

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: **Employee Group Health Insurance Contract – Anthem Blue Cross**
DATE: September 7, 2010

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. It will expire September 30, 2010.
2. The current group health contract is an 80/20 Plan for all employee groups. The ‘80/20’ refers to plan coverage which pays 80% of the negotiated provider (doctor) rate and requires the member to pay the remaining 20% of cost, up to an out of pocket maximum of \$2,500 per member.
3. The annual renewal cost of the Health Plan is related to the “experience” of the group in the previous contract year. The City had a high level of group medical experience (costs) both last year and the early part of this year.
4. The prior year’s experience resulted in a Fall 2009 premium increase of 25%. In anticipation of another potentially higher contract increase this year, the City spent the last nine months researching and evaluating alternative “large group” health plans. Alternative quotes were sought from both PERS (largest statewide pool of government agency employees) and CSAC (second largest pooled County and Municipal employee group in the State).
5. Each alternative plan and rate structure quote was evaluated in terms of consistency with labor contract agreements, adequacy of the local medical service provider and facility network, and cost. Neither PERS nor CSAC could quote a plan that exactly matched the City’s current Anthem Blue Cross P2A Plan, and each plan quote had pros & cons. The most competitive rate comparison was a 13% increase for a non-Blue Cross Plan that had a different local medical service provider network.

6. While analyzing other large group quotes, a renewal quote was obtained from Anthem Blue Cross for the City's current plan. That renewal was initially quoted with an 18% increase. However, subsequent negotiation with Blue Cross resulted in a reduction to a 10% increase.
7. All employee labor contracts require that changes in health benefit premiums be shared proportionally between the City and the employee. The City pays 75%, and employees 25%, of the cost 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, levels of coverage, and cost.

The early and thorough evaluation of alternative "large group" plan options resulted in a better base-line understanding of feasible provider options. However, Anthem Blue Cross significantly modified their renewal rates to better compete with the other provider options, making their proposal the most attractive and least expensive plan.

POLICY

REFERENCE: Employee Group Labor Contracts.

FISCAL

IMPACT: Per City labor contracts, the City shares the cost of incremental premium increases with employees. The resulting City portion of the annual increase is approximately \$154,000 which is less than half of the estimated increase in the most recent Financial Forecast/Plan. Continued cost-cutting efforts will help with the estimated \$2.4 million short-fall in the General Fund for FY2011.

- OPTIONS:
- a. Adopt Resolution No. 10-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 Plan as provided for in current employee contracts.
 - b. Amend, modify or reject the above option.

Attachments:

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

RESOLUTION NO. 10-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**

WHEREAS, the Blue Cross PPO plan is referenced within all bargaining group contracts as the basis for expected health coverage and premium cost sharing; and

WHEREAS, the City's contract for health insurance is with Anthem Blue Cross and that contract expires September 30, 2010; 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 was able to obtain a renewal quote from Anthem Blue Cross with a 10% rate increase for the current (80/20 (P2A)) Plan; and

WHEREAS, the City conducted extensive comparison of the Anthem Blue Cross contract to other "large group" health care providers including PERS (Public Employee Retirement System) and CSAC (California State Association of Counties) for comparable plan options; and

WHEREAS, the Anthem Blue Cross quote was the most competitive rate quote in comparison to both the PERS and CSAC health care options; 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, 2011, 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 7th day of September 2010 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk