City of Carroll

112 E. 5th Street Carroll, Iowa 51401-2799 (712) 792-1000 FAX: (712) 792-0139

MEMO TO: Mike Pogge-Weaver, City Manager

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

DATE: May 10, 2018

SUBJECT: FY 2019 Health Insurance Renewal

The City's health insurance coverage, Wellmark Blue Access HMO, has a renewal date of July 1, 2018. The City works with a health insurance consultant from West Des Moines, Benefit Source, Inc. (BSI). Debbie Dean, BSI representative, is scheduled to be present 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 explored purchasing a higher deductible plan than what has been negotiated as part of the union contracts. The FY 2014 budget initiated a health insurance internal service fund to help pay for the unknown buy down/risk of medical expenses that may occur in any year. When the FY 2019 budget was prepared, it was re-estimated that this reserve fund balance would be approximately $791,649 on June 30, 2018. Based upon activity through April 30, 2018, the anticipated June 30, 2018 should be similar to the FY 2018 re-estimated ending balance. The June 30, 2018 balance will be largely determined by the amount of partial self-funding claims that are paid during the remainder of the fiscal year.

The health insurance renewal for July 1, 2017 (current fiscal year) increased the deductible from $3,000 to $5,000 (single)/from $6,000 to $10,000 (family) and the out-of-pocket maximum from $6,350 to $7,150 (single)/from $12,700 to $14,300 (family). Even though the increase in deductible and out-of-pocket maximum exposed the city to a little bit more risk, the total claims reimbursed this fiscal year are expected to be within budgeted amounts.

Wellmark has reviewed the city's plan and has quoted a 4.98% increase to the premium for the $5,000 deductible plan effective July 1, 2018. City staff has worked with Debbie Dean, BSI, and would also recommend no increase to the COBRA rate. The FY 2019 budget was prepared assuming no increase to the COBRA rate and an increase of 20% for the health insurance premiums. 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.

The approved FY 2019 budget was prepared to continue the health insurance internal service fund. This reserve fund is only for health insurance purposes and will be used to help minimize health insurance increases in the future.

RECOMMENDATION: Council review and approval of the attached resolution entering into a contract with Wellmark effective July 1, 2018 for health insurance benefits with a deductible of $5,000 single/$10,000 family and out-of-pocket maximum to $7,150 single/$14,300 family.

RESOLUTION NO. _____

A RESOLUTION APPROVING A CONTRACT WITH WELLMARK FOR GROUP HEALTH INSURANCE COVERAGE

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, 2018 to June 30, 2019 for group health insurance coverage is in the best interest of the City of Carroll, Iowa;

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.

PASSED AND APPROVED by the City Council of the City of Carroll, Iowa, this 14th day of May, 2018.

CITY COUNCIL OF THE
CITY OF CARROLL, IOWA

BY:_____
Eric P. Jensen, Mayor

ATTEST:

By:_____
Laura A. Schaefer, City Clerk