

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-313

SYNOPSIS -

AGENDA:

JUNE 28, 1999

SUBJECT:

RENEWAL OF HMO
CONTRACTS AND
INDEMNITY
MEDICAL PLANS
FOR UNION
EMPLOYEES

Renewal of three HMO plans and one self-insured health plan as negotiated by the various unions - the Des Moines Police Bargaining Unit, Municipal Employees Association (MEA), Des Moines Association of Professional Fire Fighters, Central Iowa Public Employees Council (CIPEC), American Federal, State, County and Municipal Employees (AFSCME), and International Association of Machinists and Aerospace Workers (IAMAW - Library) - representing City employees as part of their collective bargaining agreements and authorization for the Mayor to execute the required contract addendum with Principal Health Care of Iowa, Inc. and SecureCare of Iowa, Inc.

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The projected costs for all insured HMO plans-including those covering Supervisory, Professional, and Management (SPM) employees-and the cost of funding claims and paying administration expenses for the City's self-insured traditional (Union employees and retirees) and comprehensive (SPM employees and retirees) medical plans is estimated to be \$14,800,000 versus a budgeted total of \$17,100,000.

SUBMITTED BY:

WILLIAM STOWE
HUMAN
RESOURCES
DIRECTOR

RECOMMENDATION -

Approval.

BACKGROUND -

The City currently sponsors three HMO plans for union employees and a self-insured indemnity plan for union employees and retirees. Additionally, the City offers three HMO plans for SPM employees and a self-insured comprehensive medical plan for SPM employees and retirees. This

recommendation addresses only the union employees' medical insurance renewals. Renewals for SPM employees and retirees will be presented to the City Council later in the third quarter.

In 1997, the six unions then representing employees (CIPEC, AFSCME, IAMAW, MEA, Des Moines Association of Professional Fire Fighters, and Des Moines Police Bargaining Association) negotiated three-year bargaining agreements expiring at the end of fiscal year 2000. Last fall, a new agreement was reached with the IAMAW covering professional librarians and library assistants which also expires at the end of fiscal year 2000. In each of these agreements, certain benefit plans were negotiated between the parties. This recommendation before the City Council is to renew agreements with the medical providers to continue the benefit agreements between the parties without change.

The City mailed requests to HMO providers in the community to request proposed rates to provide coverage as negotiated between the City and its unions. These providers included the current providers (Principal Health Care of Iowa and Secure Care of Iowa). In addition, Unity Choice, an HMO provider offered to SPM employees, and John Deere Health Care were asked to submit proposals. Only Principal Health Care of Iowa and Secure Care of Iowa submitted HMO proposals for the union employees.

The Principal Health Care of Iowa proposal offered to renew its two HMO's for union employees with an 11.9 percent increase in cost.

Secure Care of Iowa offered to renew its HMO plan for union employees with a 21.9 percent increase for single coverage and a 20.9 percent increase for family coverage.

Although these increases are significant, the City has committed to providing these benefits for the term of the labor agreements. Further, the Principal Health Care plans actually decreased in the preceding year by 5 percent. Accordingly, the 1999-2000 rates are 7 percent higher than the 1997-1998 rates.

The following table shows the new rates and the number of union employees enrolled in each plan.

<u>Plan</u>	<u>Single</u>	<u>Employees</u>	<u>Family</u>	<u>Employees</u>
-------------	---------------	------------------	---------------	------------------

Principal Open Access	\$138.37	48	\$495.37	372
Principal Primary Care	\$109.12	69	\$390.67	261
SecureCare of Iowa	\$119.05	9	\$475.65	46

The City has also received projected funding and administration costs from Principal Financial Group for the City's Traditional Medical Plan. This plan is a base-hospitalization and major medical self-insured health plan. Principal also administers the City's self-insured dental plan and has also provided renewal rates for that plan.

The Traditional Medical plan has a \$100 deductible for non-hospital costs with an 80/20 co-pay thereafter. The maximum out-of-pocket expense incurred by an employee is \$500 per family member. Hospitalization and related expenses are covered at 100 percent without co-pay.

This plan has incurred favorable claims experience in the preceding plan year. Accordingly, the projected claim and administration cost for active employees is impacted primarily by trend. The largest single factor in the increased health care costs is the price of prescription drugs. Principal is projecting an increase of 22 percent in costs of prescription drugs over the next plan year. Actual medical cost trend is calculated at approximately 10 percent and dental trend is 6 percent. This year, the City has asked Principal to calculate monthly rates, including these trend factors. This should assure our monthly costs billed to the various departments cover the anticipated claims on an even monthly basis.

The following table will provide the 1999 and 2000 rates for the union indemnity plan and the number of employees enrolled in each.

	1999		2000		Employees	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Traditional Medical	\$294.09	\$502.24	\$275.89	\$557.78	163	594

Plan						
Dental Plan	\$ 24.25	\$ 42.19	\$ 25.95	\$ 52.51	289*	1273*

· Dental coverage includes union employees in the HMO plans.

Staff recommends the Council approve the renewal of these benefit plans.