

COUNCIL ACTION FORM

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

BACKGROUND:

Thirteen 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. That team's final report and recommendations served as the basis for the request for proposal (RFP) that yielded three quotations. The City Council subsequently approved award of the administrative services and excess coverage contract to Wellmark Blue Cross Blue Shield of Iowa.

Wellmark has advantageous contractual relationships with medical providers in Ames and throughout Iowa that allow the City to receive significant discounts on services received. Over the years Wellmark has provided good customer service and has had a commendable record of accurate and timely claims payments. 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 1, 2017, Wellmark will charge \$43.32 per employee per month in **administrative and access fees** for a yearly total of \$279,154. This is an increase of 1.23% over 2016/17.

Effective July 1, 2017, Wellmark will charge \$50.97 per employee per month for **specific and aggregate stop loss premiums**. 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 projected losses.

In 2016/17 the stop loss rate charged per employee per month was \$44.24. However, the stop loss trend over the past several years has significantly exceeded Wellmark's projections. For that reason, the stop loss rates for 2017/18 will increase by 9.1%. In 2017/18 the City will pay \$328,400 in specific and aggregate stop loss premiums.

The total increase for health care costs and administrative fees is 4.47%. This will be covered by the 4% premium and contribution increase included in the FY 2017/18 Budget.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative services, specific and aggregate excess insurance, and access fees for health care benefits effective from July 1, 2017 to June 30, 2018.
2. Do not renew the City's health insurance administrative services contract with Wellmark.

CITY MANAGER'S RECOMMENDED ACTION:

Wellmark 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 stated above.