

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF HEALTH INSURANCE ADMINISTRATIVE SERVICES CONTRACT

BACKGROUND:

Eleven years ago the City sought alternative bids for administrative services and excess coverage for our self-insured health and pharmacy programs. At that time we added requirements developed by an internal Health Insurance Team whose final report and recommendations served as the basis for the request for proposal (RFP). The RFP yielded three quotations, and the City Council subsequently approved award of the administrative services and excess coverage to Wellmark Blue Cross Blue Shield of Iowa.

Over the past eleven years Wellmark has provided good customer service and has had a commendable record of accurate and timely claims payments. 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.

Effective July 1st Wellmark will charge \$42.26 per employee per month in administrative and access fees for a yearly estimated total of \$273,845. This is an increase of 1.98% from 2014/15.

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 stop loss rate charged per employee per month in 2014/15 was \$30.47. The stop loss trend over the past several years has exceeded Wellmark's projections, and we had unusual large claims experience this past year where six individuals summed over \$1,550,097 in claims. For that reason, effective July 1st the stop loss rates will increase 18.0% to \$35.97 per employee per month. In 2015/16 the City will pay an estimated \$233,085 in specific and aggregate stop loss premiums.

The total increase for these Wellmark administrative fees, access fees and stop loss coverages will be 8.79% for 2015/16. This expense can be covered by the 9% health insurance increase that was included in the adopted FY 2015/16 budget.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative services, specific and aggregate excess insurance, and access fees for benefits effective from July 1, 2015 to June 30, 2016.
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 as described above.