



**Council  
Communication**  
Office of the City Manager

Date

May 22, 2006

Agenda Item No. 62

Roll Call No. 06-

Communication No. 06-286

Submitted by: Thomas G. Turner, Human Resources Director

**AGENDA HEADING:**

Recommendation on the City's HMO health insurance provider for employees represented by the Police and Fire bargaining units.

**SYNOPSIS:**

Approve an agreement with Wellmark Blue Cross and Blue Shield of Iowa (John Forsythe, CEO, Des Moines) for a fully insured HMO health plan for active employees represented by the City's Police and Fire Union for the period July 1, 2006 through June 30, 2007.

**FISCAL IMPACT:**

Amount: \$850,000

Funding Source: 2006-2007 Operating Budget: Human Resources, IS304, HRS960400, page 286

**ADDITIONAL INFORMATION:**

The City of Des Moines sponsors two fully insured health insurance plans providing medical (physician, lab, hospitalization, etc.) and prescription drug insurance for active employees and retired City employees. A PPO plan (preferred provider organization) is provided to the majority of City employees and retirees under the age of 65. The City also provides a Health Maintenance Organization (HMO) option for employees represented by the Police and Fire bargaining units. At present, eighty-five employees are enrolled in the HMO.

At the April 10, 2006 council meeting, following a formal RFP process, Council renewed with Wellmark, the PPO health plan for fiscal year 2007. During the RFP, Wellmark and United Health Care submitted HMO quotes. United Health Care, Inc. provided a self-insured option and Wellmark a fully insured bid. Coventry Health Care of Iowa, Inc. (West Des Moines, IA) who has fully insured the HMO option for ten years did not participate in the RFP, but did provide a renewal quote for their HMO.

Coventry presented a 5.4% premium increase. Wellmark's proposal matched current plan design and is \$49,400 less than Coventry's current rates and \$97,960 less than Coventry's renewal offer. Wellmark's

proposal is \$195,809 and is provided for under the FY07 budget. (See Cost Analysis below) The City did not pursue the self-insured option with United Health Care.

Police and Fire Union representatives were consulted and are amenable to switching from Coventry to Wellmark provided employees do not experience a material change in benefits. As stated, Wellmark claims to have “matched” the Coventry benefits. However, matching benefits from one provider to another is sometimes difficult. Thus, at the Police union’s request, the City will set aside \$25,000 of the anticipated savings to fund unforeseen qualified medical expenses that would have been paid by Coventry but are not paid by Wellmark. This provision will be in effect from July 1, 2006 through December 31, 2006.

Cost Analysis:

	Number of Contracts	Current FY 06 Monthly Rates	Wellmark FY 07 Monthly Rates	Wellmark FY 07 Annual Premium
Single	4	\$ 254.73	\$ 342.69	\$ 16,449
Family	81	\$ 911.93	\$ 856.73	\$ 832,742
Total	85			\$ 849,191
Budget				\$1,045,000
			Premium Amount Under FY07 Budget	\$ 195,809

**PREVIOUS COUNCIL ACTION(S):**

Date: May 9, 2005

Roll Call Number: 05-1166

Action: Renewal of Coventry Health Care with HMO option for employees in Police and Fire Collective Bargaining groups. ([Council Communication No. 05-256](#)) Moved by Hensley to adopt. Motion Carried 6-1.

**BOARD/COMMISSION ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**