

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 18, 2015
	Agenda Item No.	43
	Roll Call No.	<u>15-833</u>
	Communication No.	<u>15-240</u>
	Submitted by:	James R. Wells, Human Resources Director

AGENDA HEADING:

Award of Contract with Wellmark Blue Cross Blue Shield of Iowa (Wellmark), John D. Forsyth, Chairman and CEO, 1331 Grand Avenue, Des Moines Iowa 50306, for administration of the City's self-insured health plan for the period July 1, 2015 to June 30, 2020.

SYNOPSIS:

Staff recommends approving administrative services only agreement with Wellmark for administration, including stop loss insurance, for the City of Des Moines Employee and Retiree Health Plan. Wellmark received the highest overall score based on the criteria used in Request for Proposal (RFP) V15-80.

FISCAL IMPACT:

Amount: Estimate based on enrollment \$1,855,252.

Funding Source: Health and Dental Fund, I301 ND4122647, FY 16 Operating Budget, p. 126

ADDITIONAL INFORMATION:

The City provides health insurance to its employees and non-Medicare retirees. Plan design and employee premium contributions are negotiated with each of the City's eight (8) bargaining units and non-represented employees. The City's health plan also includes employees and retirees of the Des Moines Airport Authority and Des Moines Water Works.

Wellmark has administered the City's self-funded health plan since July 1, 2011. Services they provide include: processing all covered health and drug claims incurred by employees and their dependents; providing access to their provider networks and discounts; administering certain care management services, such as disease management, pregnancy care and pharmacy benefit administration; and insuring large claims that cost more than \$125,000 per year. Wellmark's current contract with the City expires June 30, 2015.

On February 6, 2015, the City issued a Request for Proposal (RFP) for health insurance, dental insurance and flexible spending account administration. Three (3) proposals (Wellmark, United Health and Aetna) were submitted for administration of the City's health plan. An evaluation team including employees from Human Resources, Finance and the City Manager's Office evaluated the proposals

with finalists presenting to the City's labor leaders and representatives from the Des Moines International Airport and Des Moines Water Works. City benefit consultant, Holmes Murphy and Associates (HMA), assisted staff with drafting the RFP and vetting proposals.

Following submittal of the initial proposals, HMA noticed that data provided by Wellmark and used by the proposing vendors to forecast claims and calculate costs was inaccurate. Wellmark corrected their data and the three (3) vendors were asked to re-price their proposals. Only those items affected by the incorrect data were allowed to be revised, such as, estimated claim costs and stop loss insurance. Other items like administrative fees and provider discounts could not be changed as part of the re-pricing exercise.

The scoring criteria consisted of: 25 points for qualifications and experience; five (5) points for company responsiveness; 70 points for costs; and one (1) point for local preference. All three (3) proposals were given perfect scores for the qualitative criteria with Wellmark receiving the only point for being located in Des Moines. Cost then was the determining factor for award.

The overall cost of a self-funded health plan is derived from primarily administrative fees and claims. Administrative fees are assessed to cover the costs of processing claims, gaining access to provider networks, administration of miscellaneous programs like disease management, and premiums for stop loss insurance. Generally, the administrative fees are 1-2% of the total health plan costs. The balance and the majority share of health insurance cost is claims.

Aetna submitted the lowest quote for health administration. Wellmark submitted the lowest quote for stop loss insurance and projected claims costs, which made up for their higher administrative costs. The bids were competitive with Aetna's overall cost proposal less than 3% more than Wellmark's. The close bids legitimize the process and provide some budgetary comfort that the bids were valid.

The term of the agreement is for five (5) years. Staff and HMA will continually review claim utilization and overall operation of the plan. Wellmark provided guarantees on all fixed administrative costs. Health and pharmacy administration will be capped at 2% a year for all five (5) years. In addition, Wellmark included a network discount guarantee on medical and pharmacy claims.

Wellmark's projected health plan cost for fiscal year 2016 is \$26,559,276. This includes administration and claim cost for the Airport and Waterworks. The specific cost centers are:

Medical Claims Administration	\$ 909,686
Pharmacy Benefit Administration	\$ 32,707
Stop Loss Insurance	\$ 912,859
Projected Paid Claims	<u>\$24,704,024</u>
Total Claims and Administration	\$26,559,276

Wellmark provided the winning proposal through the RFP process and retaining them to administer the City's health plan provides continuity in benefit coverage and budget stability. Staff recommends award of contract to Wellmark.

PREVIOUS COUNCIL ACTION(S):

Date: December 22, 2014

Roll Call Number: [14-1942](#)

Action: [A](#) preliminary, short-term agreement with Des Moines Water Works regarding employee health insurance, PILOT and billing rates. ([Council Communication No. 14-592](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: May 20, 2013

Roll Call Number: [13-0811](#)

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, 2013 through June 30, 2015. ([Council Communication No. 13-253](#)) 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.

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: May 23, 2011

Roll Call Number: [11-0936](#)

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 from July 1, 2011 through June 30, 2012. ([Council Communication No. 11-332](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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