

**CITY COUNCIL
COMMUNICATION:**

03-518

AGENDA:

OCTOBER 23, 2003

SUBJECT:

SPECIAL AGREEMENT
REGARDING SELF-
INSURING NASAL
CAUTERY FOR
CALENDAR YEAR 2003

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

THOMAS TURNER
HUMAN RESOURCES
DIRECTOR

ITEM _____

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

SYNOPSIS —

This action would authorize the Mayor to execute an agreement with Wellmark Blue Cross and Blue Shield of Iowa (John Forsythe, CEO, Des Moines) to provide for administration and self-funding of a procedure known as nasal cautery for participants in the City of Des Moines' health plan, excluding the Municipal Employees Association (MEA), for the period February 1, 2003 through and including December 31, 2003.

FISCAL IMPACT —

It is estimated that self-insuring this procedure will not exceed \$40,000 for the period. Wellmark has indicated they have denied eight claims totaling \$3,500 through July 2003; however, anecdotal information would indicate that as many as 20 employees may have been undergoing this treatment.

RECOMMENDATION —

Approval.

BACKGROUND —

The City of Des Moines sponsors and funds a health insurance plan providing medical insurance (physician, lab, hospitalization, etc.), prescription drug insurance, and dental insurance. Since February 1, 2003, Wellmark has been providing this coverage. Subsequent to the City's selection of Wellmark as our health plan provider and prior to the coverage period, Wellmark performed a medical review on a specific medical procedure called chemical nasal cauterization (CNC) for treatment of chronic nasal congestive conditions. It is not uncommon for a health plan administrator to undertake such a review. The review demonstrated to Wellmark that insufficient medical studies had been completed to support the medical efficacy and necessity of this treatment. Accordingly, Wellmark has determined that performance of this procedure for this limited diagnostic reason is experimental or investigational and thus not a covered medical expense under the plan.

The City has several employees (at least eight and maybe as many as 25) who have regularly had this procedure performed and covered under Principal's administration of the plan. Principal researched the procedure briefly, and it was found that several of the claims were coded for nasal endoscopies and did not reflect the cauterization treatment. Principal then conducted their own review of the procedure and reached a similar conclusion to Wellmark's (see attached three page document). They

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concluded that this procedure is for this limited diagnostic reason and is not a covered expense under the health plan.

Despite the medical interpretation by both Wellmark and Principal that this is not a covered expense, it is recommended that this agreement to permit the City to self-fund this benefit for the City employees, excluding those covered by the MEA, be approved. This will permit reimbursement to employees who continued treatment for this year. In subsequent years or until this procedure is deemed non-experimental or no longer investigational, employees can set aside funds on a tax deferred basis through the Flexible Spending Account to pay for the expense.

MEA employees are excluded from this arrangement. MEA has filed a prohibited practice complaint before the Public Employee Relations Board alleging the City has engaged in bad faith due to Wellmark's review of this procedure and determination that it is investigational or experimental. MEA has also brought a grievance against the City with the same allegations and is proceeding to arbitration with that action. The MEA President was offered the opportunity to participate in this arrangement provided he would dismiss both the prohibited practice complaint and the grievance. MEA has not accepted this solution as an offer to settle.

Attachment

