

**COUNCIL ACTION FORM**

**SUBJECT: HEALTH BENEFITS CONSULTING AND ACTUARIAL VALUATION SERVICES CONTRACT EXTENSION**

**BACKGROUND:**

The City provides health benefits to full-time and regular part-time employees including health insurance, dental insurance, prescription drug coverage, flex spending, an employee wellness plan, and optional vision coverage. The health benefit and prescription drug plans are administered by Wellmark/Blue Cross of Iowa. The dental and vision plans are administered by Delta Dental of Iowa, and the flex spending plan is administered by TASC.

The City has three group medical plans including Wellmark's Classic Blue (indemnity plan that is closed to new enrollments), Alliance Select (PPO plan), and Blue Advantage (HMO plan). These plans are required to have certain protections, such as a provision of preventive health services without any cost sharing and the elimination of lifetime limits on benefits under the Patient Protection and Affordable Care Act (PPACA).

City staff has managed health benefits internally for several years. However, with the rollout of the PPACA, increased and changing compliance requirements, and the complexity of analyzing and valuing proposed plan changes, staff has determined that the health plans can be better managed with the assistance of contracted, qualified professionals. Those same types of professionals have already been providing these services and actuarial valuation services for several years to comply with reporting requirements for our self-funded health plans.

On January 31, 2017, the City issued a Request for Proposals (RFP) for health benefits consulting and actuarial valuation services for our self-funded health plan. After an extensive evaluation process, the City awarded a three-year contract to Gallagher Benefit Services, Inc. for health benefits consulting and actuarial valuation services. The contract included options to renew for two additional one-year periods. This contract ends on June 30, 2022.

**Gallagher Benefit Services, Inc. is willing to provide services to the City for an additional year (FY 2022/23) at the same rate charged in FY 2021/22 (\$40,000). The City has had very good results with managing the health insurance programs by partnering with Gallagher. Additionally, City staff and Gallagher Benefit Services are in the midst of an evaluation of certain benefit services. Conducting an RFP process at this time could result in a disruption to the quality of service.**

**ALTERNATIVES:**

1. Award a one-year renewal to the original contract with Gallagher for health benefits consulting and actuarial valuation services beginning July 1, 2022, in an amount not to exceed \$40,000.
2. Direct staff to conduct a new RFP for these services.

**CITY MANAGER'S RECOMMENDED ACTION:**

The consultant retained through this contract provides valuable analysis of the City's insurance coverages. This analysis assists in the budgeting process and in the design of plans that balances competitive benefits with reasonable costs.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.