

**COUNCIL ACTION FORM**

**SUBJECT:**           **RENEWAL OF HEALTH INSURANCE ADMINISTRATIVE SERVICES CONTRACT**

**BACKGROUND:**

Ten years ago the City sought alternative bids for administrative services and excess coverage for our self-insured health and pharmacy programs. At that time, requirements developed by an internal Health Insurance Team were incorporated into a request for proposal (RFP) that ultimately yielded three quotations. The City Council subsequently approved award of the administrative services and excess coverage to Wellmark Blue Cross Blue Shield of Iowa.

Over the past ten years Wellmark has provided good customer service and has had a commendable record of accurate and timely claims payment. Wellmark also has advantageous contractual relationships with medical providers in Ames and throughout Iowa that allow the City to receive significant discounts on services received. Wellmark has a proven record of being able to administer the existing plans, and has been a willing and capable partner in our efforts to improve the health status of employees and their families through quality programs and health promotion.

**If this renewal is accepted, effective July 1, 2014, Wellmark will charge \$41.44 per employee per month (a 3% increase) in administrative and access fees for a yearly total of \$265,548.** The 2014/15 budget includes \$312,160 for this service.

**If this renewal is accepted, effective July 1, 2014, Wellmark also will charge \$30.47 per employee per month for specific and aggregate stop loss premiums for a yearly total of \$195,251.** The individual stop loss protects the City from specific claims that exceed \$125,000 incurred in one year, while the aggregate stop loss protects the City in the event that total claims exceed 120% of what was projected. The 2014/15 budgeted includes \$197,955 for this coverage.

In 2013/14 the stop loss rate charged per employee per month was \$27.81. The stop loss trend over the past several years has exceeded Wellmark's projections, which has led to a 9.5% stop loss rate increase to reflect that experience. Health claims paid per member increased 13% and pharmacy claims paid per member increased 3% over the last year.

Aggregate claims paid in excess of \$100,000 increased three-fold over the past three years. During the last year five members had health claims paid in excess of \$100,000 for a total of \$725,763 (or 14%) of the claims paid. In 2012, four members had claims in excess of \$100,000, representing 14% of the claims paid. In 2014/15 the City will pay \$195,252 in specific and aggregate stop loss premiums, which is under the budgeted amount for 2014-2015 of \$201,000.

**The employee portion of health insurance premiums will be increased 6% beginning on July 1, 2014.** Wellmark includes suggested rates by plan in its renewal document. It has been the City of Ames' practice over the past few years to set rates distinctly different from those suggested by Wellmark to encourage employees to select the Blue Advantage (lower-cost) plan. The City of Ames suggested rates noted below reflect a six percent increase to the employee's contribution across the board. The City-wide budget for health insurance was increased by six percent and was included in the 2014/15 adopted budget by the City Council.

Total Health Cost -- Including Employee Contribution							
Wellmark's 2014-2015 Suggested Rates			City of Ames 2014-2015 Suggested Rates			Number of Employees on Plans	
Plan	Single	Family	Plan	Single	Family	Single	Family
Classic Blue	607.59	1,638.61	Classic Blue	884.02	2,072.91	11	36
Alliance Select	603.85	1,628.52	Alliance Select	682.92	1,591.51	60	142
Blue Advantage	535.87	1,445.19	Blue Advantage	491.80	1,066.45	89	196

**ALTERNATIVES:**

1. Approve the renewal with Wellmark for administrative services, specific and aggregate excess insurance, and access fees as noted above for benefits effective from July 1, 2014 through June 30, 2015
2. Do not renew the agreement with Wellmark.

**MANAGER'S RECOMMENDED ACTION:**

Wellmark Blue Cross Blue Shield has been an effective administrator of the City's health care administrative services. Wellmark's services are cost-effective, and they have a strong working relationship with the City's other health care partners. Renewal of this contract will provide the best value to the City in administering 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 services, specific and aggregate excess insurance, and network access fees with Wellmark Blue Cross Blue Shield of Iowa for the period from July 1, 2014 to June 30, 2015 in accordance with the fees reflected above.