

**CITY COUNCIL
COMMUNICATION:**

03-038

AGENDA:

JANUARY 27, 2003

SUBJECT:

AGREEMENT WITH
PRINCIPAL
FINANCIAL GROUP
TO PROCESS "RUN-
OUT" HEALTH
CLAIMS

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

THOMAS TURNER
HUMAN
RESOURCES
DIRECTOR

ITEM _____

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

SYNOPSIS —

Recommendation to enter into an agreement with Principal Financial Group (J. Barry Griswell, CEO, Des Moines) to process health claims incurred on or prior to January 31, 2003 for a period of five months beginning on February 1, 2003 and ending June 20, 2003, also referred to as "run-out" claims.

FISCAL IMPACT —

Cost to process these claims is estimated at \$170,000. Actual cost is \$15 per claim processed or DZT (draft, zero transaction and transmittal). DZT is more commonly referred to as an "explanation of benefits" (EOB), which an insured receives in the mail after incurring a medical claim.

RECOMMENDATION —

Authorize the Mayor to execute an agreement with Principal Financial Group to administer "run-out" claims for health claims incurred on or before January 31, 2003 for the period beginning February 1, 2003 through June 30, 2003. Run-out claims will be paid from the health insurance fund.

BACKGROUND —

Effective February 1, 2003, the City of Des Moines Health Insurance Plan will be administered and fully insured by Wellmark Blue Cross Blue Shield of Iowa. This change in administrators and funding mechanism was a result of months of discussion on how to minimize the impact of rising health care costs on the City's budget and retirees. City Council approved the move to Wellmark at their December 16, 2002 meeting.

During the transition from Principal to Wellmark, the City's self-insured plan will be responsible for those claims incurred prior to but not paid before February 1, 2003, also known as "run-out claims." Principal has agreed to process these claims for the five-month period ending June 30, 2003. Principal examined our claims volume and lag in calculating total anticipated cost and they believe that the \$170,000 estimate is conservative. Further, the \$15 transaction fee includes other services,



such as handling calls and questions from employees and retirees.