

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-221
MAY 28, 1996 AGENDA**

| SUBJECT: | TYPE: | SUBMITTED BY: |
|---------------|---|---|
| HMO CONTRACTS | ◆ RESOLUTION ORDINANCE RECEIVE/FILE | MARTIN FREDERICKSON FINANCE DEPARTMENT |

SYNOPSIS —

Contracts to provide employee health care have been prepared. The City currently offers three alternative health plans and a traditional indemnity plan to provide health care benefits to City employees subject to collective bargaining agreements. These agreements expire on June 30, 1996.

FISCAL IMPACT —

Health care premiums are budgeted in the 1996-97 Operating Budget. Actual fiscal impact will be contingent upon the number of employees who choose between the different plans with varying costs; however, total annual alternative health plan costs for this contract period are estimated to increase only \$527, or .00016 percent. This small increase is due to Principal Health Care of Iowa having the highest enrollment and not raising its monthly premium rates, and SecureCare only raising its rate by 1/2 of one percent.

RECOMMENDATION —

Authorize the Mayor to execute contracts with Principal Health Care of Iowa, Inc. and SecureCare of Iowa, Inc. to provide health care benefits to employees covered by the Police, Municipal Employees Association (MEA), Des Moines Association of Professional Firefighters, and Central Iowa Public Employees Council (CIPEC) collective bargaining agreements, employees of the Des Moines City Library, and employees of Veteran's Memorial Auditorium.

BACKGROUND —

The City received five responses to its request for proposals for alternative health care plans for employees subject to collective bargaining agreements. These included two from Principal Health Plan of Iowa and one from SecureCare of Iowa, all of which are currently offered, one from John Deere Health Care, and one from Unity Choice, a Blue Cross Blue Shield of Iowa HMO. Each proposal was evaluated based upon its proposed monthly premiums, number of service providers, benefit plan(s) and potential for maximizing employee enrollment. Based on this evaluation, it is recommended that the City renew the three current plans being offered: Principal Health Care's Primary Care (Gold) plan, Principal Health Care's Open Access plan, and SecureCare. Offering only three options maintains a continuing climate of competition which maintains lower premiums, provides sufficient choices to meet employee needs and encourage employees to move to a lower cost alternative, and reduces internal administration requirements to a manageable level.

The following is a comparison of the proposals submitted for consideration:

| | Principal Primary Care | Principal Open Access | John Deere Health Care | Secure Care | Unity Choice |
|---------------|------------------------------|-----------------------------|---------------------------------|----------------|-----------------|
| No. of Drs.* | 160/560 | 180/500 | 6/160 | 85/200 | 140/300 |
| No. of loc.** | many | many | 3 | many | many |
| Mo. Rates: | | | | | |
| Family | \$326.53 | \$414.07 | \$304.41 | \$354.58 | \$429.42 |
| Single | \$ 91.22 | \$115.67 | \$ 85.04 | \$ 88.65 | \$128.19 |

- * Estimated number of Primary Care Physicians/Specialists
- ** Number of physician office locations throughout metro area

While John Deere Health Care offered the lowest premiums, it is believed that the restrictive nature of its proposal (offering six primary care physicians and three clinic locations) would inhibit enrollment in the plan, and if offered as a substitute to one of the current plans, would reduce the total number of employees enrolled in alternative health plans, thus reducing the City's overall savings.