



Date May 4, 2009

**APPROVAL OF CONTRACT WITH WELLMARK BLUE CROSS
BLUE SHIELD OF IOWA FOR HEALTH INSURANCE COVERAGE
FOR EMPLOYEES AND CERTAIN RETIREES**

WHEREAS, by Roll Call 08-1469 on August 11, 2008, the City Council approved a Request for Proposals ("RFP") process to retain a consultant to assist the City in developing and evaluating another RFP for the City's health plans (medical, dental, and prescription) and flexible spending account administration; and

WHEREAS, Mercer Health & Benefits in partnership with B. Brendan Berigan & Associates was selected to conduct the RFP on behalf of the City; and

WHEREAS, the RFP findings were presented at a City Council workshop on February 23, 2009 including a recommendation from the consultant to award Wellmark Blue Cross Blue Shield of Iowa (John Forsyth CEO) a contract to insure and administer the City's group health plans, and

WHEREAS, the consultant further recommended that the City should accept as part of the contract, Wellmark's offer to administer the City's flexible spending account plan for one year (July 1, 2009 through June 30, 2010) at no cost to the City and to accept Wellmark's Operational Performance Standards Guarantee; and

WHEREAS, the current health insurance coverage expires on June 30, 2009; and

WHEREAS, an insurance binder representing the costs for coverage is available for approval and execution.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Des Moines, Iowa:

That the rates of insurance as set out in the insurance binder from Wellmark Blue Cross and Blue Shield of Iowa, a copy of which is on file in the Office of the City Clerk, is approved



Roll Call Number

Agenda Item Number

61

Date May 4, 2009

and the Mayor is authorized and directed to execute such binder on behalf of the City of Des Moines.

(Council Communication 09- 266)

Moved by _____ to adopt.

APPROVED AS TO FORM:

Carol J. Moser
Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED APPROVED

Mayor

City Clerk



Market Analysis: Group Health Plan



City of Des Moines

Prepared by:

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

and

**B. BRENDAN
BERIGAN
& associates**

Mercer Health & Benefits in partnership with B. Brendan Berigan & associates were contracted by the City of Des Moines to administer a Request for Proposal to interested carriers for their group health and prescription drug programs for the plan year beginning July 1, 2009.

The objectives of the project were to:

- Obtain competitive proposals for benefit administration on a fully insured and self insured basis
- Recommend most advantageous funding methodology for the City
- Identify carriers who will duplicate current administration of the plan
- Complete necessary analysis to assure carrier of choice has in place provider contacts that will support claims projections.
- Improve employee satisfaction through superior customer service/gain service guarantees based on group specific experience.
- Identify carrier who can support current level of managed care initiatives that will produce improved health status and demonstrate a reasonable ROI.
- Obtain FSA administration quotes. Preferably blended with other benefit costs.

Marketing results

The following carriers were contacted and invited to participate in a RFP process:

Aetna	Principal
Cigna	United HealthCare
Coventry	Wellmark BCBS of Iowa
Health Alliance	

Letters of declination due to inability to be competitive were received by all carriers except United HealthCare and Wellmark BCBS of Iowa.

Responses to RFP

Principal – after initially declining, Principal reconsidered and submitted a proposal. They were disqualified as a viable option due to incomplete response to RFP questionnaire, willing to quote only limited number of employees (non-Union) at this time, indicated need to further develop provider network, provided self funded option only with no guaranteed rates, and could not confirm duplication of current administration.

United Healthcare – named as a finalist and participated in finalist interview.

Initial rates provided by UHC were very competitive. Through analysis that was performed, irregularities were revealed and UHC was asked to address these items in a Best and Final

Offer. After UHC reviewed, they acknowledged key mistakes were made and advised that they were withdrawing from consideration do to an inability to be competitive at this time.

Wellmark BCBS of Iowa - named as a finalist, participated in finalist interview and is our recommended carrier.

Wellmark completed the RFP and provided proposals for fully insured and self funded models. They provided new service guarantee risk model that incorporates group specific performance metrics. Wellmark also indicated they would be able to provide FSA quote that could be blended with group plan premiums.

Wellmark provided a renewal rate for existing benefits at an increase of **12.33%**.

Proposal Analysis

In evaluation of the potential carriers, the following factors were to be considered:

- Cost of Program – *weighted at 50%*
- Multiple year fees, caps or guarantees – *weighted at 10%*
- Analysis of provider discount equivalents – *weighted at 10%*
- Analysis of PBM discount equivalents – *weighted at 10%*
- Provider Network match and stability – *weighted 15%*
- Disease management, reporting capabilities and demonstrated ROI – *weighted at 5%*

Because Wellmark was the only remaining finalist, the outcome of recommending Wellmark could not be based upon the initial criteria as stated in the RFP.

In addition to a review of Wellmark's RFP, a renewal analysis was performed under a Mercer model using historical claims and membership data as well as the renewal data supplied by Wellmark. The model and subsequent analysis suggested a reasonable renewal rate in the 8.7% to 9.5% range. Primary areas of review include assigned Pooling charge, assigned risk charge, and decrease in the consideration component of the renewal projected costs.

After discussing our findings, Wellmark presented a Best and Final Offer at a **9.83%** increase over current rates, resulting in approximately \$671,500.00 in savings to the City of Des Moines from the initial renewal. In addition, Wellmark offered to administer FSA as part of the 9.8% increase at no additional cost for the first year.

Recommended funding methodology

During the RFP process, both fully-insured and self-funded with reinsurance funding options were requested. Since Wellmark is the only final bidder, we will focus only on their numbers.

Through the RFP process the following options were reviewed:

- Multiple specific reinsurance deductibles were requested (\$50,000, \$75,000, and \$150,000)
- Multiple contract types (12/12 & 12/18)
- Administrative costs for general services, claim services, network access, management reports, utilization review Out-of-Network and Indemnity Plans. Both Wellmark's fully insured rates and self-funded proposal include standard services in all areas.

The synopsis below will only take into account the most competitive Wellmark option (\$50,000 specific deductible) and assumes the use of a 12/18 contract so that a direct comparison to fully insured is allowable.

Expected "Good Case Scenario"

- Fully insured Renewal costs: \$22,816,374
- Expected Self-Funded costs: \$22,137,539
- Expected cost savings for self-funded: \$678,835

Possible "Worst Case Scenario"

- Fully insured renewal costs: \$22,816,374
- Maximum Self-funded costs: \$27,052,156
- Potential additional liability to the city for self-funding: \$4,235,782

During the first year of self-funding additional money could be required to build and maintain a reserve account for the paying of claims that were incurred but not yet reported (IBNR). Claim reserve analysis and additional State of Iowa reporting would also be required on a yearly basis to determine the required funding level of this account.

In addition to the potential additional costs of the self-funded plan, The City of Des Moines could potentially put themselves in a position where they could incur additional GASB 45 liability if any pre-65 retiree health costs could be attributable to the City of Des Moines health plan.

Final Recommendation

Considering only one Health insurance carrier agreed to fully participate and provide a quote for insuring the City of Des Moines' Health Plan, we are compelled to recommend the following:

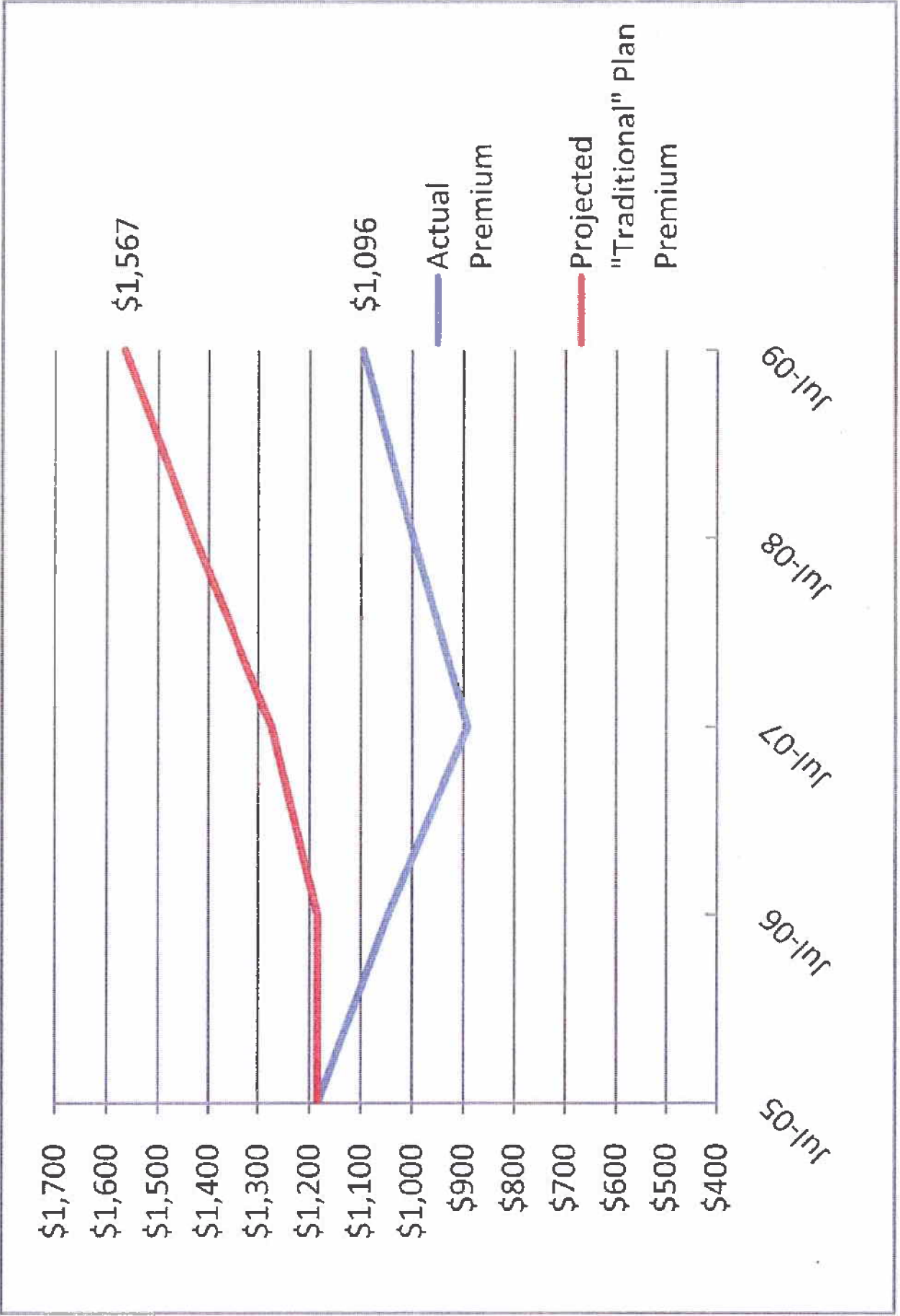
1. Award Wellmark Blue Cross Blue Shield of Iowa the contract to insure and administer the City of Des Moines group health plans,
2. Accept the rate increase of 9.8% over current fully insured rates to be effective for plan year July 1, 2009 through June 30, 2010.
3. Accept Wellmark offer to administer FSA plan for plan year beginning July 1, 2009 through June 30, 2010 at no cost. * This is an offer for initial year only, does not include costs for optional debit card feature and the City will need to consider administration costs for future years.
4. Accept Wellmark proposed Operational Performance Standards Guarantee which places 20% at risk of the annualized administration fee.
Meet with Wellmark well in advance of the renewal date to collaborate on content, timing and performance review of Member and Account Satisfaction surveys.
5. Due to several factors including, troubled national economic atmosphere, limited *potential* upside savings from converting from fully insured to self insured, and substantial additional claims risk exposure and possible negative GASB 45 liability (concerning possible prefunding future retiree costs) it is most prudent to continue to fund the group health plans on a fully insured basis for the plan year July 1, 2009 through June 30, 2010.

Respectfully submitted,

B. Brendan Berigan PAHM
B. Brendan Berigan & associates

Nick Holmes
Mercer Health & Benefits

City of Des Moines Premium History
 Actual vs. Projected Traditional Plan



109

City of Des Moines

Final

Rating Period: 07/01/09 through 06/30/10

Operational Performance Standards Guarantee

Amount at risk for achieving Wellmark's Operational Performance Standards:

\$102,538 for the 12 month Rating Period

Wellmark Blue Cross and Blue Shield has developed standard performance measures regarding enrollment, customer service, claims processing, and employer reporting timeliness that allow us to measure various performance levels important to the customer. Our target performance standards in each of ten key measures, including definitions and the method of calculation we use to determine the results are attached as Exhibits A, C and D. If overall annual performance in any measure is below the target performance level, Wellmark will pay the amount of the Administrative Fee at risk for that measure to:

City of Des Moines

Wellmark will provide quarterly reporting of the performance levels achieved in each category to:

City of Des Moines

Upon completion of the contract year or Rating Period, a Performance Measures Settlement Report for the year will be provided. This report will be used to settle the at-risk amount. A sample settlement report and hypothetical results are attached as Exhibit B. This report will be provided to:

City of Des Moines

The Operational Performance Standards Guarantee would be for one year, subject to annual review.

City of Des Moines

Final

Rating Period: 07/01/09 through 06/30/10

Exhibit A to Operational Performance Standards Guarantee Operational Performance Standards Guarantee Arrangement

<u>Claims</u>	<u>Target Performance</u>	<u>Weight</u>
Claims Timeliness - within 30 days**	97%	10%
Dollars Paid Accurately*	99%	10%
		<u>20%</u>
<u>Customer/Member Service</u>		
Telephone Average Speed of Answer*	30 seconds	10%
Satisfaction of Account Service**	See Performance Measures	5%
Member Satisfaction**	See Performance Measures	5%
		<u>20%</u>
<u>Delivery of Management Reports</u>		
Employer Reporting Timeliness**	See Performance Measures	10%
<u>Implementation/Ongoing Service</u>		
Enrollment Timeliness*	97%	15%
Enrollment Accuracy*	97%	15%
Coverage Manuals**	See Performance Measures	10%
Client Service Meetings**	See Performance Measures	10%
		<u>50%</u>
		<u>100%</u>

Total Annual Dollars at Risk: **\$102,538**

* These items are reported at the corporate level

** These items are reported at the account level

NS

City of Des Moines

Final

Rating Period: 07/01/09 through 06/30/10

**Exhibit B to Operational Performance Standards Guarantee
Illustration of Operational Performance Standards Guarantee Settlement**

<u>Claims</u>	<u>Weight</u>	<u>Result</u>	<u>At Risk Amount</u>	<u>Impact</u>
Claims Timeliness - within 30 days**	10%	Goal Met	\$10,254	\$0
Dollars Paid Accurately*	10%	Goal Met	\$10,254	\$0
	20%		\$20,508	\$0
Customer/Member Service				
Telephone Average Speed of Answer*	10%	Goal Not Met	\$10,254	(\$10,254)
Satisfaction of Account Service**	5%	Goal Met	\$5,127	\$0
Member Satisfaction**	5%	Goal Met	\$5,127	\$0
	20%		\$20,508	(\$10,254)
Delivery of Management Reports				
Employer Reporting Timeliness**	10%	Goal Met	\$10,254	\$0
Implementation/Ongoing Service				
Enrollment Timeliness*	15%	Goal Met	\$15,381	\$0
Enrollment Accuracy*	15%	Goal Met	\$15,381	\$0
Coverage Manuals**	10%	Goal Met	\$10,254	\$0
Client Service Meetings**	10%	Goal Met	\$10,254	\$0
	50%		\$51,269	\$0
	100%		\$102,538	\$0

Total Annual Dollars at Risk \$102,538

Payment to Account \$10,254

* These items are reported at the corporate level

** These items are reported at the account level

Measurement Claims Timeliness – claims paid in 30 days**	Definition Number of days between the initial receipt date of the claim and the last processing date (date the claim is finalized in system) within a given time period. Excludes: - the time claims are pending for lack of complete premium payment or incomplete enrollment/ membership information - pharmacy claims - dental claims	Calculation Number of claims finalized within a given time period divided by Total number of claims (see exclusions)
Dollars Paid Accruals (Financial)**	An error occurs when an incorrect amount or the wrong party is paid. Included in the sample are original paid claims finalized within a given time period. Review is done at the time of processing, not at the time of audit. Excludes: - dental claims - pharmacy claims	The following calculation is used to determine the error rate: Absolute value of the dollars paid incorrectly divided by (Total dollars paid minus overpayments plus underpayments) The result is subtracted from 1 or 100% to arrive at the accuracy rate.
Telephone Average Speed of Answer*	Average amount of time it takes for a call to be answered by a customer service associate. This statistic is calculated from the time when the caller chooses to "opt out" of Wellmark's IVR (Interactive Voice Response) system to when the caller reaches a customer service associate. Wellmark's IVR system answers telephone calls immediately. Content to be determined. Wellmark will collaborate with the City of Des Moines to develop a mutually agreeable account satisfaction questionnaire.	Measured in seconds
Satisfaction of Account Service**	Content to be determined. Wellmark will collaborate with the City of Des Moines to develop a mutually agreeable member satisfaction questionnaire.	-Must achieve a 30% response level -Results must be outside of the margin of error at a 95% confidence level. For example, the margin of error for a sample size of 75 is +/- 10% at the 95% confidence level. Therefore, if the satisfaction rate were 70%, these results would establish the satisfaction level as 60% to 80% and the metric would be satisfied.
Member Satisfaction**	Content to be determined. Wellmark will collaborate with the City of Des Moines to develop a mutually agreeable member satisfaction questionnaire.	-Must achieve a 30% response level -Results must be outside of the margin of error at a 95% confidence level. For example, the margin of error for a sample size of 75 is +/- 10% at the 95% confidence level. Therefore, if the satisfaction rate were 70%, these results would establish the satisfaction level as 60% to 80% and the metric would be satisfied.
Employer Reporting Timeliness**	Financial and utilization reports are provided monthly, quarterly and annually.	Number of reports issued timely (as described below) divided by Total number that were to be issued
Enrollment Timeliness*	Percentage of ID cards mailed within 30 calendar days of receipt of enrollment information for all Wellmark large group market segments.	Monthly and quarterly reports are released no later than the last day of the month that follows the end of the reporting period. The annual reporting package is released based on the account contact date. For all Wellmark large group market segments by random sample: Number of ID cards issued within a given time period divided by Total number of ID cards in the sample For all Wellmark large group market segments by random sample:
Enrollment Accuracy*	Data entered at the member level for all Wellmark large group market segments. This data is a combination of membership enrollment information submitted electronically or by paper.	Number of member level records processed correctly divided by Total number of member level records processed in the sample
Coverage Manual**	Upon receipt of approved benefit information, Wellmark agrees to provide the City of Des Moines with a coverage manual both electronically and in paper format by a date to be specified.	Within 60 days of date of receipt of approved benefit information from the City of Des Moines
Client Service Meetings**	Wellmark will meet with the City of Des Moines to work on shared initiatives and mutually beneficial programs on a schedule that will best meet the City's needs.	-Wellmark will schedule meetings to be held on a quarterly basis. -If a meeting is cancelled by the City of Des Moines and another mutually agreeable meeting date cannot be rescheduled within the 12 month period, this guarantee measure will be void. -If a meeting is cancelled by Wellmark and another mutually agreeable meeting date cannot be rescheduled within the 12 month period, this guarantee measure will be missed. -Notes of meeting will be distributed by Wellmark with copies to Wellmark's Quality Review and Reporting audit department

* These items are reported at the corporate level

** These items are reported at the account level