

TO: James L. App, City Manager  
FROM: Meg Williamson, Assistant City Manager  
SUBJECT: Employee Group Health Insurance Contract Renewal  
DATE: September 4, 2007

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NEEDS: For City Council to consider renewal of the City's Group Health Insurance Contract.

- FACTS:
1. The City's Health Insurance contract with Blue Cross will expire on September 30, 2007.
  2. The City has been with Blue Cross since 2003 when the contract was switched over from Lifeguard. Based on the limited availability of health care provider networks within San Luis Obispo County and the relatively small size of our organization, Blue Cross Health Care has in recent years been the only provider who can offer a truly comparative plan to our current one (mainly in terms of in-network providers).
  3. Health care renewal rates are based on the City's "experience" of loss (claims history) in relation to the amount of premium paid towards the plan. In general, when loss experience is proportionally lower than annual premium payments, the health care provider can offer the contract at a lower premium rate.
  4. In this past year, the City's employees have been managing their health care and using their health plan wisely. That, combined with a certain amount of good fortune in terms of unpredictable major illness/care needs, has resulted in a "positive" loss experience for the City.
  5. For the first time in our relationship with this health provider, the renewal rates quoted by Blue Cross are 6.78% lower than the current contract.
  6. All employee contracts require that changes in health benefit premiums be shared proportionally between the City and the employee. The 75/25 splits has the City experiencing 75% and the employee experiencing 25% of the premium change.
  7. The Blue Cross PPO One health care plan is referenced within all employee bargaining group contracts as the basis for premium cost sharing.

8. The City's Health Committee met on August 24, 2007 and recommended that the City Council renew its current Health Plan (PPO One) with Blue Cross.
9. All employee bargaining groups have indicated their concurrence to continue with the Blue Cross health care plan at the proposed decreased rates (proportionally distributed 75/25 per employee contracts).

ANALYSIS &

CONCLUSION: The extension of the current health contract would continue the same level of employee coverage at a reduced cost to both employees and the City. The decrease in plan costs is unprecedented and welcomed. The organization should continue to strive towards managing their health and wellness in as proactive a manner possible so as to increase the future potential of managing overall health contract costs. All employee bargaining groups have endorsed continuation of the current health contract for another year, recognizing the shared reduction in cost.

POLICY

REFERENCE: Employee Group Contracts.

FISCAL

IMPACT: Cost of the health contract is within established budget parameters.

OPTIONS:

- a. Adopt Resolution No. 07-XXX authorizing the City Manager to execute a contract with Blue Cross for medical coverage for one additional year.
- b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving extended contract with Blue Cross

RESOLUTION NO. 07-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
AUTHORIZING RENEWAL OF EMPLOYEE GROUP  
HEALTH INSURANCE PLAN CONTRACT – BLUE CROSS

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WHEREAS, the City's contract for health insurance is with Blue Cross and that contract will expire on September 30, 2007; and

WHEREAS, Blue Cross has proposed a one year contract for the continuation of the PPO One (90/70) plan that will result in an 6.78% cost decrease effective October 1, 2007; and

WHEREAS, the decrease in cost of the contract renewal is based on the City's favorable "loss experience" as an organization; and

WHEREAS, the City's Health Committee has reviewed the proposal and recommends renewal of the Blue Cross PPO One contract; and

WHEREAS, the Blue Cross PPO One health care plan is referenced within all employee bargaining groups as the basis for premium cost sharing; and

WHEREAS, the health care premium cost sharing agreement within each employee group contract will result in the City of Paso Robles to experience 75% and the Employee 25% of the 6.78% premium decrease; and

WHEREAS, each employee bargaining group has reported their concurrence to extend the Blue Cross health care plan for one year, recognizing the shared reduction in cost.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles that the City Manager shall execute a contract with Blue Cross for Health Insurance for an additional one year.

PASSED AND ADOPTED by the City of El Paso de Robles this 4<sup>th</sup> day of September 2007 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Frank R. Mecham, Mayor

ATTEST:

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Deborah Robinson, Deputy City Clerk