

COUNCIL ACTION FORM

SUBJECT: FLEXIBLE SPENDING PROGRAM RENEWAL

BACKGROUND:

A Flexible Spending Account (FSA), as provided to benefit-eligible City of Ames employees, allows a City employee to set aside a portion of his or her earnings to pay for qualified expenses such as health insurance premiums, as well as medical and dependent care expenses. Money deducted from an employee's pay into a Flexible Spending Account is not subject to payroll taxes, which can result in substantial payroll tax savings to the individual.

Wellmark Blue Cross Blue Shield has administered the City's Flexible Spending Account program over the past several years. During that time, Wellmark has provided good customer service. Wellmark's flexible reimbursement options have included automatic reimbursement of health and pharmacy claims processed through Wellmark in its role as our health insurance programs third party administrator. By concurrently filling both of these roles, Wellmark has also offered direct deposit of reimbursement.

Effective January 1, 2010, Wellmark will charge \$4.446 per contract per month in claims processing fees and \$1,978.20 in annual administration fees. This represents an increase of 3.7% from the calendar year 2009 rates.

ALTERNATIVES:

1. Renew the agreement with Wellmark Blue Cross Blue Shield for administrative and claims processing services for the City's flexible spending account program for calendar year 2010.
2. Do not renew the agreement with Wellmark for 2010 and seek another party to administer this program.

MANAGER'S RECOMMENDED ACTION:

Over the past several years Wellmark Blue Cross Blue Shield has been an effective administrator of the City's Flexible Spending Account program. Wellmark's services are cost-effective, and they have a strong working relationship with the City's Human Resources staff and other health care partners.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby approving the renewal for administrative and claims processing services for the Flexible Spending Account program with Wellmark Blue Cross Blue Shield of Iowa for calendar year 2010.