

COUNCIL ACTION FORM

SUBJECT: FLEXIBLE SPENDING ADMINISTRATIVE AND CLAIMS PROCESSING SERVICES RENEWAL

BACKGROUND:

A Flexible Spending Account, as provided to benefit-eligible City of Ames employees, allows an employee to set aside a portion of his or her earnings to pay for qualified 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 payroll tax savings for the employee.

Over the past several years, Wellmark Blue Cross Blue Shield has been the City's provider for the flexible reimbursement options, including automatic reimbursement of health and pharmacy claims and direct deposit of reimbursement when elected.

Effective January 1, 2015, Wellmark will charge \$5.00 per employee contract per month in claims processing fees and \$400 in annual administration fees to the City. The charge per employee contract per month is an increase of 4.2% (from \$4.80 to \$5.00) from calendar year 2014, and the administration fee will remain at the same rate as 2014. The amount budgeted for administrative fee and per employee contract per month is \$76,988 for calendar year 2015. This is for an estimated 534 employee accounts.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative and claims processing services for our flexible spending account (FSA) benefit effective January 1, 2015.
2. Do not renew the agreement with Wellmark.

MANAGER'S RECOMMENDED ACTION:

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, 2015 to December 31, 2015.