



CITY OF CARSON

Legislation Text

File #: 2021-615, Version: 1

Report to Mayor and City Council

Tuesday, September 07, 2021

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 3 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 entered into an “Agreement for Administrative Services Agreement” with Principal Life Insurance Company effective November 1, 2017 (“Agreement”) (Exhibit 1), for processing of non-discretionary claims and provision of administrative services related to the dental insurance plan for City employees. The Agreement provided for an initial one-year term with options for the City to extend the term of the Agreement for up to three successive one-year terms thereafter.

Effective November 1, 2018, Amendment No. 1 to the Agreement (Exhibit 2) extended the initial term of the Agreement by two years (until November 1, 2020) with all other provisions remaining intact, including the fee rates and the City’s three one-year options to extend. Amendment No. 2 to the Agreement (Exhibit 3), which was approved by City Council on August 4, 2020, exercised the first of the City’s three one-year options, thereby extending the term expiration date of the Agreement from November 1, 2020 to November 1, 2021, with two one-year options remaining thereafter.

Staff now requests City Council approval of Amendment No. 3 to the Agreement (Exhibit 4) to exercise the first of the City’s two remaining one-year options to extend the term of the Agreement, thereby extending the term expiration date from November 1, 2021 until November 1, 2022, with one one-year option to extend remaining thereafter. The existing fee rates under the Agreement would remain in effect for the extension period.

II. RECOMMENDATION

1. APPROVE Amendment No. 3 to the Agreement to exercise the City's first of two remaining one-year options to extend the term of the Agreement, thereby extending the term expiration date from November 1, 2021 until November 1, 2022, at existing fee rates (Exhibit 4) ("Amendment No. 3"); and
2. AUTHORIZE the Mayor to execute Amendment No. 3 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 continues to provide 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 without increase 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 another "rate pass" for this renewal period, meaning the existing rates will be continued through the extension period proposed by Amendment No. 3 (i.e., until November 1, 2022) (Exhibit 5).

Staff requests approval of Amendment No. 3 to authorize continued provision of the dental administrative services by Principal Life until November 1, 2022.

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. Proposed Amendment No. 3 (pgs. 33-37)
5. Principal Dental Renewal Summary (Rate Pass) (pgs. 38-39)

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