

COUNCIL ACTION FORM

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

BACKGROUND:

In 2004 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 to Wellmark Blue Cross Blue Shield of Iowa.

Since that time Wellmark has provided good customer service and has had a commendable record of accurate and timely claims payments. Wellmark also has very 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 administering the City's existing health 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.

Each year Wellmark presents the City with a proposal to continue providing these services. For the fiscal year beginning July 1, 2018, Wellmark will charge \$44.42 per employee per month in **administrative and access fees** for a yearly total of approximately \$296,000. This is an increase of 4.96% over FY 2017/18.

Effective July 1, 2018, Wellmark will charge \$57.69 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 2017/18 the stop loss rate charged per employee per month was \$50.97. However, the stop loss trend over the past several years has significantly exceeded Wellmark's projections. For that reason, their proposed stop loss rates for FY 2018/19 will increase by 13.18%. At that rate, in FY 2018/19 the City will pay \$384,907 in specific and aggregate stop loss premiums. Gallagher, the City's contracted Health Benefits Consultant, provided assistance with reviewing the overall administrative fees and services Wellmark presented for FY 2018/19. Gallagher negotiated on the City's behalf to have the fixed expenses

capped at a 2% increase for FY 2019/20. Gallagher believes that this two-year average increase will keep our fixed fees in line with market averages.

The overall projected increase for health care costs, including projected 2018/19 claims and all of the Wellmark administrative fees, is 3.77%. This will be covered by the 5% premium increase already included in the adopted FY 2018/19 Budget.

Gallagher and staff also worked with Wellmark to include several plan design changes for FY 2018/19. These changes address quality of care and health outcomes, and in some cases will help the City better manage costs. Included are the following:

- 1) Addition of pre-diabetes education benefit with the cost share applied towards annual deductible plus either a co-pay or coinsurance fee.
- 2) Addition of Doctor on Demand as a virtual physician service covering limited acute conditions. This service is provided through a registered Wellmark network doctor online.
- 3) The coverage of blood and its derivatives from out of state providers. In Iowa this cost is covered, but outside of Iowa and South Dakota some providers may bill for these items. With this addition to our plans, any cost for blood and its derivatives billed to Wellmark by out of state providers will be applied to a member cost share per the member plan, instead of a full cost to members.
- 4) Addition of Applied Behavior Analysis (ABA) for the treatment of autism in children.

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, 2018 to June 30, 2019.
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. Their 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, 2018 to June 30, 2019.