



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

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Roll Call

No.:

Submitted by: Thomas G. Turner, Human Resources Director

SUBJECT—

Renewal with Wellmark Blue Cross and Blue Shield of Iowa (John Forsyth, CEO) for the period July 1, 2004 through June 30, 2005 and approval of monthly rates for retirees of the City of Des Moines.

SYNOPSIS—

Approve and authorize the Mayor to execute insurance binders for the health insurance renewal with Wellmark Blue Cross and Blue Shield of Iowa (John Forsyth, CEO) for the period July 1, 2004 through June 30, 2005 and approval of monthly rates for retirees of the City of Des Moines.

FISCAL IMPACT—

The Fiscal Year 2004 budget includes the costs of this renewal that includes an increase of 15.8% for active employees and retirees under age 65.

RECOMMENDATION—

Approval

BACKGROUND—

The City sponsors a health plan for substantially all full time employees of the City. Additionally, in accordance with provisions of Iowa Code Chapter 509A, the City permits retirees who are less than age 65 to purchase the same coverage as active employees by paying 100% of the charged premium. For several years, the City has voluntarily sponsored a health plan for Medicare eligible employees (generally those age 65 and older). These former employees pay 100% of their costs.

The City conducted a request for proposals (RFP) beginning fall 2003. This RFP process sought both insured and self-funded proposals. Only one insured proposal was received. At an earlier Council Workshop, it was indicated the City wished to maintain a fully insured plan to provide insulation from an adverse budget impact should the claims of employees and retirees exceed projections and to defer the requirement to acquire sufficient revenues to fund the state mandated claim fluctuation and run-out reserves. The renewal and RFP process for the insured plan were essentially the same. Wellmark was able to reduce their renewal from a 19.48% for active and early retirees based on claims experience through September 30, 2003 to 15.8% based on claim experience through December 2003. Retirees who are Medicare eligible will see an increase ranging from 11% for single coverage to 122% for family coverage. This large increase in family coverage is impacted by a rate structure change from the previous year when Wellmark charged the same premium without regard to whether it was for single or family coverage.

Through labor negotiations, the health plan was changed for MEA employees beginning January 2004 to provide additional cost participation in prescription drugs and other health costs. This involved increasing the co-payment on prescriptions to \$5 for generic and \$20 for brand name with these co-payments counting toward the employees total out of pocket maximum of \$600 for a single and \$1200 for a family per year with a 90/10 co-insurance rate. Additionally, these employees will pay a \$100 deductible for most health care other than physician office visits.

The Library unions (both the clerical and professional units) agreed to a plan with a deductible of \$250 per single and \$500 per family applicable to the same services as the MEA plan. The out of pocket maximum is \$750 per single and \$1500 per family for this group and has a 90/10 co-insurance rate. Drug co-payments will be \$5 for generic and \$15 for brand name. These co-payments are not credited to the out of pocket maximum. These employees will contribute 5% of the difference between the cost of the single and family premium beginning July 1, 2004.

The AFSCME union (Housing Services Department) agreed to essentially the same plan as the library unions. AFSCME took a lesser pay increase (5% over two years versus 6%) rather than accept a premium contribution. This change begins July 1, 2004.

The SPM group will have a new plan beginning July 1, 2004. It also is essentially the same as the Library plans with the exception that hospital facility charges are covered at 100% without a deductible or co-insurance. (As the rates quoted by Wellmark are the same for both the SPM plan and the Library and AFSCME plans, those unions have been approached to accept the same coverage as SPM. This would be a slight improvement in their benefit but not increase the cost to the City). SPM employees in general will begin to contribute 1% of their annual base salary to the premium beginning January 1, 2005.

CIPEC, Police and Fire union employees will continue with the current Traditional Plan as they have labor agreements continuing through June 30, 2005 for the police and fire unions and June 30, 2006 for CIPEC.

Force 1, through their insurance committee, has been working diligently to examine options for retirees. Through their effort in several meetings with representatives of Wellmark, they have been able to obtain a fully insured rate quote for both the SPM and Traditional plans. Also, they were successful in obtaining a Medicare Group Supplement plan with no prescription coverage. This standard product offered by Wellmark will be available as a further option. Due to Force 1's hard work, Wellmark has agreed to permit retirees selecting this Medicare Group Supplement plan to re-enter the other City health plan offerings at the next annual enrollment. The Medicare Group Supplement Plan is re-rated every year in January. Historically, the increase in premium has been 3-5%. Last year it did not increase. What the change will be in January 2005 is unknown.

Below is a chart comparing the FY2004 versus the FY2005 rates.

<u>Active and Under Age 64 Retirees</u>	FY 2004 Plan Rates		FY 2005 Plan Rates		Percent Difference	
	Single	Family	Single	Family	Single	Family
Traditional	\$376.57	\$941.43	\$434.77	\$1,086.93	15.46%	15.46%
MEA*	\$353.19	\$883.00	\$408.99	\$1,022.51	15.80%	15.80%
SPM	\$360.13	\$900.30	\$384.13	\$960.33	6.66%	6.67%
Library	\$376.57	\$941.43	\$384.13	\$960.33	2.01%	2.01%
AFSCME	\$376.57	\$941.43	\$384.13	\$960.33	2.01%	2.01%
<u>Medicare Retirees</u>						
Traditional	\$360.00	\$360.00	\$505.71	\$1,011.41	28.81%	180.95%
SPM	\$360.00	\$360.00	\$398.95	\$797.00	9.76%	121.39%
Wellmark Supplement	NA	NA	\$140.00	\$280.00		