

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 20, 2013
	Agenda Item No.	40
	Roll Call No.	<u>13-811</u>
	Communication No.	<u>13-253</u>
	Submitted by:	James R. Wells, Human Resources Director

AGENDA HEADING:

Approve administrative services only agreement with Wellmark Blue Cross and Blue Shield of Iowa, John Forsyth, CEO, 1331 Grand Avenue, Des Moines, IA 50309, to provide claims administration for employee and retiree Health Plans for the period July 1, 2013 through June 30, 2015.

SYNOPSIS:

Approve agreement with Wellmark to administer the City’s self-funded employee and non-Medicare retiree health plans for Fiscal Year (FY) 2014 and FY2015.

FISCAL IMPACT:

Amount: \$1,692,238 in administrative costs

Funding Source: Health/Dental Fund, ISO301, HRS960100, Health and Dental Fund, p. 132

ADDITIONAL INFORMATION:

FY2014 will mark the third year of the City self funding its employee and retiree health plan and the second consecutive year without a premium increase (see premium table below).

In November 2012, Wellmark submitted their FY2014 renewal to the City. Their proposal included a 5% increase in administrative expense (\$31,500); 11% increase in individual stop loss insurance (\$74,200); 25% increase in aggregate stop loss coverage (\$5,500); and a 3.67% decrease in projected claims (\$834,547).

The City’s benefit consultant, Holmes Murphy and Associates (HMA), conducted a thorough review of Wellmark’s renewal quote. HMA agreed with Wellmark’s claims projection, but negotiated lower administrative fees and excess loss premiums lowering Wellmark’s overall administrative cost by 4% or a savings of \$46,000. Further, Wellmark guaranteed to limit any administrative service fee increase to no more than 2% in FY2015 for additional savings of \$36,000.

New fees promulgated by the affordable care act are effective January 1, 2014. They include a \$2/employee/year Comparative Effectiveness Research Fee and a \$5.25 per covered person per month Reinsurance Fee. The two (2) fees are estimated to cost the City \$335,000 per year (\$170,264 in FY2014).

HMA’s estimated total health plan cost, including claims, administration and government fees is \$24,445,447. The City has accumulated adequate reserves to satisfy state law for self-funded health plans for FY14.

The specific cost centers of the employee and retiree health plan are:

Claims Administration	\$	828,112
Excess Loss Insurance		767,502
Disease & Pregnancy Mgt		96,624
Healthcare Reform Fees		170,264
Projected Claims		<u>22,582,975</u>
Total Health Plan Costs		24,445,477

<u>FY14 Health Insurance Premiums</u>						
<u>Employee & Retiree Group</u>	<u>7-1-2012 Plan Rates</u>		<u>7-1-2013 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	515.05	1287.67	515.05	1287.67	0.0%	0.0%
Police Union	515.05	1287.67	515.05	1287.67	0.0%	0.0%
Library Unit 11	500.73	1251.80	500.73	1251.80	0.0%	0.0%
AFSCME/Library Unit 10	479.86	1199.70	479.86	1199.70	0.0%	0.0%
MEA	505.24	1263.12	505.24	1263.12	0.0%	0.0%
Fire Union	515.05	1287.67	515.05	1287.67	0.0%	0.0%
SPM	515.05	1287.67	515.05	1287.67	0.0%	0.0%
Police & Fire HMO Option	533.27	1333.20	533.27	1333.20	0.0%	0.0%
Option 2	479.86	1199.70	479.86	1199.70	0.0%	0.0%

Notes:

Plan Differences
 CIPEC, Police, Fire, SPM: \$10 Office Visit Co-pay; \$5 generic and \$15 brand name prescription co-pay.
 MEA: \$15 Office Visit Co-pay; \$5 generic and \$20 brand name prescription co-pay.
 Library Unit 11: \$20 Office Visit Co-pay; \$5 generic and \$20 brand name prescription co-pay.
 Option 2/Unit 11/AFSCME: \$500/\$1000 Deductible; \$750/\$1,500 OPM; \$25 o/v co-pay; \$5/\$25/\$50 Rx co-pays.

PREVIOUS COUNCIL ACTION(S):

Date: May 21, 2012

Roll Call Number: [12-0807](#)

Action: [Exception](#) to competitive procurement process and approving administrative services only agreement with Wellmark Blue Cross and Blue Shield of Iowa to provide claims administration for employee and retiree health plans for the period July 1, 2012 through June 30, 2013. ([Council Communication No. 12-239](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 11, 2013

Roll Call Number: [13-0425](#)

Action: [Selection](#) of Holmes Murphy and Associates (James Swift, Chairman) to provide employee benefit consulting for period beginning on or about March 18, 2013 through June 30, 2018. ([Council Communication No. 13-122](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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