. Blas Martinez reported that several employees have a $40,000 or $50,000 with Colonial Life. He voiced his hope that The Guardian also ensures that same policy amount to these employees during the transition. He noted his understanding that employees can file claims with Colonial three to five times for their benefits. If the City changes, he requested that the City ensure those higher coverage amounts and allows the employees to file claims the same number of times.

Ms. Alviar clarified that there is no change to the policy, so employees receive the same benefits. The policies continue up to $50,000.

Armando Arrieta of HUB International explained that HUB International asked all vendors to match the benefits currently offered to City employees. There are too many benefits to list on one spreadsheet, but he informed Council that every carrier responding to this request matched the current benefits. He could not confirm definitively that the face amount of Critical Illness cover with the Guardian goes up to $50,000. He also could not confirm definitively that repeat claims will be accepted as they are with the current provider.

Mr. Eads reiterated that all vendors promised and will provide the same level of service that are currently being offered to City employees. Mr. Arrieta added that these types of insurance products don't vary much among providers.

After Group Medical discussions, Mr. Arrieta confirmed that both The Guardian and Colonia have subsequent diagnoses provisions in their Critical Illness coverage, meaning that if an employee receives subsequent diagnoses of the same disease or illness, Colonial will pay 25% of the benefit and The Guardian will pay 100%. This will only occur twice for both companies.

Mr. Blas Martinez countered that Colonial will pay out three times. Mr. Arrieta clarified that he pulled his information from the paperwork submitted by the company.

Motion to accept Critical Illness insurance coverage through The Guardian.

Moved: Dr. Marte Martinez
Second: Cm. Altgelt
For: 6 Against: 0 Abstain: 0

Cm. Rodriguez was not present.

4. Consideration to award contract FY19-044 for the following Group Medical Insurance Benefit Services:

    1) Section 125 & H.S.A. Administration

    2) Retiree Medicare Supplemental Carrier

    3) Group Medical

        a. Cobra Administration
        b. Third Party Medical Claims Administration
        c. Stop Loss Insurance Administration
        d. Pharmacy Benefit Management
        e. Medical Network

    The selected vendors will be announced at the meeting. The City of Laredo intends to award a three year initial contract from October 1, 2019 through September 30,

2022 with the City of Laredo retaining the right to renew for up to two (2) additional one (1) year renewal periods, with the exception of item No. 3 that is effective January 1, 2020.

Cindee Soza, Director of Account Management for Blue Cross Blue Shield of Texas, noted that it has been a privilege to serve the City of Laredo as its medical and pharmacy administrator for 14 years. She voiced her enthusiasm for BCBS TX to continue working with the City as the company has improved upon its current benefits. BCBS has kept the City's and its employees' costs down through a vast network of medical providers; Ms. Soza recalled BCBS saving the City $56 million in 2018 alone. Other carriers do not have the network or the discounts that BCBS can offer in the Laredo area. For every $1 in claims submitted by the City, the City saves $0.73. She reported that BCBS owns its proprietary network and does not have to rent networks like other companies do. If the City moves to an insurance company that has its proprietary network and a rental network, then it would cost the City about money rather than saving. She asked Council to consider whether the competitors' rental or wrap networks are included in their disruption analysis and discount analysis.

Randy McGraw of HUB International confirmed that the rental or wrap networks were included in the vendors' analyses. Louie Heerwagen of Aetna reported that almost 98% of the top BCBS providers that the City's employees are using are also in the Aetna primary proprietary network, which is the deep discount network. Furthermore, both local hospitals have given Aetna special contracts to improve the BCBS rates so that City Council would consider moving from BCBS to Aetna.

Ms. Soza noted that she would like to see those hospital contracts. She asked what percentage of in-network claims are expected to be paid under the rental or wrap network. Mr. Heerwagen answered about 2%.

Ms. Soza asked what percentage of out-of-network claims are expected to be paid under the rental or wrap network. Mr. Heerwagen answered 2%.

Ms. Soza asked if the in-network discount calculation excludes any claims or includes all claims. Mr. Heerwagen stated that it includes all claims, and in addition to the discounts, Aetna has guaranteed with fees at risk a total claims cost improvement.

Ms. Soza asked if the other carrier (Aetna) guarantees the same 73% average discount as Blue Cross Blue Shield. Mr. Heerwagen answered that Aetna guarantees a net claims reduction and, with its enhanced contracts from both Laredo hospitals, discounts are projected to be in line with Blue Cross. Aetna is a self-insured administrator; a combination of Aetna's improved discounts and improved clinical support for employees and their families, even after market trend, will reduce the number of the City's claims by 3.2%. Aetna uses a high-touch model in which one nurse may meet the needs of an entire family rather than the employee going through four or five nurses at a facility. Aetna also committed a nurse practitioner to be stationed in Laredo to see employees and help engage

them in improving their health.

Ms. Soza informed Council that Blue Cross did not get the opportunity to engage with the City's Human Resources Department about their medical management. BCBS also had to ask the City if the organization could come give a presentation. Blue Cross Blue Shield was granted the opportunity to give a presentation, but she noted it was very disengaged.

Rosario Cabello, Co-Interim City Manager, countered that the two Co-Interim City Managers were present at that presentation and were very engaged. She stated that Ms. Soza's comments were unfair. Ms. Souze responded that both Co-Interim City Managers and the consultants were working on their laptops. She left with the impression that Blue Cross Blue Shield was not being heard.

Cm. Torres recalled Dr. Martinez offering a physician's perspective between Blue Cross Blue Shield and Aetna in practice. He asked Mr. Heerwagen to discuss the acceptance of Aetna by physicians with alleged delays of approvals for procedures. Mr. Heerwagen reiterated that Aetna's proposal to the City was to serve as its administrator; that includes clinical preauthorization. He clarified that the steps to preauthorization are up to the City to decide; Aetna will surely work with City staff to determine what steps will be followed. He added that Aetna's proposal mirrored the current plan in place. Aetna is the health insurance provider for Webb County, who he stated are very happy customers. Their claims costs in 2018 dropped 30% since 2017, due in large part to more employee engagement, wellness incentives, and outreach by Aetna.

Ms. Souza confirmed that Blue Cross Blue Shield currently has wellness programs and offered an onsite wellness coach during its best and final offer to the City. Mr. Heerwagen informed Council that both Laredo hospitals are funding physician clinics for City employees to attend at free or reduced fees. Doctors Hospital is providing five locations; one on the north side of Laredo is open 10:00 a.m. to 10:00 p.m. seven days a week. This allows employees physician visits at no copay or a reduced copay. He explained that the City went out for RFPs through the two local hospitals. Aetna contacted those hospitals and asked if they would like to offer Aetna enhancements that they could then offer the City in its proposal.

Ms. Souza reminded Council that BCBS has better discounts than any other carrier. She estimated that this is why Aetna had to contact the local hospitals for enhancements to their proposal.

Cm. Vielma asked Mr. Heerwagen what Aetna's average discount is per dollar, recalling that BCBS's average discount is 73%. Mr. Heerwagen noted that Webb County's average discount is close to that, and with the two special hospital contracts he noted that the discounts will exceed 73%. Cm. Vielma reminded him that his answer was non-responsive as he did not disclose a percentage. He stated that it would not be appropriate to report Webb County's exact percentage but assured Council that the City's average discount would be close to 75%.

Ms. Souza stated that BCBS guarantees an average discount of 73%, putting their administrative fee at risk.

Mr. Heerwagen reminded Council that City staff and the consultant went through a rigorous data analysis on this RFP. Cm. Torres initiated a motion to award the medical insurance contract to Blue Cross Blue Shield of Texas.

Cm. Rodriguez noted that Aetna guarantees a three-year rate while BCBS fees increase up to 3% during the first two renewal years. He asked for clarification on this issue.

Mr. McGraw explained that embedded in the medical program, there are two components: the administration of the self-funded plan for active employees and retired employees under the age of 65 and offers regarding the retirees that are eligible for Medicare. Regarding the retiree Medicare carriers, Aetna provided a significant reduction of costs at $629,366 (compared to the current provider, GAC United American, at $1,025,820 and the competitor GAC Hartford at $992,068.80). The current monthly rates are $405.58 per enrollee; Aetna proposed a monthly rate of $255.84 per enrollee. He noted that due to this coverage affecting individuals on a fixed income, the price difference is substantial. He cautioned Council not to make a sweeping decision to reject Aetna in light of some significant cost savings.

Cm. Torres countered that Council expects answers to their questions, and the Aetna representative has not been very convincing so far with his responses.

Mr. McGraw reported that a data set was released by Aetna and BCBS for in-network utilization. While both companies have the same number of total unique providers, Aetna reported more in-network unique providers, fewer out of network unique providers, and PPO providers in Mexico. BCBS does not have PPO providers in Mexico. He noted that based on the data submitted by BCBS, they came in lower on the discount analysis than Aetna. While Ms. Soza reported a 73% discount for BCBS, the company's response to the bid reflected 57% instead.

Ms. Soza cited reports that were delivered to Mr. McGraw and the City's Human Resources Department on a monthly basis; she reiterated that 73% is the company's average discount, and she repeated that the company guaranteed that rate in writing. She reminded Council that Aetna's provider reports include rental networks, not networks owned by the company.

Dr. Marte Martinez recalled a case of fraud in which City of Laredo employees were going to the dentist in Nuevo Laredo numerous times, submitting claims, and then receiving money for those visits. Mrs. Salinas confirmed that two fraudulent claims as Dr. Martinez described occurred in the past; the audit caught those instances of fraud.

Cm. Rodriguez recalled a City employee, who had been employed with the City for over 10 years, who had a heart attack in Nuevo Laredo and could not receive any medical attention due to no providers in Mexico.

Mrs. Bermudez reiterated that Aetna allows for Mexican health providers; for reasons of their own, some City employees are not comfortable seeing a United States doctor and prefer to have their doctor and dental visits in Mexico. Ms. Soza confirmed that BCBS will cover emergencies only, not regular doctor visits. She emphasized that there is no need for an employee to cross the border for doctor visits as BCBS's network of providers is large and qualified.

Mrs. Salinas explained that for an emergency situation in Mexico, the employee would pay out-of-pocket and get reimbursed through a claim with BCBS. Aetna is offering a true provider network in Mexico.

Dr. Hector Gonzalez, Health Director, reiterated that Blue Cross covers emergency services. Many employees go to Mexico for regular care, which BCBS does not cover. The proposal that Aetna submitted will cover those regular care visits. He stated that while the City would like for their employees to go to in-network providers in Laredo, many still go to Nuevo Laredo for their own reasons.

MPT Balli noted that in a self-insured policy like health insurance, there is more risk associated with fraud because it involves taxpayer money. Dr. Martinez asked if Aetna incorporated the Mexican providers in their discount analysis, because it makes a difference given the difference in costs and care services between the United States and Mexico.

Mr. Heerwagen explained that the discussion of international coverage came up in the committee meeting. Aetna's savings analysis did not include the provisions of Mexican PPO providers. Dr. Martinez asked if Aetna covers medications provided in Mexico that are not FDA-approved in the United States, noting that the FDA and DEA regulate what physicians are able to prescribe patients; if patients are receiving their prescriptions in Mexico, they are not being controlled by the same agencies.

Mr. Heerwagen informed Council that the network Aetna described to the City does not include pharmaceuticals; it is medical coverage only. Pharmacy coverage would only apply in the United States.

Cm. Torres asked if the City needs to amend it drug and alcohol policy because employees will be able to get prescriptions that they may or may not need from Mexico. He clarified that he does not intend to question the ethics of Mexican doctors, but it is obviously easier to acquire medications and prescriptions in Mexico than it is in the United States.

Zaida Gonzalez of the Employee Health and Wellness Division clarified that the City's drug and alcohol policy applies to all City employees. All employees are subject to random, pre-employment, post-accident, post-injury, and reasonable suspicion drug testing. The drug and alcohol policy states that if an employee tests positive for a medication, they will be sent to a medical review officer (a medical doctor) who will review the employee's prescriptions and verify that they are

prescribed by a US doctor that was filled by a US pharmacy. She conceded that the City may need to revisit its drug and alcohol policy if the City has medical coverage provisions in Mexico.

Cm. Altgelt asked if the employees will see a difference in any aspect of their medical care if the City changes providers. Mrs. Bermudez reminded Council that since the City is self-funded, the City designs its health plan internally. She explained that between Aetna and BCBS, the deductibles, out-of-pocket maximum costs, co-pays, and inpatient hospital expenses remain the same. Therefore, as far as what services are covered by the City's health insurance will not change because that is decided upon by the City of Laredo, not the insurance company. She clarified that the difference between the two companies is that the in-network versus out-of-network provides are more inclusive with Aetna. Aetna has also promised to give an on-site nurse to the Laredo clinic to support and assist with the City's wellness initiatives.

Mrs. Salinas clarified that the City has one part-time doctor in the clinic, one Registered Nurse (RN), and one Licensed Vocational Nurse (LVN). Ms. Gonzalez stated that the City has an Employee Health & Wellness Division to service all 2,600 employees. The Division provides free bloodwork and screenings and counsel the employees through their nurses.

Cm. Altgelt asked if it wouldn't be better to have the employee go to their primary care physician and have it covered through their health insurance. Ms. Gonzalez explained that Aetna's intention for the wellness nurse would be a member focusing solely on claims. She recalled that the City noticed one employee who went to the emergency room 14 times in one year. These ER visits may not necessarily be for emergencies, but the employee may not have a primary care provider. At Employee Health and Wellness, staff incentivizes employees to have a primary care provider, but that cannot be forced. The proposed nurse from Aetna would work with employees one-on-one to help them with their individual claims in order to help reduce claims costs to the City. For instance, if an employee has a spike in blood sugar because they have not refilled their insulin prescription, the nurse would help them fill out a mail-order form to receive a three months' supply for insulin at a discount. The nurse will help employees navigate the system because she has in-depth knowledge of the Aetna health care system and can explain the implications of a disease or health condition.

Mrs. Bermudez explained that the transition allowance provided by Aetna is $310,000 in the first year to offset the cost to transition from BCBS to Aetna for the City. She added that the City gets to use that money in whatever way the City sees fit. Ms. Gonzalez added that the City can use the money for anything related to wellness. Blue Cross gave the City $50,000 in wellness credit, and the City used it to hire HEB registered dieticians for one-on-one counseling for the City's employees.

Mrs. Salinas reminded Council that the cost to the end user remains the same regarding co-pays and out-of-pocket maximums. She reiterated that the City is not

changing the health plan design.

Cm. Torres observed that staying with BCBS would results in a 6.15% increase to employees' bi-weekly earnings; switching to Aetna would result in a 3.5% increase to bi-weekly earnings.

Mrs. Cabello confirmed that Aetna's administrative fee will be locked in for three years; BCBS's administrative fees can increase up to 3% each of the first two renewal years. Those extra costs would come out of the City's fund or employees' pockets depending upon the health of the City's funds. Cm. Rodriguez noted that with the increasing cost of living, the employees should not take on a 6.15% increase to their rates.

Cm. Vielma asked if the Medicare carrier has to be bundled with the Group Medical benefits. Mrs. Salinas noted that it could be handled separately as it does not expire until December 31, 2019. Any employee aged 64 or below would be covered by Blue Cross, and anyone 65 years old or older would move over to the Medicare provider, which is currently GAC United American. Cm. Vielma asked staff to consider this item separately.

Dr. Martinez asked for an explanation of "Claim Target Guarantee." Mr. McGraw explained that a claim target guarantee is based upon actual dollars projected to be spent. Aetna has guaranteed the dollars spent rather than the discount. He reminded Council that no entity wants to collect money based on an insurance company not meeting their guarantees. If the company is doing their homework properly, they are setting their guarantees at manageable and attainable levels.

Ms. Soza of BCBS stated that the claims cost is the City's biggest factor to consider, which is why it is so important that BCBS owns it own network rather than renting. While BCBS's cost of administration may be a little higher, the claims costs are where the organization focuses on to help manage the City's claims. She noted that BCBS has seen rental networks that have caused millions of dollars in costs.

Mr. Heerwagen stated that the RFP requested maximum claim insurance; Aetna is confidence in its savings to the City and reflected that in its maximum claims cap. He noted that Aetna had to pay its 20% guarantee its first year providing Webb County's health insurance because claims were higher than what the organization projected. However, that has not occurred since in the three years that Aetna has had the County's contract. After that first year, Aetna implemented wellness programs and engagement programs that contributed to a reduction of claims. Employees also utilized more in-network providers in a more efficient way.

Cm. Torres countered that he is a Webb County employee and has never heard of wellness incentive programs at the County.

Ms. Soza reported that BCBS has been the City's health insurance carrier for 14 years and fully understands the City's utilization and claims. BCBS has 14 years' of claims to assist them in projecting for the new fiscal year. She reiterated that BCBS

guaranteed, in writing, 73% savings via discounts, adding that Aetna will not guarantee their savings in writing.

Cm. Vielma asked Council to consider the fact that during the City's retirement incentive event at the end of last year, many employees who chose not to retire did so because they did not have enough money to afford the insurance. With Aetna's proposed costs for retirees may help more employees afford the insurance and choose to retire. She asked for an amendment to Cm. Torres' motion to exclude the Retiree Medicare coverage for further consideration.

Mr. McGraw clarified that the offers from Aetna and BCBS are separate from each other.

Motion to award the group medical insurance contract to Blue Cross Blue Shield except the Retiree Medicare product, as amended.

Moved: Cm. Torres
Second: Cm. Altgelt

For: 6	Against: 1	Abstain: 0
MPT Balli	Cm. Rodriguez	
Cm. Mercurio Martinez		
Cm. Torres		
Cm. Vielma		
Dr. Marte Martinez		
Cm. Altgelt		

Cm. Vielma initiated a motion to award the Retiree Medicare coverage to Aetna.

Cm. Torres noted that retirees left anyway with their Blue Cross Blue Shield retirement coverage and estimated that many also stayed onboard due to employee loyalty. He observed the benefit to the employees by providing them a savings, but he asked if there will be any problems for retirees changing their carriers.

Ms. Alviar reminded Council that Blue Cross does not carry Retiree Medicare coverage; the current provider is GAC United American. She added that there should not be a problem to current retirees over 65 with the carrier switch.

Motion to award Retiree Medicare coverage to Aetna.

Moved: Cm. Vielma
Second: Dr. Marte Martinez

For: 7	Against: 0	Abstain: 0

VI. EXECUTIVE SESSION

None.

VII. ADJOURNMENT

Motion to adjourn.

Moved: Dr. Marte Martinez
Second: Cm. Altgelt
For: 5 Against: 0 Abstain: 0

Cm. Rodriguez and Cm. Torres were not present.