

ITEM #:	24
DATE:	05-26-26
DEPT:	HR

COUNCIL ACTION FORM

SUBJECT: HEALTH INSURANCE ADMINISTRATIVE SERVICES CONTRACT RENEWAL

BACKGROUND:

For the past 21 years Wellmark Blue Cross Blue Shield of Iowa has been the City’s provider for administrative services and excess coverage for the self-insured health and pharmacy programs. Wellmark was originally awarded this contract after a competitive Request for Proposals. Wellmark also has advantageous contractual relationships with medical providers in Ames and throughout Iowa that allow the City to receive significant discounts on services received.

ADMINISTRATION SERVICES:

Wellmark has a proven record of being able to administer the existing plans and has been a willing and capable partner in the City's efforts to improve the health status of employees and their families through quality programs and health promotion.

In renewing the administrative agreement for FY 2026/27, Wellmark will charge \$59.00 per member per month in administrative and access fees, effective July 1, 2026. This is a per member, per month increase of 4.7% compared to FY 2025/26.

Administrative and Access Fees

	FY 2025/26	FY 2026/27
# of Covered Members	553	564
Per Member, Per Month Fee	\$56.34	\$59.00
Total Cost	\$373,872	\$399,312

AGGREGATE STOP LOSS COVERAGE:

The City also obtains individual and aggregate stop loss coverage from Wellmark. The individual stop loss coverage protects the City from specific claims that exceed \$125,000 incurred in a single year, while the aggregate stop loss protects the City in the event that total claims exceed 120% of projected losses.

In FY 2025/26, the stop loss rate charged per member, per month was \$209.30. **However, the stop loss trend over the past several years has significantly exceeded Wellmark’s projections. For that reason, effective July 1, 2026, Wellmark will charge \$227.66 per member per month for specific and aggregate stop loss premiums, an increase of 16.6%.**

Due to a slight reduction in the number of covered members, in FY 2026/27, the City will pay

\$1,540,803 in specific and aggregate stop loss premiums, an 11% increase over the total amount paid in FY 2025/26.

Specific and Aggregate Stop Loss Premiums

	FY 2025/26	FY 2026/27
# of Covered Members	553	564
Per Member, Per Month Fee	\$209.30	\$227.66
Total Cost	\$1,388,915	\$1,540,803

WELLNESS SERVICES:

The City has been obtaining Wellness Services from Wellmark since FY 2023/24. Services provided include: health risk assessments, an online web portal with a wide variety of online wellness programs, incentive administration tracking for the Healthy4Life program that rewards employees for engaging in healthy lifestyle activities, health coaching, integration of participant data with health claims, periodic reporting regarding portal utilization and engagement, population health risks, projected financial summaries, and analyzing health data in the same population over consecutive years.

At the time of purchase, it was stated that the cost of renewal would increase no more than 3% each year. Therefore, wellness services for FY 2026/27 year will cost no more than \$30,469. This assumes that every eligible employee participates with all aspects of the program, including portal access and coaching. Considering past utilization is just under half of the eligible employees, staff estimates actual cost for the wellness portal and associated coaching will be approximately \$15,450 for FY 2026/27, which is reflected in the final budget.

OVERALL IMPACT:

Gallagher, the City's contracted Health Benefits Consultant, provided assistance with reviewing the overall administrative fees and services Wellmark presented for FY 2026/27.

The total for medical health care costs, including projected FY 2026/27 medical claims, pharmacy claims, all Wellmark administrative fees, stoploss premiums, and wellness costs are estimated to be \$14,501,274. This projected total cost was reported to City Council at the February 5, 2026 budget hearing. At that time, staff reported to Council that the recommended 8% increase in premiums from the department and employees would not fully cover the budgeted increased expenses, so \$266,890 of available balance in the Health Insurance Fund also was designated in the budget to finance these increased costs.

The Health Insurance Fund contains a sizeable unreserved fund balance that has been slowly decreased over the past several years to reduce the impact of large premium increases. **At the end of FY 2025/26, the Health Insurance Fund is projected to have an total balance of \$7,423,561. Of that amount, \$4,630,830 is reserved for future contingencies, leaving a projected unreserved fund balance of \$2,792,731.**

	FY 25/26 Renewal	FY26/27 Final Budget	FY 26/27 Renewal
Administrative and Access Fees	\$373,872	\$411,444	\$399,312
Specific and Aggregate Stoploss Premiums	\$1,388,915	\$1,564,075	\$1,540,803
Wellness (Per Person, Per Month)	\$29,582	\$15,450	\$30,469

The budget was developed and adopted based on past experience and anticipated increases. Renewal information for Admin/Access Fees and Stoploss Premiums was provided by Wellmark later in the year and varies slightly from budgeted amounts based on factors, such as number of members and actual utilization from the previous year. For Wellness, the renewal information is strictly based a maximum bill amount assuming all eligible participants utilize all services. The budgeted amount reflects what the City projects in actual utilization.

Given this information and including the amount for projected claims, the 8% budgeted premium increase from the departments and employees plus the \$266,890 from the unreserved balance in the Health Insurance Fund will be sufficient to cover all required medical and wellness related costs.

ALTERNATIVES:

1. Accept the renewal documents from Wellmark for administrative services, specific and aggregate excess insurance, wellness services, and access fees for benefits effective from July 1, 2026, to June 30, 2027.
2. Do not renew the City's health insurance administrative services contract with Wellmark and direct staff to seek other providers for these services.

CITY MANAGER'S RECOMMENDED ACTION:

Wellmark has been an effective administrator of the City's health care administrative services. Wellmark's services are cost-effective, and they have a strong working relationship with the City's other health care partners. Renewal of this contract will provide the best value to the City in administering its health insurance program. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

ATTACHMENT(S):

[Wellness Services FY 2627.pdf](#)