



Council Communication

Office of the City Manager

Date

May 4, 2009

Agenda Item No. 61
Roll Call No. 09-
Communication No. 09-266
Department: Tom Turner, Human
Resources Director

AGENDA HEADING:

Approval of agreement with Wellmark Blue Cross and Blue Shield of Iowa (John Forsyth, CEO, 636 Grand Ave., Des Moines, IA 50309) to provide employees and retirees with Health Plans and Flexible Spending Account (FSA) administration for the period of July 1, 2009 through June 30, 2010.

SYNOPSIS:

On behalf of the City of Des Moines, Mercer Health & Benefits in partnership with B. Brendan Berigan & Associates conducted a request for proposal (RFP) for group health and prescription drug programs and FSA administration for the plan year beginning July 1, 2009. Staff recommends that Council accept the consultant's findings by authorizing the Mayor to execute a binder extending the health insurance coverage (all health coverage including the Blues Choice network and the Blue Access HMO) and flexible medical and dependent care administration with Wellmark Blue Cross and Blue Shield of Iowa for the period from July 1, 2009 through June 30, 2010.

FISCAL IMPACT:

Amount: \$21,297,000. The anticipated cost for health insurance premiums is \$21,297,000. The budgeted amount is \$21,427,000. The actual premium increase is 9.83% versus a budget estimated increase of 10.5%.

Funding Source: 2009-2010 Operating Budget: Human Resources Department, Health and Dental Insurance, IS301, HRS960100.

ADDITIONAL INFORMATION:

Mercer Health & Benefits in partnership with B. Brendan Berigan & Associates conducted a request for proposal (RFP) for group health and prescription drug programs and FSA administration for the plan year beginning July 1, 2009. The RFP findings and final recommendations were presented at a City Council workshop on February 23, 2009:

1. Award Wellmark Blue Cross Blue Shield of Iowa the contract to insure and administer the City of Des Moines' group health plans.
2. Accept the rate increase of 9.8% over current fully insured rates to be effective for plan year July 1, 2009 through June 30, 2010.
3. Accept the Wellmark offer to administer FSA plans for plan year beginning July 1, 2009 through June 30, 2010, at no cost. * This is an offer for initial year only, does not include costs for optional debit card feature and the City will need to consider administration costs for future years.

4. Accept Wellmark proposed Operational Performance Standards Guarantee which places 20% at risk of the annualized administration fee. Meet with Wellmark in advance of the renewal date to collaborate on content, timing and performance review of Member and Account Satisfaction surveys.
5. Due to several factors, including: troubled national economic atmosphere, limited *potential* upside savings from converting from fully insured to self insured, substantial additional claims risk exposure and possible negative GASB 45 liability (concerning possible prefunding for future retiree costs), it is most prudent to continue to fund the group health plans on a fully insured basis for the plan year July 1, 2009 through June 30, 2010.

PREVIOUS COUNCIL ACTION(S):

Date: August 11, 2008

Roll Call Number: 08-1469

Action: Request for Proposal (RFP) for consultant to assist with development and evaluation of a competitive Request for Proposal (RFP) for City's Employee Health Plans and Flexible Spending Account Administration and recommendations regarding provider and funding. (Council Communication No. 08-502) Moved by Coleman to adopt. Motion Carried 7-0.

Date: May 19, 2008

Roll Call Number: 08-932, 08-933

Action: (A) Health Insurance Coverage for employees and certain retirees. Moved by Coleman to adopt; add a Council policy directing that staff will bring proposed renewal process to Council for review no less than four months prior to the end of contract. Motion Carried 6-1. Nays: Hensley

(B) Administration services related to the City's Self-Insured Dental Plan for employees and certain retirees. Moved by Coleman to adopt; add a Council policy directing that staff will bring proposed renewal process to Council for review no less than four months prior to the end of contract. Motion Carried 6-1. Nays: Hensley.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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| <u>Employee Group</u> | <u>7-1-2008 Plan Rates</u> | | <u>7-1-2009 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> |
| CIPEC | 399.28 | 998.22 | 438.51 | 1096.30 | 9.83% | 9.83% |
| Police Union | 399.28 | 998.22 | 438.51 | 1096.30 | 9.83% | 9.83% |
| Library Units 10 & 11 | 388.17 | 970.41 | 426.31 | 1065.76 | 9.83% | 9.83% |
| AFSCME | 388.17 | 970.41 | 426.31 | 1065.76 | 9.83% | 9.83% |
| MEA | 391.67 | 979.19 | 430.15 | 1075.40 | 9.83% | 9.83% |
| Fire Union | 399.28 | 998.22 | 438.51 | 1096.30 | 9.83% | 9.83% |
| SPM | 399.28 | 998.22 | 438.51 | 1096.30 | 9.83% | 9.83% |
| Blue Access - Police & Fire Option | 413.40 | 1,033.51 | 454.02 | 1135.06 | 9.83% | 9.83% |
| Retirees - Non-Medicare | 399.28 | 998.22 | 438.51 | 1096.30 | 9.83% | 9.83% |
| Retirees-Non-Medicare non-Iowa | 504.87 | 1,262.16 | 554.48 | 1,386.18 | 9.83% | 9.83% |

Notes:

Plan Differences:

CIPEC, Police, Fire, SPM, Retirees: \$10 Office Visit Copay; \$5 generic and \$15 brand name prescription co-pay.

MEA: \$15 Office Visit Copay; \$5 generic and \$20 brand name prescription co-pay.

Library Units and AFSCME: \$20 Office Visit Copay; \$5 generic and \$20 brand name prescription co-pay.