

COUNCIL ACTION FORM

SUBJECT: FLEXIBLE SPENDING PLAN DOCUMENT

BACKGROUND:

A Flexible Spending Account, as provided to benefit-eligible City employees, allows an employee to set aside a portion of his or her earnings to pay for qualified expenses such as health insurance premiums as well as medical and dependent care expenses. Money deducted from an employee's pay into a Flexible Spending Account is not subject to payroll taxes, resulting in substantial payroll tax savings.

Over the past several years, Wellmark Blue Cross Blue Shield has administered this program for the City. Wellmark has provided good customer service and flexible reimbursement options, including automatic reimbursement of health and pharmacy claims processed through Wellmark and direct deposit of reimbursement.

Effective January 1, 2012, Wellmark will charge \$5.16 per contract per month in claims processing fees and \$2,303.50 in annual administration fees. This is an increase of 5% from 2011.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative and claims processing services for the City's flexible spending account benefit effective January 1, 2012.
2. Do not renew the agreement with Wellmark.

MANAGER'S RECOMMENDED ACTION:

Over the past several years, Wellmark Blue Cross Blue Shield has been an effective administrator of the City's Flexible Spending Account. Wellmark's services are cost-effective, and they have a strong working relationship with Human Resources staff and the City's other health care partners. Renewal of this contract will provide the best value to the City in administering this portion of its health insurance program

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby approving the renewal for administrative and claims processing services for the Flexible Spending Account (FSA) benefit with Wellmark Blue Cross Blue Shield of Iowa for the period from January 1, 2012 to December 31, 2012.