

TO: James L. App, City Manager  
FROM: Meg Williamson, Assistant City Manager  
SUBJECT: Employee Group Health Insurance Contract  
DATE: December 17, 2013

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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, 2013.
  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 six years.
  3. In January 2012, as a means of reducing premium costs, the City modified its 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.
  4. The current 12-month loss ratio report (through September 2013) reflects the City's loss ratio at 131.73% to premiums paid, resulting in a 2014 renewal rate from Anthem Blue Cross of 13%. This rate was negotiated down from 17% by the City's Insurance Broker, Gray and Troy.
  5. Each year before making a decision on renewal of the health contract, the City has undergone an extensive evaluation/comparison of alternative health plan options. Thus far, no comparable private plan options were found to be cost competitive. However CalPERS plan options are now appearing more favorable as an alternative and the City will be evaluating a transition in the coming months.
  6. 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 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 City costs for the health plan in 2013 were \$2,127,000. The increase in health plan costs in 2014 will be approximately \$260,000. The modified contract rates are within the City's budgeted projections.

OPTIONS:

- a. For the City Council to adopt Resolution No. 13-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 2014

RESOLUTION NO. 13-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, 2013; 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's loss experience has been unfavorably trending over multiple years, resulting in a 2014 renewal rate from Anthem Blue Cross of 13%; and

WHEREAS, before making a decision on renewal of the health contract, the City has undergone an evaluation/comparison of alternative health plan options and determined that thus far, no comparable private plan options were found to be cost competitive; and

WHEREAS, pooled plan options such as CalPERS are now appearing more favorable as a future health plan alternative and the City will be evaluating a transition in the coming months; and

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

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 2014 (January 1 to December 31); and

PASSED AND ADOPTED by the City of El Paso de Robles this 17<sup>th</sup> day of December 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

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Duane Picanco, Mayor

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Caryn Jackson, Deputy City Clerk