

CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-15

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

DEBORAH R. MILLS
DIRECTOR

October 1, 2013

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the renewal of 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 group health plans; Scan Health Plan for the Medicare Advantage Plan; United HealthCare for the closed-panel dental plan; Delta Dental for the fee-for-service dental plan; Medical Eye Services (MES) for the vision plan; Standard Insurance Company for life insurance and Long- and Short-Term Disability; and Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services for the long-term care benefits; execute a contract with CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan; and any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws on all plans. (Citywide)

DISCUSSION

In accordance with Memoranda of Understanding (MOU) between the City of Long Beach and its employee organizations, the Health Insurance Advisory Committee (HIAC), composed of representatives from each of the employee associations, has met and submitted its recommendations (Attachment A) for health, dental, vision and life insurance programs.

It is recommended that the above contracts be approved for the 2014 benefit year, from January 1, 2014 to December 31, 2014, for active and retired employees.

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There will be no material plan design changes for the 2014 plan year. However, the City will make the following mandatory design changes in order to comply with federally mandated Affordable Care Act (Healthcare Reform): add coverage for clinical trials; eliminate the pre-existing condition clause on the PPO; out-of-pocket maximums must consist of all medical expenses, including the deductible; all dollar limits on essential health benefits must be removed (if any).

The Department of Human Resources will continue to work with Alliant Insurance Services (Alliant), the City's healthcare insurance consultant, and HIAC to review possible changes for 2015, in compliance with additional changes of Healthcare Reform, such as medical rate tiering (3-tier rate structure versus our current rate structure).

Alliant conducted a bid process for our Prescription Benefit Manager (PBM). There were four competitive bids submitted, including our current PBM, Express Scripts (formerly Medco). After a thorough actuarial review and financial analysis, it was determined that the City could benefit from switching PBM's from Express Scripts to CVS Caremark. It is projected that changing the PBM from Express Scripts to CVS Caremark will provide significant savings over the renewal costs for the next three years. CVS Caremark will also provide additional benefits, including more mail order options, access to CVS clinics, and discounts on health-related items purchased at CVS.

The City's Stop Loss Insurance carrier, Sun Life (stHealth), rates have not been finalized. Quotes for stop loss insurance cannot be finalized until closer to the plan year start date. Final quotes to determine the most competitive offering are contingent on receiving an evaluation of the City's medical plan performance through September 2013. The Department of Human Resources will return to City Council for approval at a later date.

This matter was reviewed by Senior Deputy City Attorney Christina Checél and Budget Management Officer Victoria Bell on September 16, 2013.

TIMING CONSIDERATIONS

Open enrollment for the health plan year 2014 is conducted in late-October/early-November 2013. Therefore, City Council action is requested on October 1, 2013, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late October 2013.

FISCAL IMPACT

The projected cost for health, dental, vision and life insurance in 2014 is estimated to be \$62.3 million. These charges have been included in the Fiscal Year 2014 Budget in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC). There are no local job impacts associated with this matter.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



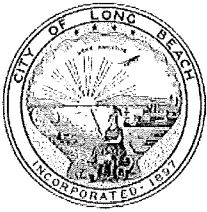
DEBORAH R. MILLS, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

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Attachment A – Health Insurance Advisory Committee Memo

APPROVED:



PATRICK H. WEST
CITY MANAGER



City of Long Beach
Working Together to Serve

Memorandum

Date: September 13, 2013

To: Patrick H. West, City Manager

From: City Employee's Health Insurance Advisory Committee

Subject: **RECOMMENDATION FOR CITY EMPLOYEES' HEALTH, DENTAL, VISION, LIFE AND DISABILITY PROGRAMS FOR CALENDAR YEAR 2014**

Each year, the City's Health Insurance Advisory Committee (HIAC) and City staff from the Department of Human Resources (HR) evaluate the employee benefit plans, plan rates, costs and related employee benefit matters to ensure programs remain competitive, meet employee needs, and are provided on the most tax- and cost-effective basis for employees and the City. The following programs have been reviewed:

- Anthem Blue Cross (PPO and HMO Plans)
- Dental Plans (Delta Dental and United HealthCare Dental Plans)
- MES Vision
- Express Scripts (formerly Medco)
- Life and Disability

RECOMMENDATIONS

With the assistance of Alliant Insurance Services (Alliant), our insurance consultant, the City evaluated the financial and service offerings of our current benefit plan vendors and explored alternatives for cost savings and administrative efficiencies, without compromising the level of benefits currently enjoyed by City employees. It was determined that the optimal renewal strategy was to permit the existing vendors, Anthem Blue Cross, MES, Delta Dental and United HealthCare Dental, and Standard Insurance Company, to continue administering the employee benefits plans.

There will be no material plan design changes this year. However, the City will make the following mandatory design changes on the medical plans in order to comply with federally mandated healthcare reform, i.e., add coverage for clinical trials; eliminate the pre-existing condition clause on the PPO; Out-of-Pocket maximums must consist of all medical expenses, including the deductible; all dollar limits on Essential Health Benefits must be removed (if any).

Alliant conducted a bid process for our Prescription Benefit Manager (PBM). There were four competitive bids submitted, including our current PBM, Express Scripts. After a thorough actuarial review and financial analysis, it was determined that the City could benefit from switching PBM's from Express Scripts to CVS Caremark. There will be minimal employee disruption with the new prescription

plan. And, it is anticipated that the City will experience significant savings over renewal costs for the next three years. In addition, CVS Caremark will provide our members with additional services:

- Access to CVS retail stores for the 90-day fill of maintenance medications (same copay benefit as mail order). Members will still have access to mail order;
- Access to CVS Minute Clinics for acute care with a copay waiver, up to \$25 per member; and,
- ExtraCare Health Card – provides discounts on health related CVS brand items.

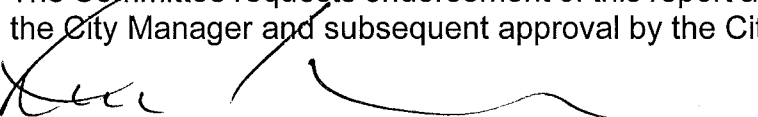
HR and HIAC will begin to review possible changes for 2015 in compliance with additional changes of healthcare reform, such as medical rate tiering (3-tier rate structure versus our current rate structure). In addition, we will review the option of unbundling medical, vision and dental plans.

PLAN COSTS/EMPLOYEE COST SHARING

The Committee recommends the plan rates and payroll deductions as shown on Exhibits A and B. The 2014 plan rates are inclusive of the required healthcare reform fees, which represent an additional 1.2% increase on the self-funded PPO plan and 3.9% increase on the fully insured HMO plan.

This concludes the Committee's report of findings and recommendations for the City's group benefit program for plan year January 1, 2014, to December 31, 2014, 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.



International Association of Machinists & Aerospace Workers, District 947



Long Beach Association of Engineering Employees



Long Beach Lifeguards' Association

Long Beach Firefighters' Association



Long Beach Police Officers' Association

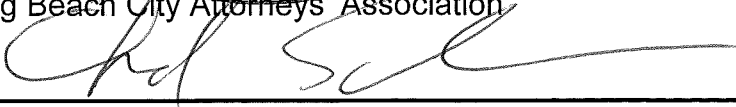
Patrick H. West, City Manager

September 13, 2013

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Long Beach City Attorneys' Association



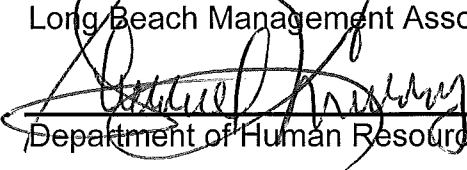
Long Beach City Prosecutors' Association



Long Beach Association of Confidential Employees



Long Beach Management Association



Department of Human Resources

**COMPARISON OF 2013 TO 2014
CURRENT RATES AND PROPOSED RATES**

		Current Rates (2013)			Proposed Rates (2014)
ANTHEM			ANTHEM		
Anthem Prudent Buyer PPO (includes vision)			Anthem Prudent Buyer PPO (includes vision)		
Active & Retiree with Dependent(s)		\$1,078.84	Active & Retiree with Dependent(s)		\$1,132.00
Single Retirees & Widows		\$864.77	Single Retirees & Widows		\$907.00
Anthem Medicare Supplement Assurance Plan			Anthem Medicare Supplement Assurance Plan		
One Medicare		\$554.36	One Medicare		\$581.00
Two Medicare		\$1,098.47	Two Medicare		\$1,152.00
Anthem			Anthem		
Anthem Premier HMO (includes vision)			Anthem Premier HMO (includes vision)		
Active		\$1,258.70	Active		\$1,320.00
Retiree with Dependent(s)		\$1,284.05	Retiree with Dependent(s)		\$1,347.00
Single Retirees & Widows		\$683.39	Single Retirees & Widows		\$717.00
Anthem Classic HMO (includes vision)			Anthem Classic HMO (includes vision)		
Retiree with Dependent(s)		\$799.38	Retiree with Dependent(s)		\$838.00
Single Retirees & Widows		\$545.35	Single Retirees & Widows		\$572.00
UHC/PACIFICARE - Secure Horizons			UHC/PACIFICARE - Secure Horizons		
Secure Horizons and Anthem Premier HMO			Secure Horizons and Anthem Premier HMO		
One Medicare & Two/More Non-Medicare Companion		\$1,506.55	One Medicare & Two/More Non-Medicare Companion		\$1,641.34
One Medicare & One Non-Medicare Companion		\$936.20	One Medicare & One Non-Medicare Companion		\$1,018.23
Two Medicare & One Non-Medicare Companion		\$1,302.02	Two Medicare & One Non-Medicare Companion		\$1,413.32
Secure Horizons Only			Secure Horizons Only		
One Medicare Risk		\$365.82	One Medicare Risk		\$395.09
Two Medicare Risk		\$731.64	Two Medicare Risk		\$790.18
Scan Health Plan			Scan Health Plan		
Scan Health Plan and Anthem Premier HMO			Scan Health Plan and Anthem Premier HMO		
One Medicare & Two/More Non-Medicare Companion		\$1,472.29	One Medicare & Two/More Non-Medicare Companion		\$1,577.81
One Medicare & One Non-Medicare Companion		\$901.94	One Medicare & One Non-Medicare Companion		\$954.70
Two Medicare & One Non-Medicare Companion		\$1,233.50	Two Medicare & One Non-Medicare Companion		\$1,286.26
Scan Health Plan Only			Scan Health Plan Only		
One Medicare Risk		\$331.56	One Medicare Risk		\$331.56
Two Medicare Risk		\$663.12	Two Medicare Risk		\$663.12
DENTAL			DENTAL		
Delta Dental - Composite			Delta Dental - Composite		
		\$110.56			\$110.56
PacifiCare Dental - Compsite			PacifiCare Dental - Compsite		
		\$46.07			\$46.07
VISION			VISION		
MES - Composite			MES - Composite		
Included in Medical			Included in Medical		

COMBINATION COSTS FOR ACTIVE EMPLOYEES

		2013 Plan Year				2014 Plan Year			
Plan Combinations	2013 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	Plan Combinations	2014 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction
Anthem Prudent Buyer PPO	\$1,078.84				Anthem Prudent Buyer PPO	\$1,132.00			
Delta Dental	\$110.56				Delta Dental	\$110.56			
Life	\$2.21				Life	\$2.41			
Total	\$1,191.61	\$105.00	\$130.00	\$155.00	Total	\$1,244.97	\$121.00	\$146.00	\$171.00
Anthem Prudent Buyer PPO	\$1,078.84				Anthem Prudent Buyer PPO	\$1,132.00			
United Healthcare Dental	\$46.07				United Healthcare Dental	\$46.07			
Life	\$2.21				Life	\$2.41			
Total	\$1,127.12	\$101.00	\$126.00	\$151.00	Total	\$1,180.48	\$117.00	\$142.00	\$167.00
Anthem Premier HMO	\$1,258.70				Anthem Premier HMO	\$1,320.00			
Delta Dental	\$110.56				Delta Dental	\$110.56			
Life	\$2.21				Life	\$2.41			
Total	\$1,371.47	\$190.00	\$215.00	\$240.00	Total	\$1,432.97	\$208.00	\$233.00	\$258.00
Anthem Premier HMO	\$1,258.70				Anthem Premier HMO	\$1,320.00			
United Healthcare Dental	\$46.07				United Healthcare Dental	\$46.07			
Life	\$2.21				Life	\$2.41			
Total	\$1,306.98	\$142.00	\$167.00	\$192.00	Total	\$1,368.48	\$160.00	\$185.00	\$210.00