

**CITY COUNCIL
COMMUNICATION:**

02-328

AGENDA:

JUNE 17, 2002

SUBJECT:

CONTRACT FOR
HMO COVERAGE
FOR POLICE AND
FIRE BARGAINING
UNIT EMPLOYEES

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

TOM TURNER
HUMAN
RESOURCES
DIRECTOR

ITEM _____

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

SYNOPSIS -

Approval of contract and authorization of the Mayor and City Clerk to execute and attest, respectively, the Coventry Health Group Master Contract (Mike Teachout - President, West Des Moines) for and on behalf of the City of Des Moines.

FISCAL IMPACT -

Projected premiums are \$724,692 for the current 104 employee subscribers versus a budget projection of \$695,677. The \$29,015 in excess of budget projections would require approximately a \$0.01 increase in the Trust and Agency levy.

RECOMMENDATION -

Approval and authorization for contract execution.

BACKGROUND -

During the course of collective bargaining in 2000, most bargaining units agreed to a single self-insured medical plan as the sole health care option for their employees. The Fire and Police bargaining units desired to maintain a Health Maintenance Organization (HMO) option. Requests for quotes were sent to all the City's prior HMO providers (Coventry Health Care, Secure Care, and Wellmark). Only Coventry submitted a proposal and bid. The Coventry Open Access Plan was selected and offered to the Police and Fire bargaining unit employees. Of approximately 540 employees eligible to select this option, 104 have subscribed to this insurance. This is an annual renewal to provide coverage consistent with collective bargaining agreements.

The cost of this coverage has increased 11.6 percent even though the loss ratio (claims divided by premiums) is less than 76 percent. The

cost of this plan with dental coverage is approximately \$661 per month for family coverage. This number is lower than the self-insured plan as no retired employees are in this plan. The active employee self-insured cost is increased about \$50 per month due to the inclusion of under age 65 employees in the risk pool. The plan also has lesser benefits. For example, this plan has a 25 percent co-pay for prescriptions with additional costs when a brand name drug is purchased in cases where a generic drug is available. Such a prescription benefit in the self-insured plan would reduce its cost by \$60 to \$70 per month. Other factors contributing to the reduced cost include that state law requires no reserves for this plan and the group has experienced remarkably low claims.
