

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: Employee Group Health Insurance Contract
DATE: December 15, 2012

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, 2012.
 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 five years.
 3. Last year before renewing the current health contract, the City underwent an extensive evaluation/comparison of alternative health plan options. However, no alternative plan options proved to be cost competitive at that time.
 4. As a means of reducing premium costs, the City's employees all agreed last year to modify the Anthem Blue Cross PPO base plan to introduce a \$250 deductible. In addition, a High Deductible (\$1500) Health Plan (HDHP) with an employee maintained Health Savings Account (HSA) was offered alongside the base PPO plan. This "paired" plan provides the potential for additional savings to the City and employee if chosen by the employee.
 5. The 2013 renewal rate obtained from Anthem Blue Cross for the City's current side by side plans is 11.8%. This rate was negotiated down from 22.4% by the City's insurance broker.
 6. The Anthem Blue Cross 2013 renewal rates were again compared to the published CalPERS health plan rates to evaluate whether a transition might be appropriate at this time. However, after evaluating cost and coverage differences between plans, and certain longer term challenges of a CalPERS plan, there is not yet a compelling reason to switch group plan providers.
 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: Alternative health care providers and plan options are evaluated each year for comparable coverage and cost saving potential. The introduction of the High Deductible Health Plan (HDHP) this past year has provided a cost savings tool that may, over time, result in improved premium trends. 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 contract rates are within budgeted projections and sufficient funds are available. The total City costs for 2012 are \$1,909,000 versus \$2,127,000 in 2013.

- OPTIONS:
- a. For the City Council to adopt Resolution No. 12-XXX authorizing the City Manager to execute a one year contract with Anthem Blue Cross for employee group medical coverage; and
 - b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving one year health contract with Anthem Blue Cross for 2013

RESOLUTION NO. 12-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

WHEREAS, the City's contract for health insurance is with Anthem Blue Cross and that contract will expire after December 31, 2012; and

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

WHEREAS, the Anthem Blue Cross health plan renewal rates of 11.8% were compared to the published CalPERS Health plan rates to evaluate whether a transition would be financially beneficial, but it was determined there is not yet a compelling reason to switch group plans; and

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

WHEREAS, a High Deductible (\$1500) Health Plan (HDHP) with an employee maintained Health Savings Account (HSA) will continue to be 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 2013 (January 1 to December 31); and

PASSED AND ADOPTED by the City of El Paso de Robles this 18th day of December 2012 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk