

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	December 22, 2014
	<b>Agenda Item No.</b>	<b>28</b>
	<b>Roll Call No.</b>	<b><u>14-1942</u></b>
	<b>Communication No.</b>	<b><u>14-592</u></b>
	<b>Submitted by:</b>	<b>James R. Wells, Human Resources Director</b>

**AGENDA HEADING:**

Approving a preliminary, short-term agreement with Des Moines Water Works (DMWW) regarding employee health insurance, PILOT and billing rates.

**SYNOPSIS:**

Approve adding DMWW employees to the City’s employee benefit plans by directing the City Manager to negotiate and the Mayor to execute an agreement allowing for the provision of these benefits for the period January 1, 2015 through December 31, 2015.

**FISCAL IMPACT:**

Amount: Revenue estimate of \$15,000 (administrative fees paid to City by DMWW).

Funding Source: 2014/2015 Operating Budget, Human Resources Department, Health and Dental Fund, I301, ND412647, page 124

**ADDITIONAL INFORMATION:**

The City of Des Moines and the DMWW began collaborating on employee benefits back on January 1, 2014 when DMWW employees were added to the City’s life and long-term disability (LTD) plans. By becoming a part of the much larger City plan, DMWW was able to reduce their life and LTD premiums by approximately \$20,000 per year. Since then, DMWW and the City have continued to explore other partnership opportunities to save tax and rate payers money. A number of DMWW’s employees have attended various training courses conducted by the City and recently DMWW requested to join the City’s health insurance pool.

Unlike the fully-insured life and long-term disability plans, the City does assume some risk by adding DMWW employees to its self-funded health insurance pool. To determine the extent of the risk and potential reward, if any, the City with its benefit consultant Holmes Murphy and Associates (HMA) analyzed the risk and reward of adding DMWW’s employee’s to its health fund. Based on various data and information, Human Resources with City Manager approval, presented a quote to DMWW to insure their health plans. The City’s offer was to maintain DMWW’s current rates through calendar year 2015.

This collaboration is estimated to reduce DMWW’s health insurance cost by \$120,000 per year and potentially generate \$300,000 per year in revenue for the City of Des Moines.

The specifics of this proposal include:

- 245 DMWW employees plus spouses and dependents added to City's insurance pool;
- DMWW employees maintain their current coverage;
- DMWW benefit staff continue benefit enrollment for DMWW employees;
- DMWW pays monthly health premiums to City;
- Claims incurred by DMWW employees are paid by City;
- DMWW will continue to operate their own flex, dental and voluntary vision plans;
- City assumes plan administration for DMWW, i.e., renewals, contract admin, etc.; and
- Financial Impact.
  - DMWW - \$120,000 savings in calendar year 2015
    - \$95,000 from maintaining DMWW's current rates versus Wellmark's proposed increase of 3.92%.
    - \$25,000 savings from elimination of fully insured Affordable Care Act (ACA) insurance fee \$9/Per Employee Per Month (PEPM).
  - City of Des Moines – potential revenue of \$300,000
    - \$285,000 premiums in excess of projected claims, admin, stop loss and ACA fees. Includes a conservative 15% increase in claim costs (Wellmark's renewal proposal was less than 4%).
    - \$15,000 City Administrative fee (\$5/PEPM).
  - Other benefits
    - Additional lives will improve negotiating leverage on fixed administrative fees at next renewal, July 2015.
    - City will benefit from better claim costs from DMWW (\$565 vs. \$950).
    - Cost savings, if any, benefit our rate and taxpayers.

**PREVIOUS COUNCIL ACTION(S): NONE**

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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