CITY OF CARSON

Legislation Details (With Text)

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Title:	CONSIDER APPROVAL OF AMENDMENT NO. 2 TO THE AGREEMENT FOR ADMINISTRATIVE SERVICES WITH PRINCIPAL LIFE INSURANCE COMPANY FOR ADMINISTRATION OF THE CITY OF CARSON SELF-INSURED DENTAL PLAN AGREEMENT (CITY COUNCIL)				
Sponsors:					
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Attachments:	1. Exhibit 1 - Principal Dental Agreement, 2. Exhibit 2 - Amendment No. 1 to Principal Dental Agreement (11 1 18), 3. Exhibit 3 - Amendment No. 2 Principal Dental Agreement (8 4 20), 4. Exhibit 4 - Principal Dental 2020 Renewal Summary				

Date	Ver.	Action By	Action	Result

Report to Mayor and City Council

Tuesday, August 04, 2020

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 2 TO THE AGREEMENT FOR ADMINISTRATIVE SERVICES WITH PRINCIPAL LIFE INSURANCE COMPANY FOR ADMINISTRATION OF THE CITY OF CARSON SELF-INSURED DENTAL PLAN AGREEMENT (CITY COUNCIL)

I. SUMMARY

The City Council approved changing dental insurance service providers from Premiere Access to Principal Life in April/May 2017. Accordingly, the change in carriers took place and Staff negotiated a one-year Administrative Services Agreement (Exhibit 1; the "Agreement") with Principal Life, effective November 1, 2017, for processing of non-discretionary claims and provision of administrative services related to the dental insurance plan. The agreement included options for the City to extend the term of the Agreement for up to three successive one-year terms. Amendment No. 1 to the Agreement, effective on November 1, 2018, extended the initial term of the Agreement by two years (from November 1, 2018 until November 1, 2020) with all provisions other than the term of the contract remaining in full force and effect, including the fee rates and the City's three one-year options to extend the agreement.

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At this time, staff is returning to the City Council for approval of Amendment No. 2 to the Agreement (Exhibit 3) to exercise the City's first one-year option to extend the term of the Agreement (from November 1, 2020 until November 1, 2021). The existing fee rates under the Agreement will be continued for the extension period.

II. RECOMMENDATION

1. APPROVE Amendment No. 2 to the Agreement, to exercise the City's first one-year option to extend the term of the Agreement, from November 1, 2020 until November 1, 2021, at existing fee rates (Exhibit 3) ("Amendment No. 2"); and

2. AUTHORIZE the Mayor to execute Amendment No. 2 following approval as to form by the City Attorney.

III. ALTERNATIVES

Take any other action deemed appropriate, subject to the requirements of applicable law.

IV. BACKGROUND

The City converted to Principal Life dental on November 1, 2017, which has a network of PPO and EPO Dentists in Southern California and specifically the South Bay area. An analysis of that network indicated that only six (6) of the current dentists used by City employees were outside of the Principal PPO and EPO network. Dentists who are either a PPO or EPO provider generally have significantly lower costs, thus, when employees and their families visit one of those dentists, the cost to the City and the employee out-of-pocket costs are reduced. Since transitioning to Principal Life for dental coverage, the City has experienced an annualized net savings at just over $43,000. This is above the projected annualized net savings of $31,250.

The Agreement was effective November 1, 2017, and included options for the City to extend the term of the Agreement for up to three successive one-year terms. The City Council approved Amendment No. 1 to the Agreement (Exhibit 2) extending the initial contract term by two years to November 1, 2020, while preserving the City's three one-year options to extend the term of the Agreement.

The Agreement provides for City to pay Principal a monthly fee, calculated on a per-City-employee basis, for performance of the Agreement. The fee rates, which have been in effect since the commencement of the Agreement, are as shown in "Fee Addendum 1" to the Agreement (Administrative Services Fee of $6.20 per City employee; Broker Fee of $1.50 per City employee). Principal has offered City a "rate pass" for the renewal period, meaning the existing rates will be continued through the extension period proposed by Amendment No. 2 (i.e., until November 1, 2021) (Exhibit 4).

Staff requests approval of Amendment No. 2 to exercise the City's first one-year option to

extend the term of the Agreement, allowing for continued provision of dental administrative services by Principal Life until November 1, 2021.

V. FISCAL IMPACT

Funds for these services are budgeted annually as part of the City employee benefits package.

VI. EXHIBITS

1. Agreement for Administrative Services (pgs. 4-21)
2. Contract Amendment No. 1 (pgs. 22-27)
3. Contract Amendment No. 2 (pgs. 28-32)
4. Principal Dental 2020 Renewal Summary (Rate Pass) (pg. 33)

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