

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF HEALTH INSURANCE ADMINISTRATOR CONTRACT

BACKGROUND:

Five 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) 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 five years Wellmark has provided good customer service and have had a commendable record of accurate and timely claim payment. Wellmark also has advantageous contractual relationships with medical providers in Ames and throughout Iowa, which allow the City to receive significant discounts on services received. Added to this is the fact that they have a proven record of being able to administer the existing plans, and have been willing and capable partners in our efforts to improve the health status of employees and their families through quality programs and exceptional service.

Effective July 1, 2009, Wellmark will charge \$37.60 per covered employee per month in administrative and access fees for a yearly total of \$237,331. This is an increase of \$8,521 or 3.7% from 2008/2009.

Effective July 1, 2009, Wellmark will charge \$24.54 per covered 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 what was expected. In 2008/2009, we did qualify for some significant recoveries under the specific stop loss policy and so the 2009/2010 stop loss rates increased 6.9% to reflect that experience. In 2009/2010, the City will pay \$154,896 in specific and aggregate stop loss premiums which is an increase of \$10,036 or 6.9% over 2008/2009.

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, 2009 to June 30, 2010.
2. Do not renew the agreement with Wellmark.

MANAGER'S RECOMMENDED ACTION:

Over the past several years 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 Human Resources staff and 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, 2009 to June 30, 2010.