

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant to the City Manager
SUBJECT: **Employee Group Benefit Plan – Health Insurance**
DATE: October 1, 2002

NEEDS: For City Council to consider a new employee group health insurance plan.

- FACTS**
1. For the last 7 years, the City's health insurance provider has been Lifeguard Health Care.
 2. On Friday, September 13, the California Department of Managed Care appointed a Conservator to manage the operations of Lifeguard because Lifeguard's financial reserves had fallen below the minimum level mandated by law.
 3. On Wednesday, September 25, the Conservator indicated that Lifeguard's HMO plan would be discontinued by December 31.
 4. Despite Lifeguard's promise to honor claims over the next three months, local medical providers are canceling their contracts with Lifeguard and discontinuing treatment to Lifeguard patients. Some employees received letters last weekend stating that their doctors would no longer accept Lifeguard insurance as early as October 18, 2002.
 5. The City has obtained quotes from Blue Cross for three alternative health care plans.
 6. The most comparable plan (a combination HMO and PPO – preferred provider organization) is the highest cost plan, approximately 36% higher, or an additional \$325,000 per year. The lowest cost plan significantly reduced coverage.
 7. The City has met and conferred with its employee associations/groups. All have endorsed, and are participating in the cost of, an October 1 change to Blue Cross' PPO-1 health care plan. The Plan will cost an additional \$91,000 for fiscal year 2003.

ANALYSIS &

CONCLUSION: Lifeguard's sudden collapse leaves little opportunity to identify and analyze coverage alternatives. Quick action is needed to assure continued treatment options for employees and their families. Blue Cross has offered three plan alternatives, any one of which can be effective October 1.

The proposed contract with Blue Cross presents a plan option that will largely maintain the integrity of overall health care options and coverage, while increasing costs by approximately 15%. The City's bargaining groups endorse the Blue Cross PPO-1 Plan.

POLICY

REFERENCE: "Memorandum's of Understanding" (MOU) with employee associations that document commitment to provide a health insurance program.

FISCAL

IMPACT: Approximately \$91,000 added cost in Fiscal Year 2003 - \$77,000 to the General Fund and \$14,000 to Enterprise Funds.

OPTIONS:

- a. **Adopt Resolution No. 02-XX Approving Group Health Insurance Plan Change to Blue Cross PPO-1 Plan Effective October 1, 2002 and Appropriating \$77,000 from General Fund Reserves.**

b. Amend, modify or reject above option.

Attachments: Resolution Approving Change
Summary of Blue Cross PPO-1 Plan

RESOLUTION NO. 02-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING GROUP HEALTH INSURANCE PLAN CHANGE
TO BLUE CROSS PPO-1 EFFECTIVE OCTOBER 1, 2002

WHEREAS, the City's current health insurance provider, Lifeguard Health Care, has been placed under conservatorship by the State of California; and

WHEREAS, the State's Conservator has announced that Lifeguard's HMO Plan will be discontinued by December 31, 2002; and

WHEREAS, Blue Cross has offered alternative health insurance plan coverage effective October 1, 2002 for one year; and

WHEREAS, City employee associations endorse an October 1, 2002 change to Blue Cross PPO-1 Plan; and

WHEREAS, the plan change has budgetary impacts that exceed projections contained in the adopted General Fund operating budget for fiscal year 2003 by \$77,000; and

WHEREAS, it is desirable to appropriate funds to cover the estimated cost impact.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles that the City Manager is authorized to execute a one-year contract with Blue Cross for the PPO-1 Health Insurance Plan effective October 1, 2002, the General Fund budget for health insurance benefits be increased by \$77,000 for fiscal year 2003, and the Director of Administrative Services distribute said budget appropriation by department by budgetary line item as appropriate.

PASSED AND ADOPTED by the City of El Paso de Robles this 1st day of October 2002 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk