

ITEM #: 28
DATE: 06-25-24
DEPT: HR

COUNCIL ACTION FORM

SUBJECT: HEALTH BENEFITS BROKERAGE, CONSULTING AND ACTUARIAL VALUATION SERVICES CONTRACT RENEWAL

BACKGROUND:

The City provides health benefits to full-time and regular part-time employees including medical insurance, dental insurance, life and accidental death/dismemberment (AD&D) insurance, disability insurance, prescription drug coverage, flex spending, an employee wellness plan, and optional vision coverage. The medical and prescription drug plans are administered by Wellmark/Blue Cross of Iowa. The prescription drug plan is administered by a separate pharmacy benefit management vendor, Carelon Rx. The dental and vision plans are administered by Delta Dental of Iowa, and the flex spending plan is administered by TASC. Life/AD&D and disability insurance is provided by National Insurance Services.

The City has three group benefit 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 "non-grandfathered medical plans" under the Patient Protection and Affordable Care Act (ACA). As permitted by the ACA, a non-grandfathered medical plan can make changes to certain aspects of the plan, including employee contributions, as long as they meet the minimum requirement under ACA regulations, such as 100% covered preventive services and not exceeding the maximum out of pocket expenses for extenuating services.

The ACA regulations include significant compliance requirements, and the complexity of analyzing and valuing proposed plan changes is not something City staff is equipped to address without the assistance of contracted, qualified professionals. Along with this type of service, professional assistance is necessary to broker best in class offers for insurance coverage and other benefits, including the continued actuarial valuation services.

On March 9, 2023, the City issued a Request for Proposals (RFPs) for health benefits brokerage, consulting and actuarial valuation services for the self-funded health plan. After an extensive process, the City awarded a one-year contract to Gallagher Benefit Services, Inc., with an option to renew for four additional one-year periods. This contract ends on June 30, 2024. Gallagher Benefit Services, Inc. is willing to provide services to the City for an additional year (FY 2024/25) for the same rate charged in FY 2023/24 (\$54,000). The City has had very good results with managing the health and life/disability insurance programs by partnering with Gallagher.

ALTERNATIVES:

1. Award a one-year renewal to the original contract with Gallagher for health benefits brokerage, consulting, and actuarial valuation services beginning July 1, 2024.
2. Direct staff to conduct a new RFP for these services.

CITY MANAGER'S RECOMMENDED ACTION:

Gallagher has an extensive record of providing benefits brokerage, consulting and actuarial services to city government and public organizations throughout Iowa. Utilizing Gallagher's services will continue to strengthen administration of City self-funded health and life/disability benefits by providing actuarial analysis, evaluating, and supporting compliance, and analyzing cost saving approaches. Renewing this contract will provide the best value to the City by providing independent professional assistance in administering the City's health insurance plan. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.