

**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 the self-insured health insurance and pharmacy programs. At that time requirements were added as 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.

The City contracts with Gallagher, a Health Benefits Consultant, to assist with reviewing the overall administrative fees and services. Gallagher has reviewed the proposed fees and services Wellmark presented for FY 2020/21. The overall change (increase) for health care costs, including projected FY 2020/21 claims and all Wellmark administrative fees, is estimated at 5.5% for FY 2020/21 (approximately a total of \$9,832,694).

Wellmark has proposed the following changes to administrative fees for FY 2020/21:

Administrative and Access Fees - Effective July 1, 2020, Wellmark will charge \$47.99 per employee per month in administrative and access fees for a yearly total of \$327,100. This is an increase of 5.4% over FY 2019/20.

Specific and Aggregate Stop Loss Premiums - Effective July 1, 2020, Wellmark will charge \$85.13 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 2019/20 the stop loss rate charged per employee per month was \$67.55. 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 2020/21 will increase by 26%. In FY 2020/21 the City will pay \$580,246 in specific and aggregate stop loss premiums.

**While the projected overall increase in healthcare expenditures in FY 2020/21 is now projected to be 5.5% after obtaining the Wellmark proposal, the FY 2020/21 Budget was approved back in March with an anticipated 3.9% increase in expenditures. Available monies in the Health Insurance Fund balance will be used to cover the difference.** This fund balance is projected to be \$5,594,802 at the end of FY 2019/20 and, therefore, sufficient funds are available to make up this difference and still handle any unexpected claim fluctuation without jeopardizing the needed reserves as it relates to the 509A statute.

**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, 2020 to June 30, 2021.
2. Do not renew the City's health insurance administrative services contract with Wellmark.

**CITY 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, as described above.