


COUNCIL COMMUNICATION

	Number:	19-167	Meeting:	April 22, 2019
	Agenda Item:	32	Roll Call:	19-0648
	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 50309, for administration of the City's self-funded health plan for the period July 1, 2020 through June 30, 2026 and amend current agreement expiring June 30, 2020 to accept lower than expected administrative fees.

SYNOPSIS:

Staff recommends approving an 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 the Request for Proposal (RFP) V19-035. The award for the new contract is for the period July 1, 2020 through June 30, 2026. Wellmark has agreed to reduce their guaranteed administrative fee rate cap from 4% to 2% in the final year of the current agreement, which expires June 30, 2020.

FISCAL IMPACT:

Amount: FY 2020 administrative fees estimated at \$2,330,173 plus claims.

Funding Source: Health and Dental Fund; I301 ND412647

ADDITIONAL INFORMATION:

- The City provides health insurance to its employees and non-Medicare retirees. Plan design and employee premium contributions are negotiated with the City's three (3) public safety bargaining units. Employees in one (1) of the non-public safety bargaining units and those employees not represented are covered by the City's Capital Health Plan. 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 plan since July 1, 2011. Services provided by Wellmark include: medical and prescription claims adjudication incurred by employees and their dependents; access to provider networks; disease management; pregnancy care; pharmacy benefit management; wellness consulting; and stop loss insurance for each member incurring claims in excess of \$125,000 per calendar year.

- Four (4) proposals (Aetna, HealthPartners, United Health (UMR), and Wellmark) were received in response to the City's health insurance RFP. The scoring criteria consisted of: 15 points for breadth of network and formulary; 20 points for the quality of responses to RFP questions; 65 points for costs; and one (1) point for local preference. UMR did not provide a stop loss quote nor did they participate in the prescription drug repricing. Their proposal was considered incomplete and rejected. The three (3) remaining carriers scored similarly on the qualitative and network criteria and Wellmark was the only carrier to receive the local preference point. Cost became the determining factor for award.
- The costs of a self-funded plan are primarily derived from fixed administrative costs and claims. Fixed administrative costs include: medical administrative fee, pharmacy benefit management, stop loss premiums, and network access fees. These fixed costs total around 7% of the total cost of the health plan. Wellmark submitted the lowest cost proposal for administrative fees and provided a guarantee that administrative fees (excluding stop loss premiums) would increase no more than 4% per year.
- Medical and pharmacy claims account for the other 93% of total health plan costs and the discounts received through provider discounts dramatically impact these costs. The RFP required each proposer to reprice claims through their networks using actual claims incurred between July 1, 2017 through June 30, 2018. Wellmark's repricing was \$4 million lower than the next lowest proposal.
- As part of the evaluation process, the City's benefit consultant, Holmes Murphy and Associates (HMA) conducted market checks on stop loss insurance and pharmacy benefit managers under a prescription drug carve-out arrangement. HMA marketed the City's plan to 18 stop loss carriers. All declined due to an inability to offer competitive rates. One (1) carrier verbally stated that their rates would be significantly higher than Wellmark's current stop loss premium. This response is similar to previous reinsurance market checks.
- HMA also marketed the City's prescription drug program to four (4) pharmacy benefit managers. This was done to determine the cost impact of carving out prescription benefits from the health plan. Based on the responses, the City could potentially save, best case scenario, \$134,000 per year by carving out the prescription drug benefit. This savings would, however, be lost as Wellmark will not guarantee their stop loss premium rates if the prescription benefit is assigned to another carrier.
- Based on the RFP results, staff recommends award of contract to Wellmark.

PREVIOUS COUNCIL ACTION(S):

Date: May 18, 2015

Roll Call Number: [15-0833](#)

Action: [Administrative](#) Services Only and Stop Loss Insurance Agreement with Wellmark Blue Cross and Blue Shield of Iowa for employee and retiree health plans for the period July 1, 2015 through June 30, 2020. ([Council Communication No. 15-240](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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