

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: Employee Group Health Insurance Contract – Blue Cross
DATE: October 21, 2008

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

- FACTS:**
1. On September 16, 2008, the City Council approved a one month extension of the current Blue Cross PPO P1A (90%) Health Plan Contract to provide time for employee and employer dialogue related to potential cost saving measures with that plan.
 2. Employee group contracts do not require employees to reopen and negotiate the terms of their health benefits. However, there was expressed interest from some groups in finding ways to reduce rising plan costs. As a result, price quotes for an alternative P2A (80%) PPO Plan was obtained and offered to each labor group for consideration.
 3. Health care contract renewal rates are based on the City's "experience" of loss (claims history) in relation to premiums paid. The higher loss experience in this past year for covered individuals has resulted in the following contract costs:

Current P1A (90%) PPO Plan – 15% increase.
Alternative P2A (80%) PPO Plan – 3.98 % increase.
 4. The City's insurance broker worked with Blue Cross to allow for individual employee groups to choose either the Current P1A (90%) Plan or an Alternative P2A (80%) Plan. Any labor group can choose either plan at the respective quoted rates, but the entire group of individuals must then go with that plan.
 5. The Fire, Police and Non-Represented Confidential, Professional and Management Groups chose to enter into "side letter" agreements to their contracts, to modify their health benefits to the Alternative P2A (80%) PPO Plan. (See attached signed side letters). The SEIU group chose to stay with the P1A (90%) PPO Plan as provided for under their labor contract.
 6. All employee labor contracts require that changes in health benefit premiums be shared proportionally between the City and the employee. The 75/25 split has the City experiencing 75% and the employee experiencing 25% of the premium increase.

ANALYSIS &
CONCLUSION:

The City's health care coverage has remained with Blue Cross since 2003. The Blue Cross PPO plan is referenced within all bargaining group contracts as the basis for expected health coverage and premium cost sharing. Alternative health care providers are evaluated each year for comparable plans and levels of coverage. However, 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 comparative plan. The voluntary employee group support for an alternative reduced level of plan coverage provides greater flexibility in responding to the changing landscape of the health care market in this County.

POLICY
REFERENCE:

Employee Group Labor Contracts.

FISCAL
IMPACT:

If all labor groups had stayed with the Current P1A (90%) PPO Plan, the full 15% increase in premium costs would have been split between the employer (75%) and employee (25%), resulting in an approximate annual increase of \$202,000 to the City. With the labor groups choosing to go with two different health care plans, the "blended" contract cost increase of 8.56% represents an approximate \$87,000 reduction to that increase. While insurance increases were anticipated and budgeted in the FY08/09 Budget, revenue shortfalls require expenditure adjustments to cover the approximate \$115,000 cost increase.

OPTIONS:

- a. Adopt Resolution No. 08-XXX authorizing the City Manager to execute an 11-month contract with Blue Cross for employee group medical coverage, offering two health plan options as provided for in current or side letter contracts.
- b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving an 11-month extension of a two plan option contract with Blue Cross
2. Side letter agreement with Fire (I.A.F.F. Local 4148) supporting P2A 80% Plan Option.
3. Side letter agreement with POA supporting P2A 80% Plan Option.
4. Side letter agreement with Non-Represented Confidential, Professional & Management Group supporting the P2A 80% Plan Option.

RESOLUTION NO. 08-XXX

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF PASO ROBLES AUTHORIZING
AN ELEVEN (11) MONTH EMPLOYEE GROUP HEALTH INSURANCE
CONTRACT (TWO-PLAN OPTION) WITH BLUE CROSS

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

WHEREAS, on September 16, 2008 the City Council approved a one month extension of that contract to allow additional time for employee and employer dialogue about alternative plan savings options; and

WHEREAS, employee group contracts do not require employees to reopen and negotiate the terms of their health benefits, but there was expressed interest from some groups in finding ways to reduce rising plan costs; and

WHEREAS, based on the limited availability of health care provider networks within San Luis Obispo County and the relatively small size of the City organization, Blue Cross Health Care is the only provider who can offer a comparative plan to the City's current contract terms for the least cost; and

WHEREAS, it has been possible to obtain a two-option plan with Blue Cross to allow for individual employee groups to choose either the Current P1A (90%) Plan or an Alternative P2A (80%) Plan, provided an entire labor group chooses one or the other of the plan options (with all individuals in their group then going with that plan); and

WHEREAS, the two-option contract plan alternatives are offered by Blue Cross at a 15% increase for the P1A (90%) Plan and a 3.98% increase for the P2A (80%) Plan; and

WHEREAS, the Fire, Police and Non-Represented Confidential, Professional and Management Groups met and conferred in good faith concerning a proposed change in the current health benefit plan, and these groups chose to enter into "side letter" agreements to modify their health benefits to the Alternative P2A (80%) Plan; and

WHEREAS, the cost sharing agreement within each employee group contract will require that the City of Paso Robles cover 75% and the Employee 25% of the respective premium increase for the plan chosen by each group;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles that the City Manager shall execute an eleven (11) month contract with Blue Cross for Health Insurance through September 30, 2009, providing for the group options between a P1A (90%) and a P2A (80%) plan.

PASSED AND ADOPTED by the City of El Paso de Robles this 21st day of October, 2008
by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Deborah Robinson, Deputy City Clerk



CITY OF EL PASO DE ROBLES

"The Pass of the Oaks"

TO: File

October 9, 2008

SUBJECT: P.O.A. – Group Health Insurance Side Letter of Agreement

The Paso Robles Police Officers Association (P.O.A.) and City have met and conferred in good faith concerning a proposed change in the health insurance benefit plan, prompted by the change in rates being imposed by the carrier at contract renewal. The parties have agreed to the following:

Effective November 1, 2008, the health insurance plan for the P.O.A. will change from the Anthem PPO One Plan (P1A 90% Plan) to the PPO One Plan (P2A 80% Plan). The highlighted differences between the plans are:

PLAN	Current P1A (90%) Plan		New P2A (80%) Plan	
	PPO	Non-PPO	PPO	Non-PPO
Deductible	\$0	\$250 (x3)	\$0	\$500 (x3)
Office Visit	\$10 Copay	70% (after ded)	\$20 Copay	60% (after ded)
Hospital Professional	90%	70% (after ded)	80%	60% (after ded)
Hospital Facility	90%	70% (after ded) + \$500 admit	80%	60% (after ded) + \$500 admit
Annual Out of Pocket	\$2,000/member (x3)	\$10,000/member (x3)	\$2,500/member (x3)	\$10,000/member (x3)
Lifetime Max-Single	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
RX	\$10/\$20/45%	50%+\$10/\$25/45%	\$10/\$25/45%	50%+\$10/\$25/45%

The new P2A (80%) Plan will result in a 3.98% premium increase over last years rates. The City will maintain its maximum dollar contribution by an amount equal to 100% of the employee only premium and three quarters (3/4) of the premium increases for the employee and dependent(s). The total premium contribution from the City and employee are as follows:

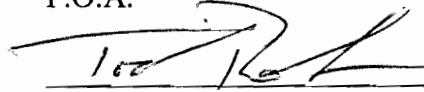
	Current P1A (90%) Rates			New P2A (80%) Rates		
	City	EE	Total	City	EE	Total
Employee Only	305.41	0	305.41	317.56	0	317.56
Employee +1	567.18	74.13	641.31	586.34	80.51	666.85
Employee + Family	797.99	118.15	916.14	825.35	127.27	952.62

This benefit shall remain in effect for the term of the existing Memorandum of Understanding between the City and the P.O.A. or as subsequently agreed to by the parties.

City:

James L. App, City Manager

P.O.A.



Tod Rehner, President



CITY OF EL PASO DE ROBLES

"The Pass of the Oaks"

TO: File

October 9, 2008

SUBJECT: I.A.F.F. Local 4148 – Group Health Insurance Side Letter of Agreement

The Paso Robles Professional Firefighters (I.A.F.F. Local 4148) and City have met and conferred in good faith concerning a proposed change in the health insurance benefit plan, prompted by the change in rates being imposed by the carrier at contract renewal. The parties have agreed to the following:

Effective November 1, 2008, the health insurance plan for the IAFF will change from the Anthem PPO One Plan (P1A 90% Plan) to the PPO One Plan (P2A 80% Plan). The highlighted differences between the plans are:

PLAN	Current P1A (90%) Plan		New P2A (80%) Plan	
	PPO	Non-PPO	PPO	Non-PPO
Network				
Deductible	\$0	\$250 (x3)	\$0	\$500 (x3)
Office Visit	\$10 Copay	70% (after ded)	\$20 Copay	60% (after ded)
Hospital Professional	90%	70% (after ded)	80%	60% (after ded)
Hospital Facility	90%	70% (after ded) + \$500 admit	80%	60% (after ded) + \$500 admit
Annual Out of Pocket	\$2,000/member (x3)	\$10,000/member (x3)	\$2,500/member (x3)	\$10,000/member (x3)
Lifetime Max-Single	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
RX	\$10/\$20/45%	50%+\$10/\$25/45%	\$10/\$25/45%	50%+\$10/\$25/45%

The new P2A (80%) Plan will result in a 3.98% premium increase over last years rates. The City will maintain the its maximum dollar contribution by an amount equal to 100% of the employee only premium and three quarters (3/4) of the premium increases for the employee and dependent(s). The total premium contribution from the City and employee are as follows:

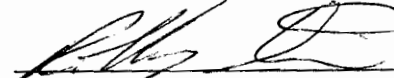
	Current P1A (90%) Rates			New P2A (80%) Rates		
	City	EE	Total	City	EE	Total
Employee Only	305.41	0	305.41	317.56	0	317.56
Employee +1	567.18	74.13	641.31	586.34	80.51	666.85
Employee + Family	797.99	118.15	916.14	825.35	127.27	952.62

This benefit shall remain in effect for the term of the existing Memorandum of Understanding between the City and the IAFF or as subsequently agreed to by the parties.

City:

James L. App, City Manager

I.A.F.F.



Robert Smith, President



CITY OF EL PASO DE ROBLES

"The Pass of the Oaks"

TO: File

October 9, 2008

SUBJECT: Non-Represented Confidential, Professional and Management Group - Health Insurance Side Letter of Agreement

The Paso Robles Non-Represented Confidential, Professional and Management Group (Management Group) and City have met and conferred in good faith concerning a proposed change in the health insurance benefit plan, prompted by the change in rates being imposed by the carrier at contract renewal. The parties have agreed to the following:

Effective November 1, 2008, the health insurance plan for the Management Group will change from the Anthem PPO One Plan (P1A 90% Plan) to the PPO One Plan (P2A 80% Plan). The highlighted differences between the plans are:

PLAN	Current P1A (90%) Plan		New P2A (80%) Plan	
	PPO	Non-PPO	PPO	Non-PPO
Deductible	\$0	\$250 (x3)	\$0	\$500 (x3)
Office Visit	\$10 Copay	70% (after ded)	\$20 Copay	60% (after ded)
Hospital Professional	90%	70% (after ded)	80%	60% (after ded)
Hospital Facility	90%	70% (after ded) + \$500 admit	80%	60% (after ded) + \$500 admit
Annual Out of Pocket	\$2,000/member (x3)	\$10,000/member (x3)	\$2,500/member (x3)	\$10,000/member (x3)
Lifetime Max-Single	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
RX	\$10/\$20/45%	50%+\$10/\$25/45%	\$10/\$25/45%	50%+\$10/\$25/45%

The new P2A (80%) Plan will result in a 3.98% premium increase over last years rates. The City will maintain its maximum dollar contribution by an amount equal to 100% of the employee only premium and three quarters (3/4) of the premium increases for the employee and dependent(s). The total premium contribution from the City and employee are as follows:

	Current P1A (90%) Rates			New P2A (80%) Rates		
	City	EE	Total	City	EE	Total
Employee Only	305.41	0	305.41	317.56	0	317.56
Employee +1	567.18	74.13	641.31	586.34	80.51	666.85
Employee + Family	797.99	118.15	916.14	825.35	127.27	952.62

This benefit shall remain in effect for the term of the existing Memorandum of Understanding between the City and the Management Group or as subsequently agreed to by the parties.

City:

James L. App, City Manager