



Agenda Item:

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COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

Agenda Date: 10/24/05
Agenda Item Type: Resolution

Communication No.: 05-608
Roll Call No.:

Submitted by: Thomas G. Turner, Human Resources Director

SUBJECT—

Selection of Wellmark Blue Cross and Blue Shield of Iowa, John Forsyth, CEO, 636 Grand Ave, Des Moines, IA 50309, for the period of January 1, 2006 through December 31, 2006 for City of Des Moines Retiree Health Plan and approval of monthly rates for retirees on Medicare.

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 January 1, 2006 through December 31, 2006 and approval of monthly rates for Medicare eligible retirees of the City of Des Moines. Rates for non-Medicare eligible retirees are included with active employees and have a 7/1/06 renewal date.

FISCAL IMPACT—

This action has no fiscal impact to the City of Des Moines. Insurance for Medicare eligible retirees is separate from the insurance of active employees under this recommendation and Medicare retirees pay 100% of their premiums. While it has no fiscal impact on the City, Medicare Retirees could experience significant savings under the change.

RECOMMENDATION—

Approval

BACKGROUND—

Beginning January 1, 2006, Medicare will offer prescription drug coverage, called Part D. People with Medicare can only get this coverage by joining a Medicare prescription drug plan through a private

company. In Iowa, approximately 15 companies have been approved by Medicare to offer Part D plans.

Part D is a substantial undertaking and will have a significant impact to City of Des Moines retirees with Medicare.

In response to the implementation of Part D, the City employed Mercer consulting to conduct a formal RFP for the purpose of receiving plan design and rate quotes from companies approved to sell Medicare supplement plans in Iowa. Mercer, the ad-hoc insurance committee, and the Force-1 health insurance committee evaluated proposals and interviewed proposers. The two finalists were Marsh & McLennan Company and Wellmark. Ultimately, Force-1 recommended Wellmark as the Medicare health plan provider for City retirees.

The selected plan designs and corresponding monthly rates are attached. The “Active” City plans historically offered to its Medicare retirees will no longer be offered to retirees on Medicare after December 31, 2005. Not only has Part D has made these plans obsolete, but in addition, Wellmark would only continue the plans for Medicare Retirees if they were assured of maintaining health insurance coverage for all City employees. This condition could not be met as the City, through its consultant, will be conducting an RFP for the health insurance for active and under age 65 retirees in the near future.

As stated, prescription drug coverage through Medicare will have a significant impact on City retirees. For example, a retiree currently on the City’s traditional plan would save \$826/month or nearly \$10,000 a year for family coverage by selecting the richest Wellmark Medicare supplement plan. Under this scenario, the retiree would now have a prescription drug co-pay of \$5/\$15/\$35, however monthly premium savings would more than make up for the additional out-of-pocket expense.

Of special note, Force 1, through their insurance committee, worked diligently with City staff to examine options for retirees. Their effort in attending several meetings with Mercer and the proposing companies and reviewing in detail the various options presented has been instrumental in selecting these more affordable options for Medicare eligible retirees.