



Council Communication No. 97-278

SYNOPSIS –

The annual contracts for the health maintenance organization (HMO) options offered to employees subject to collective bargaining expire on June 30, 1997. Renewal rates have been received and reviewed, and renewal agreements have been prepared. Staff recommends renewal of the three HMO’ s currently offered: Principal Health Care of Iowa’ s Primary Care Gold Plan and Open Access Plan, and SecureCare of Iowa’ s three-tier plan. Staff also recommends approval of the waiver of payment agreements with the Municipal Employees Association (MEA) and the Des Moines Association of Professional Firefighters that waive the contractual obligation of the employees of these bargaining units to pay \$16 of the monthly premium if the employee selects either the least costly plans: Principal Health Care of Iowa Primary Gold Plan or the SecureCare of Iowa, Inc. Plan.

FISCAL IMPACT –

About \$4,400,000 has been budgeted in the FY1997-98 Operating Budget to cover the anticipated costs of HMO premium payments. The actual fiscal impact will be contingent upon the number of employees who choose each option offered. Based on current enrollments in the HMOs recommended, premiums offered to collective bargaining employee for HMO coverage for FY1997-98 will total approximately \$3,475,000. This is a 13 percent increase over FY1996-97. However, between FY1995-96 and FY1996-97, Principal Health Care of Iowa did not increase its rates, and SecureCare of Iowa increased its rate by one-half of one percent.

RECOMMENDATION –

Authorize the Mayor to execute contracts with Principal Health Care of Iowa, Inc. and SecureCare of Iowa, Inc. to provide health insurance benefits to employees covered by the Des Moines Police Bargaining Unit Association, Municipal Employees Association (MEA), Des Moines Association of Professional Firefighters, and Central Iowa Public Employees Council (CIPEC) collective bargaining agreements, and employees of the Des Moines City Library.

BACKGROUND –

In March, the City mailed a request to all local HMOs asking that they propose rates and plans to be offered to the City’ s employees who are subject to collective bargaining agreements. Copies of the benefit plan summaries of the current HMOs offered were included in the mailing, and

each HMO was asked to offer at least one plan comparable to those currently being offered, as well as any other cost-effective options they wanted to recommend.

Three of the four HMOs responded: Principal Health Care of Iowa, Inc. (two plans: Primary Care Gold and Open Access), SecureCare of Iowa, Inc. (three-tier plan), and Unity Choice Health Plan (Primary care plan). Both Principal and SecureCare offered renewals of the plans currently offered and a lower benefit option to each of their plans. The benefit level of the plan offered by Unity Choice was lower than those currently being offered.

The purpose for offering HMO options to the City's self-insured indemnity plan is to provide less costly options, but with comparable benefit levels. When employees choose to switch to an HMO, their decision normally focuses on three questions: (1) Is my doctor in this HMO? (2) Is my preferred hospital in this HMO? (3) What will it cost me in out-of-pocket expense? Staff's recommendation as to which HMOs should be offered usually focuses on the following questions: (1) What is the City's general position on what level of benefits should be offered and which of the HMOs best fit that position? (2) Of the HMO plans proposed, which appear to maximize the probability that employees will voluntarily switch from the self-insured indemnity plan to an HMO? (3) Which HMOs offer the best price for those benefits? In the recently-completed contract negotiations, health benefits were left unchanged. Therefore, staff has taken the position that for the next fiscal year, the level of benefits offered through HMO options should remain comparable to those currently offered. In addition, the City is about to enter into a contract for a comprehensive job classification and compensation study which will include a comparison of City benefits to other public and private sector organizations. Leaving benefits at current levels until this study provides more information clear guidance on possible changes appears preferable at this time.

Therefore, staff recommends that the three HMO plans currently being offered be renewed with no changes in benefits for fiscal year 1997-98:

Premium	Health Maintenance Organizations	Monthly
Family		Single
Principal Health Care of Iowa:	Primary Care Gold Plan	\$102.57
\$367.20		
Principal Health Care of Iowa:	Open Access Plan	130.06
465.61		
SecureCare of Iowa:		92.99
371.53		