



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 03/28/05  
05-156

Communication No.:

Agenda Item Type: Resolution

Roll Call No.:

Submitted by: Thomas G. Turner, Human Resources Director

### SUBJECT—

Authority to develop and issue a Request for Proposals (RFP) to secure benefit consulting services, including conducting a Request for Proposals to provide the City's health benefits for FY07.

### SYNOPSIS—

Approve the development and issuance of the recommended RFP.

### FISCAL IMPACT—

Estimated cost of the recommended benefit study and conduct of the health insurance RFP process is \$40,000 to \$80,000.

### RECOMMENDATION—

Approval

### BACKGROUND—

The cost of health insurance continues to escalate. Through collective bargaining, the City has been able to make some adjustments to the health plan with five of our seven unions and has obtained contributions toward premium from four of the City's seven unions as well as our non-union employees. Although these incremental changes are important in regard to stemming the

impact of high health care cost increases, a review of various benefit options and plan designs that are available is in order to formulate a strategic benefit plan. The study also will provide critical comparative information that will be useful in the event the City is forced into arbitration as it bargains with six of its seven unions in the fall.

The City currently has a relationship with Wellmark for its health and dental insurance. Wellmark has been our provider since February 1, 2003. The last two renewals with Wellmark have been challenging to obtain a reasonable rate adjustment consistent with the required timing of the budget process. In the most recent renewal discussions, the interest of another insurance carrier accompanied by a fairly attractive premium quote was critical in obtaining a more reasonable renewal increase from Wellmark. The emergence of this new competitor indicates a formal RFP process to obtain health insurance for the FY07 budget year may yield a better result for the City in regard to overall costs of the insurance. Accordingly, I recommend the Council approve the development and issuance of a Request for Proposals for benefit consulting services to perform the following:

1. Provide an assessment and comparison of the City's health and other benefit plans (life, LTD, dental, deferred compensation, post-employment health plan, etc) compared to our appropriate recruitment market (employers in the greater Des Moines area with 1000 or more employees) and the next largest nine cities in Iowa. This will enable us to assess our competitive position and also provide excellent data to use in the fall collective bargaining should arbitration become necessary.
2. Provide recommendations in long-term benefit design. This is intended to review the realm of various benefit types (HMO, PPO, Health Savings Accounts, Health Reimbursement Arrangements, self-funded, fully insured, etc.) and benefit designs (deductibles, co-insurance, out-of-pocket costs, co-payments, etc.) and recommend an approach and implementation strategy to arrive at the desired final plan. This would also involve an analysis whether to continue to insure all the health claims, possibly self-insure the prescription benefits and insure the medical benefits or to go completely self-insured.
3. Review our current program for over age 65 retirees and analyze the impact of Medicare Part D, which is effective January 1, 2006, and make appropriate plan design recommendations.
4. Conduct a formal bidding process to obtain a health insurer for FY07. This process to be completed by October 31, 2005 to provide ample time to take to the bargaining table and to plan for the FY07 budget.

The proposals will be evaluated based upon overall cost, capabilities of the firm to perform the project with their resources, references, projects of similar type and size they have completed and prior projects performed on behalf of the City.

In the current ongoing collaborative discussion with representatives of Polk County, interest was expressed for them to participate in this study. We are encouraging their participation.