



**CITY COUNCIL  
COMMUNICATION:  
ON:**

**ITEM \_\_\_\_\_**

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

**99-509**

**SYNOPSIS -**

**AGENDA:**

NOVEMBER 15,  
1999

Recommendation to approve the renewal of current contracts with Principal Health Care of Iowa, Inc. and Unity Choice Health Plan for an additional six-month period effective January 1, 2000 through June 30, 2000. All Health Maintenance Organization (HMO) benefits remain the same.

**SUBJECT:**

RENEWAL OF  
SUPERVISORY,  
PROFESSIONAL  
& MANAGEMENT  
(SPM) HMO  
HEALTH  
INSURANCE  
CONTRACTS

**FISCAL IMPACT -**

The 1999-2000 budget had projected total health insurance costs of \$17,000,000. Of this total, HMO costs were projected to be \$4,800,000. The cost increases of this renewal will add \$800,000 to the projected HMO costs. However, better than expected experience in the City sponsored self-insured plans has offset this increase. This offset is expected to continue for the balance of the fiscal year depending on continued good claims experience.

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**RECOMMENDATION -**

**Approval.**

**SUBMITTED BY:**

THOMAS G.  
TURNER  
HUMAN  
RESOURCES  
DIRECTOR

**BACKGROUND -**

The City sponsors three HMO health plans for its Supervisory, Professional & Management (SPM) employees. There are 271 SPM employees enrolled in these plans and another 103 are covered by the City's self-insured plan. The City has requested renewal rates for plans offering no change in benefits for a period ending June 30, 2000. This short plan year was requested to enable placing all our City sponsored health plans (SPM, Union, and Retired) on the same renewal date corresponding to our fiscal year.

The City has historically attempted to encourage SPM employees to enroll in the HMO plans by providing a contribution to the employee's Flexible

Spending Account (FSA). It is recommended this contribution be continued for this calendar year at the same levels as last year.

The new rates reflecting increases of 22.4 percent for the Principal Open Access Plan, 11.3 percent for the Principal Primary Care Plan, 14.9 percent for the Unity Choice plan, and the recommended FSA contribution are noted below:

	"Premium1999"	"FSA1999"	"Premium2000"	"FSA2000"
<b>"Comprehensive Plan"</b>				
Single	\$188.73		\$391.00	
Family	\$454.83		\$787.00	
<b>"Principal Primary Care"</b>				
Single	\$117.47	\$35.00	\$128.25	\$35.00
Family	\$420.52	\$35.00	\$459.11	\$35.00
<b>"Principal Open Access"</b>				
Single	\$115.24	\$40.00	\$143.82	\$40.00
Family	\$412.55	\$40.00	\$514.87	\$40.00
<b>Unity Choice</b>				
Single	\$131.89	\$60.00	\$151.53	\$60.00
Family	\$362.75	\$60.00	\$416.75	\$60.00

The Comprehensive Plan rates are significantly higher than the previous year. This increase is due to the mix in the SPM Comprehensive Plan at the time of the renewal calculation. At that time, the plan had 103 active employees and 435 retired employees. This heavy weighting of retired employees to active employees has artificially increased the cost to SPM employees when the experience is pooled. After the October open enrollment for retirees, only 230 retired employees remain and all but four of them have Medicare coverage that reduces our medical claims exposure. The balance of the retired employees enrolled in the Traditional Medical Plan (Union) where the favorable claims experience and better ratio of active employees to retired employees (60 percent to 40 percent) resulted in a decreased cost.

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