

**COUNCIL ACTION FORM**

**SUBJECT:** FLEXIBLE SPENDING PLAN DOCUMENT

**BACKGROUND:**

Flexible Spending Accounts (FSAs), as provided to benefit-eligible City of Ames employees, allows employees to set aside a portion of their 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, resulting in substantial payroll tax savings.

Over the past several years, Wellmark Blue Cross Blue Shield has administered the City's FSA program. Wellmark has provided good customer service and flexible reimbursement options, including automatic reimbursement of health and pharmacy claims processed through Wellmark and direct deposit of reimbursement when elected.

Effective January 1, 2014, Wellmark will charge \$4.80 per contract per month in claims processing fees and \$400 in annual administration fees for this service. The charge per contract per month is an increase of 4.5% from 2013, and the administration fee has no increase from 2013.

**ALTERNATIVES:**

1. Accept the renewal documents from Wellmark for administrative and claims processing services for the City's Flexible Spending Account benefit effective January 1, 2014.
2. Do not renew the FSA administration 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 Flexible Spending Account program. 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 this program.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as described above.