City of Carroll

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MEMO TO: Mike Pogge-Weaver, City Manager MSPW

FROM: Laura A. Schaefer, Finance Director/City Clerk LAS

DATE: April 23, 2020

SUBJECT: FY 2021 Health Insurance Renewal

The City's health insurance coverage, Wellmark Blue Access HMO, has a renewal date of July 1, 2020. The City works with a health insurance consultant from West Des Moines, Benefit Source, Inc. (BSI). Debbie Dean, BSI representative, is scheduled to present information to the Council via telephone at the Council meeting to discuss this matter further.

Since it is generally less expensive to pay a portion of the claim expense than to pay an insurance company to insure all of the claim exposure, the city began purchasing a higher deductible plan and initiated a health insurance internal service fund to help pay for the buy down/risk of medical expenses that may occur in any year. Over the years, the city has changed plan designs that slowly increased the deductible to where we are today: $5,000 deductible per single plan ($10,000 family) with a $7,150 single out-of-pocket maximum ($14,300 family). When the FY 2021 budget was prepared, it was re-estimated that this reserve fund balance would be approximately $915,950 on June 30, 2020. Now it is anticipated that this reserve fund balance will be approximately $951,000 (based upon activity through April 30, 2020). The June 30, 2020 balance will be largely determined by the amount of partial self-funding claims that are paid during the remainder of the fiscal year.

If the City chooses to stay with the current $5,000 deductible health insurance plan, Wellmark is quoting an increase to the health insurance premiums of 2.02% but BSI is recommending a slight change to our plan design for FY 2021. The recommendation is to increase the deductible from $5,000 to $7,000 per single plan ($14,000 family) with a $7,900 single out-of-pocket maximum ($15,800 family). This change would basically keep the health insurance premiums the same as the prior year with a slight increase in additional exposure which would allow the City to keep the COBRA rate about the same.

The approved FY 2021 budget was prepared to continue the health insurance internal service fund assuming an increase of 3.25% to the COBRA rate and an increase of 15% for the health insurance premiums. With the proposed plan design change that maintains the health insurance premiums about the same as last year, City staff would recommend no change to the COBRA rate for the Blue Access plan.

The unknown each year is the dollar amount of claims that will be reimbursed. If the claims continue to be similar to past years, the fund will remain strong.

RECOMMENDATION: Council review and approval of the attached resolution entering into a contract with Wellmark for health insurance benefits with a deductible of $7,000 single/$14,000 family and out-of-pocket maximum to $7,900 single/$15,800 family.

RESOLUTION NO. _____

A RESOLUTION APPROVING A CONTRACT WITH WELLMARK FOR GROUP HEALTH INSURANCE COVERAGE AND SETTING COBRA RATES FOR FY 2021

WHEREAS, Chapter 17, of the Code of Ordinances of the City of Carroll, Iowa, provides that all contracts made by the City be reduced to writing and approved by the City Council by resolution; and

WHEREAS, it is determined that the approval of a contract with Wellmark effective July 1, 2020 to June 30, 2021 for group health insurance coverage is in the best interest of the City of Carroll, Iowa; and

NOW, THEREFORE, BE IT RESOLVED that a contract with Wellmark for group health insurance coverage, be authorized and approved, and that the Group Administrator is authorized to execute the contract on behalf of the City of Carroll and set the Blue Access Plan COBRA rates at $499.28/month for a single health insurance plan and $1,097.71/month for a family health insurance plan and the Alliance Select COBRA rates at $576.13/month for a single health insurance plan and $1,387.83/month for a family health insurance plan.

PASSED AND APPROVED by the City Council of the City of Carroll, Iowa, this 27th day of April, 2020.

CITY COUNCIL OF THE
CITY OF CARROLL, IOWA

BY:_____
Eric P. Jensen, Mayor

ATTEST:

By:_____
Laura A. Schaefer, City Clerk