

**OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-517  
DECEMBER 2, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
RENEWAL OF SUPERVISORY, PROFESSIONAL AND MANAGEMENT (SPM) ALTERNATIVE HEALTH INSURANCE CONTRACTS, EFFECTIVE JANUARY 1, 1997	◆ RESOLUTION ORDINANCE RECEIVE/FILE	MARK SCHULTZ RISK MANAGEMENT COORDINATOR

**SYNOPSIS —**

On November 6, 1995, by Roll Call Nos. 95-4262, 95-4263 and 95-4264, the City Council approved alternative health insurance contracts with SecureCare of Iowa, Inc., Unity Choice Health Plan, and Principal Health Care of Iowa, Inc., respectively. It is proposed that these SPM health plan options be renewed for an additional 12-month period effective January 1, 1997 through December 31, 1997. No changes in benefit levels have been made to these plan options or the City's self-insured SPM Comprehensive Plan. The Open Enrollment Period for selecting plan options will be held December 3, 1996 to December 13, 1996.

**FISCAL IMPACT —**

Health care premiums are budgeted in the 1996-97 Operating Budget. The actual fiscal impact will depend upon the number of employees who choose the various plan options. The proposed premiums for Calendar Year 1997 increased about 15 percent. This follows several years of moderate increases and decreases in premium levels. This proposed increase is due in part to higher increases in medical industry costs, as well as a number of serious illnesses that are reflected in the group's experience. Continuation of the employer-paid FSA contribution to encourage enrollment in less expensive plan options is included.

**RECOMMENDATION —**

Approval.

**BACKGROUND —**

The City requested plan options from four alternative health care providers. Based on an evaluation of their responses, it is recommended that the City renew the four plan options currently offered SecureCare of Iowa, Inc., Unity Choice Health Plan, and Principal Health Care of Iowa, Inc. All four were less expensively priced based on the benefit level offered by John Deere Health Care. An employer-paid FSA contribution is also recommended to encourage employees to select the less expensive health plan options.

The following is a comparison of the plan options being recommended to the self-insured Comprehensive Plan:

	Premium <u>1996</u>	FSA <u>1996</u>	Premium <u>1997</u>	FSA <u>1997</u>
Self-insured Comprehensive Plan				
Single	\$ 141.48	-0-	\$ 165.14	-0-
Family	410.68	-0-	468.59	-0-

Principal Health Care Primary Care					
Single	\$ 96.44	\$35	\$ 117.10	\$25	
Family	345.23	35	419.19	25	
Principal Health Care Open Access					
Single	\$ 109.61	\$35	\$ 114.88	\$30	
Family	377.68	35	411.25	30	
SecureCare (3-in-1 plan option)					
Single	\$ 101.19	\$20	\$ 112.77	\$35	
Family	364.28	20	405.97	35	
Unity Choice Primary Care					
Single	\$ 107.36	\$80	\$ 116.50	\$80	
Family	295.30	80	320.40	80	

The FSA contribution is calculated in three steps. First, the total projected savings between each alternative health plan option and the SPM Comprehensive Plan is calculated using the most recent enrollment figures for each plan option. Second, the per person per month allocation of 80 percent of the total projected savings for each health plan option is calculated and is used as the base amount for determining the monthly employer FSA contribution for each person who enrolls in each plan option. Finally, the premiums of each health plan are compared to each other, as well as to what each charged the prior year. The base amount is then modified to reward those plan options with the lower proposed premium and lower cost increases from the prior year. Therefore, while the base amount of 80 percent of savings is more objectively determined by comparing the total cost of each plan option to the Comprehensive Plan, the final adjustment is more subjective in nature based on the comparing of each plan to one another.

NOTE: The FSA Open Enrollment Period will be held simultaneous with the SPM Health Insurance Plan Open Enrollment. In order for SPM employees to participate in the FSA Program for CY 1997 and for the City to elect to make an employer-paid contribution to SPM employees based on the health plan option selected, both Open Enrollments must be completed and all payroll deduction changes entered into the City's payroll system by December 31, 1996.