

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	May 18, 2015
	<b>Agenda Item No.</b>	<b>45</b>
	<b>Roll Call No.</b>	<b><u>15-835</u></b>
	<b>Communication No.</b>	<b><u>15-242</u></b>
	<b>Submitted by:</b>	<b>James R. Wells, Human Resources Director</b>

**AGENDA HEADING:**

Award of Contract with Delta Dental of Iowa, Jeff Russell, President and CEO, 9000 Northpark Drive, Johnston, Iowa 50131 for administration of the City's employee and retiree self-funded dental insurance plan for the period July 1, 2015 through June 30, 2020.

**SYNOPSIS:**

Staff recommends award of Contract with Delta Dental of Iowa, Jeff Russell, President and CEO, 9000 Northpark Drive, Johnston, Iowa 50131 for administration of the City's employee and retiree self-funded dental insurance plan for the period July 1, 2015 through June 30, 2020.

**FISCAL IMPACT:**

Amount: Estimate based on enrollment \$91,360.

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

**ADDITIONAL INFORMATION:**

The City provides its employees and retirees a dental insurance benefit. Delta Dental has administered the City's dental plan since July 1, 2010. Their current agreement 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. The scoring criteria for the dental insurance portion of the RFP consisted of: 25 points for qualifications, experience and provider network disruption; five (5) points for administrative services provided; 70 points for costs; and one (1) point for local preference. Proposals were received from seven (7) providers, including; Delta Dental, Wellmark Blue Dental, United Health, Aetna/Coventry, Guardian, Met Life and Principal. 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 a representatives from the Airport. City benefit consultant, Holmes Murphy and Associates (HMA), assisted staff with drafting the RFP and vetting proposals.

The overall cost of a self-funded dental plan is derived from primarily two (2) components, administrative fees and dental claims. Administrative fees are assessed to cover the costs of processing claims and gaining access to discounts through provider networks. Administrative fees are assessed on a per member per month basis and generally equate to approximately 5% of the total dental plan costs. The balance of dental insurance cost comes from claims. Dental provider networks are similar to

health provider networks in that the depth of the discounts and breadth of network are most meaningful to claim costs. Unlike health networks, at least in central Iowa, not all dental providers participate in the various networks. This is meaningful because dental administrators can portray the deepest discounts, but in turn they have the fewest dentists participating in their network. Economically, the smaller networks may drive deeper claim savings but the lack of access to in-network providers creates disruption for members and potential increased costs. Out-of-network providers can balance bill members for the difference between the billed cost of services and payment the provider receives from the dental administrator. Part of the analysis included in the RFP was a comparison of current dentists utilized by City members to the dentist participating in the networks of the various dental carriers. A large portion of the scoring criteria was the level of network disruption to members and their access to in-network providers. Aetna/Coventry received the highest score for cost, however their network is substantially smaller than the City's current provider, Delta Dental. Switching to Aetna would create the most dental network disruption to City employees and their family members and additional exposure caused by balance billing.

The term of the agreement is for five (5) years with annual renewals. Delta provided guarantees on all fixed administrative costs. Dental administrative fees will be capped at 2.5% a year for all five (5) years. Projected claim cost will be reviewed annually with City Manager.

Delta's projected dental plan cost for fiscal year 2016 is \$1,628,344. This includes administration and claim cost for the City and Airport. The specific cost centers are:

Dental Claims Administration	\$ 85,337
Network Access Fee	\$ 5,976
Projected Paid Claims	<u>\$1,537,031</u>
Total Claims and Administration	\$1,628,344

Delta Dental submitted the winning proposal through the RFP process and retaining them to administer the City's dental insurance plan provides continuity in dental benefit coverage. Staff recommends award of contract to Delta Dental.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: June 10, 2013

Roll Call Number: [13-0953](#)

Action: [Administrative](#) Services Only Agreement with Delta Dental of Iowa (Jeff Russell, President and CEO) to provide administration of the employee and retiree dental insurance plan for July 1, 2013 through June 30, 2015 with a one-year renewal option, subject to conditions. ([Council Communication No. 13-284](#)) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Meyer.

Date: May 23, 2011

Roll Call Number: [11-0937](#)

Action: [Exception](#) to competitive procurement process for Fiscal Years 2012 and 2013, approving renewal of agreement with Delta Dental of Iowa for administrative services related to the City's self-

insured dental plan for employees and certain retirees, and authorizing staff to negotiate rates for Fiscal Years 2012 and 2013 with approval of the City Manager.

Date: May 10, 2010

Roll Call Number: [10-0756](#)

Action: [Agreement](#) with Delta Dental of Iowa (Don Hutchins, President) to provide employee and retiree administration of the City's dental insurance plan, for the period July 1, 2010 through June 30, 2011. ([Council Communication No. 10-264](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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