



Agenda Item:

065

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 06/08/04
No.: 04-277
Agenda Item Type: Resolution
No.:

Communication

Roll Call

Submitted by: Tom Turner, Human Resources Director

SUBJECT—

Administrative Services Only (ASO) Agreement with Wellmark Blue Cross Blue Shield of Iowa (John Forsyth, CEO, Des Moines) for administration of dental claims for active and retired employees.

SYNOPSIS—

Renew ASO agreement with Wellmark Blue Cross Blue Shield of Iowa for administration of City's dental insurance benefit for the period beginning July 1, 2004 through June 30, 2005.

FISCAL IMPACT—

\$1,746,909 to fully fund claims liability in FY 05.

RECOMMENDATION—

Approval

BACKGROUND—

Self Insured dental quotes were received from Wellmark and United Health Care. Principal Financial Group provided a fully insured quote. Of the two self-insured quotes, Wellmark provided the lower ASO administrative fee at \$2.91 per member per month.

In accordance with state law, the City is required to fund reserves for self-insured health plans. In fiscal years 2003 and 2004, the City was exempted from the reserve requirement, as the dental plan cost was less than 1% of the City's general budget. In FY05, however, as the City's operating budget is decreasing and the cost of the dental plan is increasing, the dental plan will

most likely not be eligible for this exemption. Thus, the proposed single rate of \$27.54 and the family rate of \$71.32 funds 125% of projected claims in FY 05 and will satisfy required reserves. Subsequent years should not require this level of reserve funding. Principal's fully insured rate quote is less than the proposed self-insured rates, however more than expected claims. Consequently, for the dental plan, it is prudent to fund reserves versus paying premiums.