



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 05/09/05  
257

Communication No.: 05-

Agenda Item Type: Resolution  
No.:

Roll Call

Submitted by: Thomas G. Turner, Human Resources Director

### SUBJECT—

Renewal with Wellmark Blue Cross and Blue Shield of Iowa (John Forsyth, CEO, 636 Grand Avenue, Des Moines, IA 50309) for the period July 1, 2005 through June 30, 2006 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, 2005 through June 30, 2006 and approval of monthly rates for retirees of the City of Des Moines. Rates for over age 65 retirees are effective for a six (6) month period from July 1 through December 31, 2005.

### FISCAL IMPACT—

The FY06 budget reflects the cost of this renewal that includes an increase of 10.05% for active employees and retirees under age 65. The cost for over age 65 (Medicare eligible) retirees is borne entirely by the retirees and does not impact the budget.

### 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 premium costs.

Wellmark's initial renewal quote was for a 26.26% increase for active employees and retirees under age 65 and 33.60% increase for retirees over age 65. Human Resources staff has worked with Wellmark to improve their renewal quote. Positive claims experience and competitive interests from other health insurance providers has resulted in Wellmark's final quote of 10.05% for active employees and retirees under age 65. Wellmark's renewal quote for the over age 65 retirees has been reduced to 27.62% and Wellmark has created an additional option for the Medicare eligible group. This option is substantially similar to the over 65 SPM plan for \$94 less per month.

Through labor negotiations and a subsequent arbitration decision, the health plan was changed for MEA employees beginning July 1, 2005. Eligible MEA employees will change to the SPM plan and begin premium contributions for family coverage. Their contributions will be 5% of the difference between the single and family premium. This is the same contribution in place for SPM employees in general. Fire union employees will also change to the SPM plan beginning July 1 and will begin premium contributions July 1, 2006. Per arbitration award, police union employees will experience no change in their health insurance benefit through June 30, 2006, and will remain covered by the traditional health plan without contribution.

Force 1, through their insurance committee, has been working diligently with City staff to examine options for retirees. They have been instrumental in attaining a lower renewal quote and a more affordable option for Medicare eligible retirees from Wellmark

Effective January 1, 2006, Medicare Part D will be available to Medicare eligible individuals. This federally funded prescription program may have a dramatic impact on insurance options and rates. The City and Force1, in conjunction with a comprehensive health insurance bidding process to be conducted this fall, will explore the effects of Part D, solicit provider interest and recommend plan options for Medicare eligible retirees. Further, since Part D is expected to provide better plan options, the over age 65 rates are only effective for six months (7/1/05 – 12/31/05).

The chart below compares the FY2004 versus the FY2005 rates.

<u>Actives and Under Age 65 Retirees</u>	<u>FY 2005 Plan Rates</u>		<u>FY 2006 Plan Rates</u>		<u>Percent Difference</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Traditional	\$ 430.42	\$ 1,076.06	\$ 473.68	\$ 1,184.21	10.05%	10.05%
SPM	\$ 380.29	\$ 950.73	\$ 418.51	\$ 1,046.28	10.05%	10.05%

SPM plan covers SPM employees and the MEA, AFSCME, Library Units 10 & 11 and Fire units.  
Traditional plan covers employees in the Police and CIPEC units.

<u>Medicare Retirees</u>	<u>FY 2005 Plan Rates</u>		<u>Plan Rates</u> <u>7/1/05 - 12/31/05</u>		<u>Percent Difference</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Traditional	\$ 500.65	\$ 1,001.30	\$ 638.23	\$ 1,276.45	27.48%	27.48%
*SPM	\$ 394.96	\$ 789.03	\$ 503.49	\$ 1,006.99	27.48%	27.62%
Medicare Supp Plan F	\$ 140.00	\$ 280.00	\$ 140.00	\$ 280.00	0.00%	0.00%
Plan F w/ SPM Rx Plan	n/a	n/a	\$ 456.55	\$ 913.10	n/a	n/a

Dental	<u>FY 2005 Plan Rates</u>		<u>FY 2006 Plan Rates</u>		<u>Percent Difference</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
	\$ 27.54	\$ 71.32	\$ 28.65	\$ 74.19	4.03%	4.02%