

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	May 23, 2011
	<b>Agenda Item No.</b>	<b>59</b>
	<b>Roll Call No.</b>	<b><u>11-937</u></b>
	<b>Communication No.</b>	<b><u>11-331</u></b>
	<b>Submitted by:</b>	<b>James Wells, Interim Human Resources Director</b>

**AGENDA HEADING:**

Approve administrative services only agreement with Delta Dental of Iowa, Donn Hutchins, President and CEO, 9000 Northpark Drive, Johnston, Iowa 50131 to provide administration of the employee and retiree dental insurance plan for the period July 1, 2011 through June 30, 2012 and to authorize staff to negotiate a renewal with Delta Dental of Iowa for the term July 1, 2012-June 30, 2013 subject to the approval of the City Manager who also shall be authorized to execute such FY 2013 renewal binder with Delta Dental of Iowa without requirement of further council review.

**SYNOPSIS:**

On July 1, 2010, Delta Dental of Iowa (Delta) began administering the City’s self-insured dental benefit. Delta was awarded the work through an RFP conducted by Holmes Murphy. Delta’s cost proposal was ten percent less than the next lowest bidder. Delta is able to provide a lower cost benefit through competitive administrative fees and by having the largest network of participating providers with the deepest discounts in Iowa. Based on ten months of claims experience from July 1, 2010 through April 30, 2011, Delta’s estimated plan cost for fiscal year 2011 appears valid. Delta’s claim estimate for fiscal year 2012 and frozen administrative fee will allow the City to fund the dental benefit at current rates for the second consecutive year.

A waiver to the competitive bidding process is allowed when good cause is shown. Staff believes that an RFP for dental benefit administration would not further reduce costs. Negotiations between City Staff and Delta Dental resulted in a 0% increase in fixed administrative fees and a guaranteed maximum increase for fiscal year 2013. A comparison of dental networks in Iowa and claims experience with Delta Dental confirms their network scope and deep discounts. Further, the dental benefit is capped at \$1,000/year per covered person. The risk of unexpected high claim cost is minimal.

Staff recommends renewing with Delta Dental and authorizing the Mayor to execute a binder for administration of the City’s self-insured dental benefit for active employees and retirees with Delta Dental of Iowa for the period from July 1, 2011 through June 30, 2012 and further staff is authorized to negotiate a renewal with Delta Dental of Iowa for the term July 1, 2012-June 30, 2013 subject to the approval of the City Manager who also shall be authorized to execute such FY 2013 renewal binder with Delta Dental of Iowa without requirement of further council review.

**FISCAL IMPACT:**

Amount: \$1,709,095. The budgeted amount is \$1,754,000. Delta Dental’s projected claim cost and fixed administrative fees allow the City to maintain current benefits with no increase in premiums.

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

**ADDITIONAL INFORMATION: NONE**

**PREVIOUS COUNCIL ACTION(S):**

Date: May 10, 2010

Roll Call Number: 10-546

Action: Approval of Agreement with Delta Dental of Iowa for Administration Services Related to the City's Self-Insured Dental plan for Employees and Certain Retirees.

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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