

TO: James L. App, City Manager  
FROM: Meg Williamson, Assistant City Manager  
SUBJECT: Employee Group Health Insurance Contract  
DATE: December 6, 2011

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NEEDS: For City Council to authorize a one year contract for the City's Group Health Insurance with Anthem Blue Cross.

- FACTS:
1. The City's annual Health Insurance contract with Anthem Blue Cross will expire December 31, 2011.
  2. Health care renewal rates are based on the City's "loss experience" (claims history) in relation to premiums paid. The City's claims history has kept annual premium rates trending upward over the last four years.
  3. The following alternative health plan options were analyzed:
    - PERS Health (largest statewide public pooled group plan)
    - CSAC (second largest statewide public pooled group plan)
    - Anthem Blue Cross (alternative plan options to city's current)
  4. Both PERS and CSAC plans were not cost competitive. However, the City will continue to reevaluate these large pooled group plans on an annual basis.
  5. Alternative Anthem Blue Cross "Base Plans" were evaluated, including increased deductible plans. It was determined that a deductible (\$250) base PPO plan would be less costly than remaining on the current plan.
  6. A High Deductible (\$1500) Health Plan (HDHP) with an employee maintained Health Savings Account (HSA) is offered alongside the base PPO plan. This "paired" plan would result in additional savings to the City and employee if chosen by the employee.
  7. The City's employee labor groups each have contracts in place that establish the base level of employee health contract coverage. Modification to that coverage requires that the City "meet and confer" to obtain cooperative agreement.
  8. All employee groups voluntarily agree to modify the base health care plan provided for in their contracts to the PPO \$250 deductible plan.

9. The new Anthem Blue Cross Health Contract will be implemented January 1, 2012.

ANALYSIS &

CONCLUSION: The employee's agreement to modify their contract to a less expensive base plan will assist in controlling escalating health care costs. The City will continue to be diligent in evaluating cost and service options on an annual basis.

POLICY

REFERENCE: Employee Group Labor Contracts.

FISCAL

IMPACT: The modified base plan is within budgeted projections. The total City costs for 2011 is \$1,755,000 versus \$1,925,000 in 2012.

OPTIONS:

- a. For the City Council to:
  - 1) Adopt Resolution No. 11-XXX authorizing the City Manager to execute a one year contract with Anthem Blue Cross for employee group medical coverage; and
  - 2) Authorize the City Manager to enter into Side Agreements with each employee labor group to memorialize the modification of the base health plan coverage to the PPO \$250 deductible with an incentivized HDHP/HSA offered alongside as an employee option.
- b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving one year health contract with Anthem Blue Cross for 2012

RESOLUTION NO. 11-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES AUTHORIZING A  
ONE (1) YEAR EMPLOYEE GROUP HEALTH INSURANCE PLAN CONTRACT –  
ANTHEM BLUE CROSS

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WHEREAS, the City's contract for health insurance is with Anthem Blue Cross and that contract will expire after December 31, 2011; 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 has analyzed other large group (pooled) health plan options, including: PERS Health, CSAC, and alternative Anthem Blue Cross plans in comparison to the City's current plan; and

WHEREAS, it was determined that PERS and CSAC plan options were not cost competitive at this time; and

WHEREAS, it was determined that a \$250 deductible base PPO Plan would be less costly than remaining on the City's current plan; and

WHEREAS, all employee labor groups share in the cost of premium increases; and

WHEREAS, the City's employees each have contracts in place that establish the base level of employee health contract coverage where modification to that coverage requires that the City "meet and confer" to obtain cooperative agreement; and

WHEREAS, all employee groups voluntarily agree to modify the base health care plan provided for in their contract to the PPO \$250 deductible plan; and

WHEREAS, a High Deductible (\$1500) Health Plan (HDHP) with an employee maintained Health Savings Account (HSA) is offered alongside the base PPO plan which will result in additional savings to the employee/city if chosen by the employee.

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 for the calendar year of 2012 (January 1 to December 31); and

THEREFORE, BE IT FURTHER RESOLVED by the City Council of the City of El Paso de Robles that the City Manager is authorized to enter into Side Agreements with each employee labor group to memorialize the modification of the base health plan coverage to the PPO \$250 deductible plan with an incentivized HDHP/HSA offered alongside as an employee option.

PASSED AND ADOPTED by the City of El Paso de Robles this 6<sup>th</sup> day of December 2011 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

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Duane Picanco, Mayor

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Caryn Jackson, Deputy City Clerk