



Council Communication

Office of the City Manager

Date	May 10, 2010
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Agenda Item No.	56
Roll Call No.	10-755
Communication No.	10-263
Submitted by:	Tom Turner, Human Resources Director

AGENDA HEADING:

Approve agreement with Wellmark Blue Cross and Blue Shield of Iowa, John Forsyth, CEO, 636 Grand Avenue, Des Moines, IA 50309, to provide employee and retiree Health Plans and Flexible Spending Account (FSA) administration for the period July 1, 2010 through June 30, 2011.

SYNOPSIS:

On behalf of the City of Des Moines, Holmes Murphy and Associates (HMA) conducted a request for proposals (RFP) for group health and prescription drug programs and flexible spending account administration for the plan year beginning July 1, 2010. The RFP findings and final recommendations are:

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 10.03% over current fully insured rates to be effective for plan year July 1, 2010 through June 30, 2011. This rate adjustment reflects a renewal rate of 10.93% reduced to 10.03% by acceptance of a minimal change described herein.
3. Accept Wellmark offer to administer FSA plan for period beginning July 1, 2010 and ending December 31, 2011, for the cost of \$4.00 per FSA participant per month. 962 employees are currently enrolled in a FSA account.

Staff recommends that Council accept the consultants 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) with Wellmark Blue Cross and Blue Shield of Iowa for the period from July 1, 2010 through June 30, 2011, and flexible medical and dependent care administration with Wellmark for the period from July 1, 2010 through December 31, 2011.

FISCAL IMPACT:

Amount: \$24,353,034. The anticipated cost for health insurance premiums is \$24,306,858 and \$46,176 for FSA administration. Adopted budget is \$25,657,362. The actual premium increase is 10.03% versus Wellmark's original renewal estimate of 16.5%.

Funding Source: 2010-2011 Operating Budget: Human Resources Department, Health and Dental Insurance, IS301, HRS960100, page 147.

ADDITIONAL INFORMATION:Health Insurance:

Four companies submitted competitive bids for the City's group health insurance plan. They are: Wellmark, Coventry, United Health Care (UHC) of the Midlands and UHC of the River Valley. HMA requested a bid from Principal Financial Group, however they declined to bid.

Self-funded quotes were solicited from all vendors listed above plus Third Party Administrators, who can perform claims administration for various health networks. All declined to submit a self-insured quote.

Partial self-funding is an option that lowers premiums by sharing claim cost with an insurance company. Wellmark and Coventry submitted partial self-funded quotes. Monthly premiums were less, but the projected claim cost made the proposals non-competitive with the fully-insured quotes.

Coventry, Wellmark and United Healthcare (UHC) submitted fully-insured quotes. UHC's proposal was non-competitive and did not comply with current plan design. Wellmark submitted the lowest bid with a 10.93% rate increase and Coventry submitted a competitive quote of 11.26% over current rates. Wellmark also submitted two alternate proposals, which reduced their premiums. Each requires minor changes to the benefits.

Alternate 1 adds a six month pre-existing condition clause to the City's health plan for new employees, spouses and dependents that did not have health insurance prior to enrolling on the City's plan. Implementing this change lessens the rate increase by 1.68%, or approximately \$373,000 per year.

Alternate 2 increases the penalty for not pre-authorizing out-of-state, non-emergency surgeries from 25% to 50%. Implementing this change lessens the rate increase by .9%, or approximately \$200,000. Effectively, this change has no effect on actual benefit coverage. The current pre-authorization penalty of \$500 remains unchanged and this penalty has never been assessed to someone covered by the City plan.

Both alternates were presented to union leadership, however no agreement from any of the unions has been obtained. Staff does not recommend the adoption of, the pre-existing condition clause as it is contrary to a national movement away from such practices. The claim risk and perception of implementing this alternate is risky and subject to possible adverse arbitrator ruling.

Alternate 2 is clearly a minimal change that produces a significant amount of savings. In the last three plan years, no member has been assessed this penalty. There is minimal no claim exposure to the employee or City. Staff recommends implementing alternate 2.

Flexible Spending Account (FSA) Administration

Four companies submitted proposals to administer the City's FSA plan. Wellmark submitted a bid of \$4.00/employee/month. Two companies submitted lower bids, however, Wellmark maintains the competitive advantage when the cost of Wellmark to provide claim information to a third party FSA administrator is added. Staff recommends renewing with Wellmark for FSA administration.

PREVIOUS COUNCIL ACTION(S):

Date: December 21, 2009

Roll Call Number: 09-2298

Action: [Selection](#) of Holmes Murphy and Associates to conduct a Request for Proposals (RFP) for employee health and dental insurance and flexible spending account administration for FY2011. ([Council Communication No. 09-874](#)) 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.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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<u>Employee Group</u>	<u>7-1-2009 Plan Rates</u>		<u>7-1-2010 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	438.51	1096.30	482.49	1206.26	10.03%	10.03%
Police Union	438.51	1096.30	482.49	1206.26	10.03%	10.03%
Library Units 10 & 11	426.31	1065.76	469.07	1172.66	10.03%	10.03%
AFSCME	426.31	1065.76	469.07	1172.66	10.03%	10.03%
MEA	430.15	1075.40	473.29	1183.26	10.03%	10.03%
Fire Union	438.51	1096.30	482.49	1206.26	10.03%	10.03%
SPM	438.51	1096.30	482.49	1206.26	10.03%	10.03%
Blue Access - Police & Fire Option	454.02	1135.06	499.56	1248.91	10.03%	10.03%
Retirees - Non-Medicare	438.51	1096.30	482.49	1206.26	10.03%	10.03%
Retirees-Non-Medicare non-Iowa	554.48	1,386.18	610.09	1525.21	10.03%	10.03%

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.