

ITEM #: 11  
 DATE: 12-12-23  
 DEPT: HR

**COUNCIL ACTION FORM**

**SUBJECT: AMENDING WELLMARK CONTRACT WITHOUT PHARMACY BENEFIT  
 MANAGER SERVICES**

**BACKGROUND:**

For almost twenty years, Wellmark Blue Cross Blue Shield of Iowa has been the City’s provider for administrative services and excess coverage for the self-insured health and pharmacy programs. Wellmark was originally awarded this contract after a competitive Request for Proposals. Wellmark 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.

**As the costs in prescription drugs have continued to increase over the last 7 years, the City engaged in a recent RFP process for a Pharmacy Benefit Manager (PBM). After reviewing multiple proposals, the City selected a different vendor (Carelon Rx) to manage drug costs as PBM. This means as of January 1, 2024 Wellmark will administer medical claims and stop loss insurance coverage, but not pharmacy claims.** With this change in PBM, the City will experience substantial savings to the overall program as compared to Wellmark’s projected pharmacy claims. However, in order to “carve out” pharmacy benefits and continue to share medical claim information, Wellmark charges a carve out fee of \$1.75 per person per month, which is included in the administrative and access fees below. The expected savings will more than offset this increase in fees from Wellmark.

**ADMINISTRATIVE AND ACCESS FEES:**

In amending the administrative agreement for the last 6 months of FY 2023/24, Wellmark will charge \$52.59 per member per month in **administrative and access fees**, effective January 1, 2024. This is a per-member, per-month increase of 1.0% compared to first 6 months of FY 2023/24.

**Administrative and Access Fees (With Carve Out Fees Added)**

	FY 2023/24 first 6 months	FY 2023/24 last 6 months
# of Covered Members	551	551
Per Member, Per Month Fee	\$51.94	\$52.59
<b>TOTAL COST</b>	<b>\$343,427</b>	<b>\$347,725</b>

**ALTERNATIVES:**

1. Accept the amended documents from Wellmark for administrative services, specific and aggregate excess insurance, and access fees for benefits effective from January 1, 2024, to June 30, 2024.
2. Do not accept the amendment to 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.

**ATTACHMENT(S):**

[City of Ames AltMktgExhibitSF 1-1-24 HMO Advantage.pdf](#)  
[City of Ames AltMktgExhibitSF 1-1-24 Classic Blue.pdf](#)  
[City of Ames AltMktgExhibitSF 1-1-24 PPO Alliance Select.pdf](#)  
[Carve Out Binder updated.pdf](#)