



# Council Communication

Office of the City Manager

Date

November 23, 2009

Agenda Item No. 39

Roll Call No. 09-

Communication No. 09-836

Submitted by: Tom Turner, Human Resources Director

## AGENDA HEADING:

Authority to issue Request for Proposals (RFP) for a benefit consultant to conduct a competitive bid process for the City's health and dental benefits and flexible spending account (FSA) administration for Fiscal Year 2011 and receive a waiver of the advertising requirements of the purchasing ordinance.

## SYNOPSIS:

Approve issuance of RFP to select an employee benefit consultant for the purpose of: 1) conducting a RFP process to select a health and dental insurance carrier for fiscal year 2011; 2) recommend best funding mechanism to finance employee health insurance and 3) select flexible spending account administrator.

## FISCAL IMPACT:

Amount: \$20,000- \$60,000

Funding Source: 2010 Operating Budget: Human Resources Department, Health and Dental Insurance, IS301, HRS960100, page 147.

## ADDITIONAL INFORMATION:

Annually, the City is required to secure a new contract to provide health insurance coverage for City employees and retirees. The benefit levels, and to some extent the scope of the provider network, are matters subject to collective bargaining and cannot be changed unilaterally. Wellmark has been the provider of the City's health insurance since February 2003. The City's plan is currently a fully insured plan, meaning the city has no risk in regard to claims in any particular year. The insurer takes the risk for any claims that are incurred in excess of the anticipated usage. The City conducted a RFP for health insurance for FY10. The process netted only one fully compliant proposal and two partial proposals. Due to this lack of proposers, City staff was intending to seek the Council's authority to engage a consultant to test the rate proposals from Wellmark and negotiate the best rate possible on behalf of the City. Unfortunately, Wellmark's initial rate proposal is high based upon data available to City staff. In order to fully explore any and all options for the City, including various forms of financing the benefit (fully insured, partially insured and self-insured), staff recommends a RFP process for a consultant to conduct a competitive bid process to recommend a company(s) to provide health and dental insurance and FSA administration. Further, the consultant will recommend the best funding mechanism to finance the City's health plan for fiscal year 2011. The consultant's scope of work is:

- a. Conduct RFP for provision of health and dental insurance and administration of flexible spending accounts for City Employees and Retirees with Procurement Administrator oversight.
- b. Recommend best proposal and best funding mechanism to finance health and dental benefits.

In order to complete the process in sufficient time to meet the requirements of finalizing the fiscal year 2011 budget, a waiver of the advertising requirement is needed to conduct the RFP for both selection of the consultant and insurance company(s). The Procurement Administrator will construct a timeline to provide adequate notice to interested consultants and will provide direct oversight of the consultant's RFP for the provision of health and dental insurance and FSA administration.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: May 18, 2009

Roll Call Number: 09-927

Action: Contract with Wellmark Blue Cross Blue Shield of Iowa, for Administration Services related to the City's self-insured Dental Plan for employees and certain retirees and affirming report of Hearing Officer on appeal of award of contract. (Council Communication No. 09-301) Moved by Hensley to adopt. Motion Carried 7-0.

Date: May 4, 2009

Roll Call Number: 09-800

Action: Wellmark Blue Cross Blue Shield Administration Contract for employees and certain retirees for Health Insurance and Flexible Spending Accounts (FSA) for FY 09/10. (Council Communication No. 09-266) Moved by Mahaffey to adopt. Motion Carried 7-0.

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

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

December 21, 2009 - Selection of Benefit Consultant

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