

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: One Month Extension of Employee Group Health Insurance Contract
DATE: September 16, 2008

NEEDS: For City Council to consider a one month extension of the City's Group Health Insurance Contract.

- FACTS:**
1. The City's Health Insurance contract with Blue Cross will expire October 1, 2008.
 2. Health care renewal rates are based on the City's loss "experience" (claims history) in relation to premiums paid. In general, when loss experience is proportionally lower than annual premium payments, the contract may be offered at a lower premium rate; vice versa, when experience is higher.
 3. This past year, there has been an increase in major illness/care needs for covered individuals. Higher loss experience has resulted in a 15% increase from Blue Cross to renew the current health contract.
 4. All employee labor contracts require that changes in health benefit premiums be shared proportionally between the City and the employee.
 5. The City's Health Committee met on August 15, 2008 and reached a consensus recommendation that the City should consider alternative health plan options with Blue Cross if employee labor groups would concur.
 6. Employee group contracts do not require employees to reopen and negotiate the terms of their health benefits. However, there is interest from some employee groups in finding ways to reduce plan costs through alternative Blue Cross plans.
 7. A one month extension of the current health contract can be obtained at the new premium pricing to conclude discussions with employee groups.

ANALYSIS & CONCLUSION: A one month extension of the current Blue Cross PPO Plan will provide the necessary time for employee and employer dialogue of potential cost saving measures. Renewal options for the remaining year will be brought back to City Council before the end of October 2008.

POLICY REFERENCE: Employee Group Labor Contracts.

FISCAL

IMPACT:

A one month increase in the October 1, 2008 Blue Cross billing of approximately \$22,500. Annual impacts will be determined at the conclusion of continued discussions with/among employee groups.

OPTIONS:

- a. Adopt Resolution No. 08-XXX authorizing the City Manager to execute a one month extension of the current contract with Blue Cross for employee group medical coverage.
- b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving one month extension of current contract with Blue Cross

RESOLUTION NO. 08-XXX

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

WHEREAS, the City's contract for health insurance is with Blue Cross and that contract will expire after September 30, 2008; and

WHEREAS, Blue Cross has proposed a one year contract for the continuation of the PPO One (90/70) plan that will result in a 15% cost increase effective October 1, 2008; and

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

WHEREAS, the City's Health Committee has reviewed the proposal and recommends consideration of Blue Cross plan alternatives; and

WHEREAS, the Blue Cross PPO (90/70) health care plan is referenced within all employee labor contracts and is the basis from which each bargaining group shares in the cost of increases in premium costs; and

WHEREAS, some employee groups have reported an interest in evaluating alternative Blue Cross plans as a means of cost savings; and

WHEREAS, a one month extension of the current health contract can be obtained from Blue Cross at the new premium pricing, allowing additional time for employee and employer dialogue about alternative plan savings options.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles that the City Manager shall execute a one month time extension with Blue Cross for Health Insurance through October 31, 2008.

PASSED AND ADOPTED by the City of El Paso de Robles this 16th day of September 2008 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Deborah Robinson, Deputy City Clerk