

**CITY COUNCIL COMMUNICATION 97-554  
NOVEMBER 17, 1997 AGENDA**

**SUBJECT:**

**1998 RENEWAL OF SUPERVISORY,  
PROFESSIONAL & MANAGEMENT (SPM)  
ALTERNATIVE HEALTH INSURANCE  
CONTRACTS EFFECTIVE JANUARY 1, 1998**

**SUBMITTED BY:**

**MARK SCHULTZ  
RISK MANAGEMENT COORDINATOR**

**SYNOPSIS –**

On December 2, 1996, by Roll Call Nos. 96-4053, 96-4054 and 96-4055, the City Council approved alternative health insurance contracts with Unity Choice Health Plan; SecureCare of Iowa, Inc.; and Principal Health Care of Iowa, Inc.; respectively. It is proposed that the contracts with Unity Choice Health Plan and Principal Health Care of Iowa, Inc. be renewed for an additional 12-month period effective January 1, 1998 through December 31, 1998. All benefit plans remain the same with the exception of Unity Choice changing the annual combined benefit coverage for mental health and chemical dependency to comply with the January 1, 1998 effective date of the Mental Health Parity Act of 1996. The Open Enrollment Period for selecting plan options will be held November 24, 1997 through December 5, 1997.

**FISCAL IMPACT –**

Health insurance premiums are budgeted for in the 1997-98 Operating Budget, page 542, Nondepartmental Other Trust and Agency Funds. While the actual fiscal impact will depend upon the number of employees who choose the various plan options, based on current enrollments it is estimated that the total combined cost of these plan options will be \$1,040,000. The monthly premiums proposed for this renewal represent a 5.7 percent decrease from the premiums of the prior year. The employer-paid FSA contribution to encourage enrollment in less expensive plan options will be continued.

**RECOMMENDATION –**

**Approval.**

**BACKGROUND –**

The City requested plan options from five alternative health care providers. Based on an evaluation of their responses, it is recommended that the City renew three of the four plan options currently offered; the Unity Choice Health Plan primary care plan and the Principal Health Care of Iowa, Inc. primary care and open access plans. SecureCare of Iowa, Inc. is not being recommended for renewal because their cost proposal represented little if any savings to the City when compared to the projected costs of the City’ s self-insured Comprehensive Plan. John Deere Health Care also proposed two plan options that are not recommended because the monthly premium for the primary care plan was significantly higher than the Comprehensive Plan, and the benefit level of the three-level plan was significantly lower than the other proposals submitted.

The following is a comparison of the plans being recommended as options to the City’ s self-insured Comprehensive Plan:

Premium FSA Premium FSA  
1997 1997 1998 1998  
Comprehensive Plan  
Single \$ 186.82 - 0 - \$ 192.55 - 0 -  
Family 435.89 - 0 - 458.77 - 0 -

Principal Health Care Primary Care  
Single \$ 117.10 \$ 25 \$ 109.82 \$ 35  
Family 419.19 25 393.12 35

Principal Health Care Open Access  
Single \$ 114.88 \$ 30 \$ 107.73 \$ 40  
Family 411.25 30 385.67 40

Unity Choice Primary Care  
Single \$ 116.50 \$ 80 \$ 126.11 \$ 60  
Family 320.40 80 346.83 60

Determining what the FSA contribution should be for each plan option is an attempt at striking a balance between: (1) how much each plan option saves the City when compared to the Comprehensive Plan, (2) how much the premiums differ from one plan option to another, and (3) how much did each plan option’ s premium differ from its premium of the previous year.

NOTE #1: Recently, Principal Mutual Life Insurance Company announced the merger of their health maintenance organization subsidiary Principal Health Care with Coventry Health Care. Staff contacted Principal Health Care of Iowa to determine what effect this merger may have on the benefit plans and services currently offered to the City. Principal Health Care responded that no immediate changes are anticipated, and that there will be no changes to the plans or services currently offered to the City under the contract renewal.

NOTE #2: The FSA Open Enrollment Period for all City employees will be held simultaneous with the SPM Health Insurance Open Enrollment. In order for City employees to participate in the FSA Program for Calendar Year 1998 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 no later than December 31, 1997.