



Council Communication

Office of the City Manager

Date

May 18, 2009

Agenda Item No. 77
Roll Call No. 09-
Communication No. 09-301
Department: Tom Turner, Human
Resources Director

AGENDA HEADING:

Approval of Administrative Services Only (ASO) fees with Wellmark Blue Cross and Blue Shield of Iowa (John Forsyth, CEO, 636 Grand Ave., Des Moines, IA 50309) to administer City’s dental benefit for employees and retirees for the period of July 1, 2009 through June 30, 2010.

SYNOPSIS:

A Request for Proposals (RFP) was conducted in accordance with the City’s procurement ordinance for the administration of the City’s dental benefit. Three insurance companies responded: Wellmark, Principal Financial Group and Delta Dental.

Staff recommends authorizing the Mayor to execute an administrative-only agreement for the City’s dental benefit with Wellmark Blue Cross and Blue Shield of Iowa for the period of July 1, 2009 through June 30, 2010.

FISCAL IMPACT:

Amount: \$1,905,000. The anticipated cost for the dental benefit is \$1,905,000. The budgeted amount is \$1,986,000. The actual premium increase is 6% versus a budget estimated increase of 10.5 %.

Employee Group	7-1-2008 Plan Rates		7-1-2009 Plan Rates		Percent Difference	
	Single	Family	Single	Family	Single	Family
CIPEC	35.64	92.27	37.75	97.77	6.0%	6.0%

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

ADDITIONAL INFORMATION:

The RFP evaluation formula assigned 65 of the 101 eligible points to administration costs, which primarily consists of claims processing fees, network access fees and reinsurance premiums. Wellmark submitted the lowest fee structure and was consequently awarded the maximum 65 points. Delta Dental submitted the next lowest fee, receiving 58 points, while Principal quoted the highest fee, receiving 36 points. Included in Principal’s proposal was a relatively high reinsurance quote of \$2.75 per employee per month. Wellmark quoted a rate of \$.06, while Delta Dental quoted \$.05. Principal also included a fee of \$7.95 per retiree to bill

the City's Medicare retirees directly. Wellmark currently does this for no additional cost and Delta offered to direct bill for no additional fee as well. Rates were verbally confirmed with all three companies.

The scope of dental network was the second most valuable criteria (30 points) and realistically has the greatest impact on cost. The City, its employees and retirees benefit financially from using network providers. Network dentists provide their services at a discounted rate and employees cannot be "balanced billed," which is the difference between the billed and allowed rates. The RFP attempted to evaluate scope of network by two means: the number of network dentists in central Iowa and the average allowed charge for the 10 most common dental procedures. According to the proposals, Delta Dental has the most network PPO providers with 273, Wellmark second with 254 and Principal third with 186. Delta also submitted the lowest average claim cost for the ten most common procedures. Based on 2008 experience, Delta's proposed cost was \$40,000 less than Wellmark and \$125,000 less than Principal. Delta received 30 points, Wellmark 28 and Principal 23.

Proposer's abilities and qualifications were the final criteria and worth up to five points. The panel agreed that all three companies were qualified and capable of administering the City's dental benefit. Wellmark has administered the City's dental benefit since 2003, Principal before that and Delta Dental is the largest dental insurer in Iowa. All three companies received the maximum points allowed.

With Wellmark and Principal receiving 1 point each for local preference (Delta Dental is headquartered in Ankeny, Iowa), Wellmark received the highest score (99), Delta (93) and Principal (65). Delta Dental filed a written appeal of the Selection Committee's recommendation to select Wellmark. Delta's objection is with the RFP scoring criteria. Delta claims that too much weight was given to administrative cost versus scope of network and claim cost. Claim cost comprises 4.5 percent of the annual dental benefit cost (\$72,000), whereas claim cost total is in excess of \$1.6 million. The RFP however, was structured to reward the most points to the lowest known cost. Further, only about 50% of the claim costs were evaluated. Specialty service expenses such as orthodontia and oral surgery were not solicited due to the complexity of the procedures. Delta's appeal was overruled by the Hearing Officer, Merrill Stanley (Deputy City Manager). Mr. Stanley found that all proposals were reviewed and scored in accordance with the RFP.

PREVIOUS COUNCIL ACTION(S):

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

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.