

COUNCIL ACTION FORM

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

BACKGROUND:

Fifteen 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 to Wellmark Blue Cross Blue Shield of Iowa.

Over the past fifteen 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 1, 2019, Wellmark will charge \$46.40 per employee per month in administrative and access fees for a yearly total of \$309,581. This is an increase of 1.9% over 2018/19.

Effective July 1, 2019, Wellmark will charge \$67.55 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 FY 2018/19, the stop loss rate charged per employee per month was \$57.69. However, the stop loss trend over the past several years has significantly exceeded Wellmark's projections. For that reason, the stop loss rates for FY 2019/20 will increase by 12.25%. In FY 2019/20 the City will pay \$450,694 in specific and aggregate stop loss premiums.

The overall change in the City's health care costs, including projected FY 2019/20 claims, and all of the Wellmark fees reflected above, are estimated to increase by 3.6% for FY 2019/20 (for a total of approximately of \$8,743,761). It is projected that these

increases can be covered by the 2% expenditure increase included in the FY 2019/20 department budgets.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative services and access fees as well as specific and aggregate excess insurance, effective from July 1, 2019 to June 30, 2020. The estimated total cost for this renewal for FY 2019/20 is \$760,275.
2. Do not renew the City's health insurance administrative services contract with Wellmark.

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, 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, 2019 to June 30, 2020.