

CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-15

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802 • (562) 570.6621

ALEJANDRINA BASQUEZ
DIRECTOR

August 23, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute contracts with Anthem Blue Cross, the City's Third Party Administrator for the Preferred Provider Organization (PPO) and the Health Maintenance Organization (HMO) group health plans and Medicare Supplement plan; UnitedHealthcare Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the City's vision plan; authorize the renewal of contracts with CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for life insurance short- and long-term disability; Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services for long-term care insurance; and any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws on all plans, at the discretion of the City Manager. (Citywide)

DISCUSSION

In accordance with the Memoranda of Understanding (MOU) between the City of Long Beach and its employee organizations, the Health Insurance Advisory Committee (HIAC), comprised of representatives from each of the employee associations, has met and submitted its recommendations (Attachment A) for the 2017 Plan Year. In addition, as part of the evaluation process, the City used Alliant Employee Benefits Consulting (Alliant) to analyze the plan design and rate structure for the 2017 Plan Year. Alliant is an industry leader in employee benefit programs and has hundreds of public and private sector clients.

HIAC and Human Resources staff have recommended the following changes to the City's current plan be approved for the 2017 Plan Year, from January 1, 2017 to December 31, 2017, for active and retired employees:

- Implement three tier levels (single, two-party and family) for active employees on an unpaid leave of absence;
- Implement three tier levels (single, two-party and family) for retired employees;

- Implement CVS Caremark as the Pharmacy Benefit Manager for Anthem Blue Cross HMO members; and,
- Implement Vision Service Plan (VSP) as the vision provider.

There are no material plan design changes for the 2017 Plan Year for dental (HMO and PPO); employer-paid and voluntary life insurance; short- and long-term disability; and/or the long-term care insurance plans for 2017.

Attachment A (Exhibit B) reflects minor rate plan adjustments to the medical, dental (HMO plan) and vision plans, resulting in a slight decrease to the employees' cost share for 2017.

This matter was reviewed by Principal Deputy City Attorney Gary Anderson on August 10, 2016 and by Assistant Finance Director Lea Eriksen on August 11, 2016.

TIMING CONSIDERATIONS

Human Resources is planning to utilize the month of September to communicate open enrollment changes to employees, who will update their health plan options online. Therefore, City Council action is requested on August 23, 2016, for adequate open enrollment planning.

FISCAL IMPACT

Due to going out to the market for health care plans for the RFP process described in the companion City Council letter, and the recommended plan design and provider changes, it is anticipated that the City's cost of the health benefit plans will slightly decrease in 2017 and not increase with industry trend. There is sufficient appropriation for the City's cost of the health benefit plans in the Proposed Fiscal Year 2017 budget in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC). The award of these contracts will provide continued health coverage for approximately 4,000 active City of Long Beach employees at no net change in cost. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ALEJANDRINA BASQUEZ,
DIRECTOR OF HUMAN RESOURCES

APPROVED:


PATRICK H. WEST
CITY MANAGER



Date: July 25, 2016
To: Patrick H. West, City Manager
From: City Employees' Health Insurance Advisory Committee
Subject: **RECOMMENDATION FOR CITY EMPLOYEES' HEALTH, DENTAL, VISION, AND LIFE INSURANCE PROGRAMS FOR CALENDAR YEAR 2017**

Staff from the Department of Human Resources (HR) and the City's Health Insurance Advisory Committee (HIAC) evaluates the employee benefit plans, plan rates, costs and related employee benefit matters annually. This process is to ensure programs remain competitive; they meet employee needs; and they are provided on the most tax-and cost-effective basis for employees and the City.

This year, Request for Proposals (RFP) were issued to solicit qualified medical and vision plan providers to provide more efficient and cost effective alternatives with at least the same level (or greater) of benefit, service and choice that the current carrier(s) provide.

As a result of a thorough review and interview process which included a selection committee comprised of three (3) (union-represented) members of the Health Insurance Advisory Committee (HIAC), Alliant Insurance Services (Alliant) the City's benefits consultant, and Human Resources staff, the following medical plan(s) providers were selected:

- Anthem Blue Cross PPO and Medicare PPO Supplement Plan(s);
- Anthem Blue Cross HMO;
- SCAN Medicare Advantage Plan (retirees only); and
- United HealthCare (UHC) Medicare Advantage PPO Plan (retirees only)

The recommendation for the above medical vendors is scheduled to be presented for approval to City Council on August 23, 2016.

The HIAC has also completed its review of the two (2) finalists of the vision vendor RFP. As a result, the HIAC recommended that the following vision vendor be selected to receive the intent to award notification from Purchasing:

- Vision Service Plan (VSP)

In addition, the following plans have been reviewed for 2017:

- Dental Plans (Delta Dental Plan of California)
- CVS Caremark
- Life Insurance

RECOMMENDATIONS

The City, with the assistance of Alliant, evaluated the financial and service offerings of our current benefit plan vendors. We also explored additional alternatives for cost savings and administrative efficiencies, without compromising the level of benefits currently offered to City employees. As a result of this year's review, it was determined that the optimal renewal strategy is to permit Anthem Blue Cross, Vision Service Plan (VSP), Delta Dental Plan of California, CVS Caremark and The Standard Insurance Company, to administer the employee benefits plans in 2017.

Recommended Medical Plan Changes:

- Implement three tier levels (single, two-party and family) for active employees on a leave of absence
- Implement three tier levels (single, two-party and family) for retired employees
- Anthem Blue Cross PPO Plan:
 - Addition of 'Future Moms' medical program
 - Addition of Mobile Health Consumer program
 - Additional of "My Health Advantage" program,
- Anthem Blue Cross HMO Plan:
 - Addition of Live Health Online
 - Addition of "My Health Advantage" program

Beginning in 2017, both health plans (HMO and PPO) will feature the same wellness improvement programs.

Recommended Dental Plan Changes:

- Dental PPO Plan – No material plan design changes
- Dental HMO Plan – No material plan design changes

Recommended Vision Plan Changes:

- Implement Vision Service Plan

Under VSP, as the City's new vision care provider, employees will have access to over 77,000 providers, including access to 4,900 participating retail chain locations, including Costco, nationwide. In addition, VSP offers:

- Integration of their comprehensive eye exam model with Anthem Blue Cross health plans to report eye exam results to the members' medical providers that identify diabetes, hypertension and high cholesterol to improve members' health outcomes;
- Extended customer service hours;
- User-friendly employee web/mobile site; and
- Improved administration, utilization and activity reports.

Recommended CVS Caremark Changes:

- Implement CVS Caremark as the Pharmacy Benefit Manager for Anthem Blue Cross HMO members

As a result of the medical RFP, implement CVS Caremark as the Pharmacy Benefit Manager (PBM) for the Anthem Blue Cross HMO plan, which would expand services to HMO participants that are currently applicable to Anthem Blue Cross PPO participants, including \$0 co-pay immunizations, access to CVS Caremark Minute Clinics, and Target Store Pharmacies. As a result of this renewed and expanded partnership, CVS Caremark will also implement "Condition Alerts," a wellness program that identifies potential gaps in care for over 100 health conditions, which will support members in all points of therapy, in accordance with their physician care plan.

Having CVS Caremark as the PBM for both the HMO and PPO plans will allow greater transparencies in utilization, which is critical to developing programs that manage prescription drug costs and improve administrative efficiencies. This can also guard the plans against the release of unforeseen pharmaceuticals and will allow the City to remain compliant with mandates of the Affordable Care Act (ACA), i.e. Health Care Reform. In addition, CVS Caremark will implement new communication programs that promote the use of generic drugs, which will further reduce costs to the plan.

Recommended Life Insurance Changes:

- Employer-Paid and Voluntary Life Insurance Plans – No material plan design changes

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Patrick H. West, City Manager
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PLAN COSTS/EMPLOYEE COST SHARING

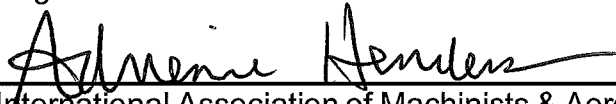
The Committee recommends the plan rates and payroll deductions as shown on Exhibits A and B.

This concludes the Committee's report of findings and recommendations for the City's group benefit program for plan year January 1, 2017, to December 31, 2017, for all City employees and retirees.

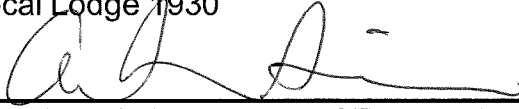
The Committee requests endorsement of this report and its recommendations by the City Manager and subsequent approval by the City Council.

HIAC:mh
R:\Administration\CITY COUNCIL LETTERS\2016\08-23-16 ccl - 2017 Benefits - Attachment A - HIAC Letter of Recommendation-final.docx
Attachments – Exhibit A and B


July 25, 2016
Patrick H. West, City Manager
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International Association of Machinists & Aerospace Workers, District 947,
Local Lodge 1930



Long Beach Association of Engineering Employees



Long Beach Lifeguards' Association

Long Beach Firefighters' Association

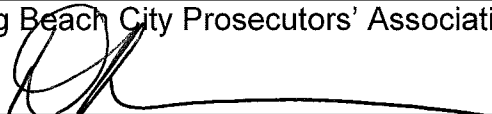


Long Beach Police Officers' Association



Long Beach City Attorneys' Association


Long Beach City Prosecutors' Association



Long Beach Association of Confidential Employees



Long Beach Management Association



Department of Human Resources

**COMPARISON OF 2016 TO 2017
CURRENT RATES AND PROPOSED RATES**

| | Current Rates (2016) | | Proposed Rates (2017) |
|--|----------------------|--|-----------------------|
| ANTHEM | | ANTHEM | |
| Anthem Prudent Buyer PPO | | Anthem Prudent Buyer PPO | |
| Actives | | Actives | |
| Single | \$570.68 | Single | \$552.08 |
| Two Party | \$1,197.79 | Two Party | \$1,158.75 |
| Family | \$1,597.05 | Family | \$1,544.99 |
| Retirees | | Retirees | |
| Single | \$993.11 | Single | \$945.54 |
| Two Party | \$1,242.25 | Two Party | \$1,181.93 |
| Family | \$1,242.25 | Family | \$1,242.25 |
| Anthem Medicare Supplement Assurance Plan | | Anthem Medicare Supplement Assurance Plan | |
| One Medicare | \$638.41 | One Medicare | \$628.92 |
| Two Medicare | \$1,276.52 | Two Medicare | \$1,257.54 |
| Anthem | | Anthem | |
| Anthem Premier HMO | | Anthem Premier HMO | |
| Actives | | Actives | |
| Single | \$656.92 | Single | \$635.51 |
| Two Party | \$1,378.79 | Two Party | \$1,333.85 |
| Family | \$1,838.74 | Family | \$1,778.81 |
| Retirees | | Retirees | |
| Single | \$782.30 | Single | \$756.54 |
| Two Party | \$1,479.68 | Two Party | \$1,361.78 |
| Family | \$1,479.68 | Family | \$1,479.68 |
| Anthem Classic HMO - Retirees | | Anthem Classic HMO - Retirees | |
| Single | \$622.59 | Single | \$618.89 |
| Two Party | \$916.45 | Two Party | \$835.51 |
| Family | \$916.45 | Family | \$916.45 |
| UHC Medicare Advantage HMO | | UHC Medicare Advantage PPO | |
| UHC Medicare Advantage HMO and Anthem Premier HMO | | UHC Medicare Advantage PPO and Anthem Premier HMO | |
| One Medicare & Two Non-Medicare Companion | \$1,915.27 | One Medicare & Two Non-Medicare Companion | \$1,824.38 |
| One Medicare & Three/More Non-Medicare Companion | \$1,915.27 | One Medicare & Three/More Non-Medicare Companion | \$1,942.28 |
| One Medicare & One Non-Medicare Companion | \$1,217.89 | One Medicare & One Non-Medicare Companion | \$1,219.14 |
| Two Medicare & One Non-Medicare Companion | \$1,653.48 | Two Medicare & One Non-Medicare Companion | \$1,681.74 |
| UHC Medicare Advantage HMO Only | | UHC Medicare Advantage PPO Only | |
| One Medicare Risk | \$435.59 | One Medicare Risk | \$462.60 |
| Two Medicare Risk | \$871.18 | Two Medicare Risk | \$925.20 |
| Scan Health Plan | | Scan Health Plan | |
| Scan Health Plan and Anthem Premier HMO | | Scan Health Plan and Anthem Premier HMO | |
| One Medicare & Two Non-Medicare Companion | \$1,843.23 | One Medicare & Two Non-Medicare Companion | \$1,725.33 |
| One Medicare & Three/More Non-Medicare Companion | \$1,843.23 | One Medicare & Three/More Non-Medicare Companion | \$1,843.23 |
| One Medicare & One Non-Medicare Companion | \$1,145.85 | One Medicare & One Non-Medicare Companion | \$1,120.09 |
| Two Medicare & One Non-Medicare Companion | \$1,509.40 | Two Medicare & One Non-Medicare Companion | \$1,483.64 |
| Scan Health Plan Only | | Scan Health Plan Only | |
| One Medicare Risk | \$363.55 | One Medicare Risk | \$363.55 |
| Two Medicare Risk | \$727.10 | Two Medicare Risk | \$727.10 |

| DENTAL | | | DENTAL | | |
|------------------------------------|-----------|----------|------------------------------------|-----------|----------|
| Delta Dental | Single | \$50.30 | Delta Dental | Single | \$50.30 |
| | Two Party | \$105.70 | | Two Party | \$105.70 |
| | Family | \$140.80 | | Family | \$140.80 |
| | Retiree | \$110.56 | | Retiree | \$110.56 |
| Delta Dental DeltaCare DHMO | Single | \$20.28 | Delta Dental DeltaCare DHMO | Single | \$20.69 |
| | Two Party | \$33.46 | | Two Party | \$34.13 |
| | Family | \$49.86 | | Family | \$50.86 |
| | Retiree | \$37.91 | | Retiree | \$38.67 |
| VISION | | | VISION | | |
| MES Vision | Single | \$4.97 | VSP Vision | Single | \$5.28 |
| | Two Party | \$10.58 | | Two Party | \$11.24 |
| | Family | \$14.04 | | Family | \$14.91 |
| | Retiree | \$11.06 | | Retiree | \$11.75 |

EXHIBIT B

| COMBINATION COSTS FOR ACTIVE EMPLOYEES | | | | | | | | | | | |
|--|-------------------------------|--------------------------------------|-------------------------------------|----------------------------------|-------------------|-----------------------------|----------------------------------|--------------------------------------|----------------------------------|-----------------|-----------------|
| 2016 | | | | | | 2017 | | | | | |
| Plan Combinations | 2016 Monthly Rates | Single Monthly Payroll Deduction | Two-Party Monthly Payroll Deduction | Family Monthly Payroll Deduction | Plan Combinations | 2017 Monthly Rates | Single Monthly Payroll Deduction | Two-Party Monthly Payroll Deduction | Family Monthly Payroll Deduction | | |
| Anthem Prudent Buyer PPO | Single Two Party Family | \$570.68 \$1,197.79 \$1,597.05 | \$139.00 | \$175.00 | \$201.00 | Anthem Prudent Buyer PPO | Single Two Party Family | \$552.08 \$1,158.75 \$1,544.99 | \$134.00 | \$163.00 | \$186.00 |
| Delta Dental DPPO | Single Two Party Family | \$50.30 \$105.70 \$140.80 | \$11.00 | \$15.00 | \$20.00 | Delta Dental DPPO | Single Two Party Family | \$50.30 \$105.70 \$140.80 | \$11.00 | \$15.00 | \$20.00 |
| MES Vision | Single Two Party Family | \$4.97 \$10.58 \$14.04 | \$0.00 | \$0.00 | \$0.00 | VSP Vision | Single Two Party Family | \$5.28 \$11.24 \$14.91 | \$0.00 | \$0.00 | \$0.00 |
| Life - City Paid | Per Employee | \$2.41 | | | | Life - City Paid | Per Employee | \$2.41 | | | |
| Total | | | \$150.00 | \$190.00 | \$221.00 | Total | | | \$145.00 | \$178.00 | \$206.00 |
| Anthem Prudent Buyer PPO | Single Two Party Family | \$570.68 \$1,197.79 \$1,597.05 | \$139.00 | \$175.00 | \$201.00 | Anthem Prudent Buyer PPO | Single Two Party Family | \$552.08 \$1,158.75 \$1,544.99 | \$134.00 | \$163.00 | \$186.00 |
| Delta Dental DeltaCare DHMO | Single Two Party Family | \$20.28 \$33.46 \$49.86 | \$0.00 | \$0.00 | \$0.00 | Delta Dental DeltaCare DHMO | Single Two Party Family | \$20.69 \$34.13 \$50.86 | \$0.00 | \$0.00 | \$0.00 |
| MES Vision | Single Two Party Family | \$4.97 \$10.58 \$14.04 | \$0.00 | \$0.00 | \$0.00 | VSP Vision | Single Two Party Family | \$5.28 \$11.24 \$14.91 | \$0.00 | \$0.00 | \$0.00 |
| Life - City Paid | Per Employee | \$2.41 | | | | Life - City Paid | Per Employee | \$2.41 | | | |
| Total | | | \$139.00 | \$175.00 | \$201.00 | Total | | | \$134.00 | \$163.00 | \$186.00 |
| Anthem Premier HMO | Single Two Party Family | \$656.92 \$1,378.79 \$1,838.74 | \$185.00 | \$223.00 | \$248.00 | Anthem Premier HMO | Single Two Party Family | \$635.51 \$1,333.85 \$1,778.81 | \$179.00 | \$210.00 | \$230.00 |
| Delta Dental DPPO | Single Two Party Family | \$50.30 \$105.70 \$140.80 | \$11.00 | \$15.00 | \$20.00 | Delta Dental DPPO | Single Two Party Family | \$50.30 \$105.70 \$140.80 | \$11.00 | \$15.00 | \$20.00 |
| MES Vision | Single Two Party Family | \$4.97 \$10.58 \$14.04 | \$0.00 | \$0.00 | \$0.00 | VSP Vision | Single Two Party Family | \$5.28 \$11.24 \$14.91 | \$0.00 | \$0.00 | \$0.00 |
| Life - City Paid | Per Employee | \$2.41 | | | | Life - City Paid | Per Employee | \$2.41 | | | |
| Total | | | \$196.00 | \$238.00 | \$268.00 | Total | | | \$190.00 | \$225.00 | \$250.00 |
| Anthem Premier HMO | Single Two Party Family | \$656.92 \$1,378.79 \$1,838.74 | \$185.00 | \$223.00 | \$248.00 | Anthem Premier HMO | Single Two Party Family | \$635.51 \$1,333.85 \$1,778.81 | \$179.00 | \$210.00 | \$230.00 |
| Delta Dental DeltaCare DHMO | Single Two Party Family | \$20.28 \$33.46 \$49.86 | \$0.00 | \$0.00 | \$0.00 | Delta Dental DeltaCare DHMO | Single Two Party Family | \$20.69 \$34.13 \$50.86 | \$0.00 | \$0.00 | \$0.00 |
| MES Vision | Single Two Party Family | \$4.97 \$10.58 \$14.04 | \$0.00 | \$0.00 | \$0.00 | VSP Vision | Single Two Party Family | \$5.28 \$11.24 \$14.91 | \$0.00 | \$0.00 | \$0.00 |
| Life - City Paid | Per Employee | \$2.41 | | | | Life - City Paid | Per Employee | \$2.41 | | | |
| Total | | | \$185.00 | \$223.00 | \$248.00 | Total | | | \$179.00 | \$210.00 | \$230.00 |