

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF HEALTH INSURANCE ADMINISTRATIVE SERVICES CONTRACT

BACKGROUND:

Eight 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 a request for proposals (RFP). That RFP yielded three quotations from providers. The City Council subsequently approved award of the administrative services and excess coverage to Wellmark Blue Cross Blue Shield of Iowa.

Over the past eight years Wellmark has provided good customer service and has had a commendable record of accurate and timely claims payment. Wellmark also has advantageous contractual relationships with medical providers in Ames and throughout Iowa, which allows 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 service.

Effective July 1, 2012, Wellmark will charge \$38.76 per employee per month in administrative and access fees for a yearly total of \$248,374. This is an increase of 1% from 2011/12.

Effective July 1, 2012, Wellmark will charge \$26.30 per employee per month for specific and aggregate stop loss premiums. Having this 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 2011/12, the City did qualify for some significant recoveries under the specific stop loss policy, and so the 2012/13 rates increased 6.5% to reflect those claims. In 2012/13, the City will pay \$168,530 in specific and aggregate stop loss premiums.

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, 2012 to June 30, 2013.
2. Do not renew the agreement with Wellmark.

MANAGER'S RECOMMENDED ACTION:

Over the past several years Wellmark has been an effective administrator of the City's health care administrative services. Wellmark's services are cost-effective, they have a strong working relationship with Human Resources staff and the City's other health care partners, and they have advantageous contractual relationships with medical providers which allow the City to receive significant discounts on services received. 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, 2012 to June 30, 2013.