

**TO:** James L. App, City Manager  
**FROM:** Meg Williamson, Assistant City Manager  
**SUBJECT:** Employee Group Health Insurance Contract – Anthem Blue Cross  
**DATE:** September 15, 2009

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

- FACTS:**
1. The City’s contract for health insurance is with Anthem Blue Cross and that contract will expire on September 30, 2009.
  2. The current group health contract is a “two-option” plan where Fire, Police and Non-Represented Confidential, Professional and Management Groups have opted for an 80/20 (P2A) Plan, and the SEIU Group has opted for a 90/10 (P1A) Plan.
  3. The annual renewal cost of the Health Plan is directly related to the “experience” of the group relative to frequency and severity of need for coverage in that year. The City had a high level of group medical experience this past year which resulted in an annual renewal rate offer by Anthem Blue Cross at a 25% increase in contract costs (for either a “two option” plan with both the 80/20 - P2A and 90/10 - P1A Plans or for a “single option” plan with just 80/20 – P2A coverage).
  4. Employee group contracts do not require employees to reopen and negotiate the terms of their health benefits. However, there has been continuing dialogue between the City and the SEIU employee group on reducing the rising plan costs by their group also moving to the 80/20 - P2A Plan (as other employee groups did last year).
  5. The SEIU Group reported on September 8, 2009 that their membership voted to switch from the P1A 90/10 Plan to the P2A 80/20 Plan. A “side letter” agreement will be prepared which will memorialize the SEIU Group’s voluntary change in coverage.
  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 (Anthem) 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 "two option" Plan where POA, Fire and Non-Represented employees opted for the P2A (80/20) and SEIU opted for the P1A (90/10) Plan, the full 25% increase in premium costs would have been split between the employer (75%) and employee (25%), resulting in an approximate annual increase of \$364,000 to the City. With the SEIU labor group choosing to switch over to the P2A (80/20) Plan, there will be an approximate \$84,000 reduction to that increase. The resulting approximate annual increase of \$280,000 is anticipated and budgeted for in the FY09/10 Budget. However, revenue shortfalls require expenditure adjustments to cover these rising costs.

- OPTIONS:
- a. Adopt Resolution No. 09-XXX authorizing the City Manager to execute a one (1) year contract with Anthem Blue Cross for employee group medical coverage, offering a single health plan option of the 80/20 (P2A) Plan as provided for in current and side letter contracts.
  - b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving a one (1) year contract with Anthem Blue Cross

RESOLUTION NO. 09-XXX

A RESOLUTION OF THE CITY COUNCIL OF  
THE CITY OF PASO ROBLES AUTHORIZING  
A ONE YEAR RENEWAL OF THE EMPLOYEE  
GROUP HEALTH INSURANCE CONTRACT WITH ANTHEM BLUE CROSS

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WHEREAS, the City's contract for health insurance is with Anthem Blue Cross and that contract expires September 30, 2009; and

WHEREAS, the current group health contract is a "two-option" plan where Fire, Police and Non-Represented Confidential, Professional and Management Groups have opted for an 80/20 (P2A) Plan, and the SEIU Group has opted for a 90/10 (P1A) Plan; 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, Anthem 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, the annual renewal cost of the Health Plan is directly related to the "experience" of the group relative to frequency and severity of need for coverage in that year; and

WHEREAS, the City had a high level of group medical "experience" that resulted in an annual "across the board" renewal rate offer by Blue Cross at a 25% increase for either the maintenance of the "two-option" (90/10 (P1A) and 80/20 (P2A)) Plan, or for a transition of all employees to a single option (80/20 (P2A)) Plan; and

WHEREAS, employee group contracts do not require employees to reopen and negotiate the terms of their health benefits, but there has been continuing dialogue between the City and the SEIU (Service Employee International Union) Group on reducing the rising plan costs by their group moving to the 80/20 (P2A) Plan option; and

WHEREAS, the SEIU Group reported on September 8, 2009 that their membership voted to switch from the 90/20 (P1A) Plan to the 80/20 (P2A) Plan, and a "side letter" agreement will be prepared to memorialize their voluntary change in plan coverage; 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.

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 (1) year contract with Anthem Blue Cross for Health Insurance through September 30, 2010, providing for the single group option of a 80/20 (P2A) plan for all employee groups.

PASSED AND ADOPTED by the City of El Paso de Robles this 15<sup>th</sup> day of September 2009 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Duane Picanco, Mayor

ATTEST:

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Cathy David, Deputy City Clerk