



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

NB-53

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802

September 19, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the renewal of contracts with PacifiCare for the Health Maintenance Organization (HMO) group health plan; Delta Dental for the fee-for-service dental plan; PacifiCare Dental for the closed-panel dental plan; Standard Insurance Company for Long and Short Term Disability; and Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services for the long-term care benefits.

Authorize the City Manager to execute an amendment to extend the existing contract on a month-to-month basis with Great-West Life, the City's Third Party Administrator for the Preferred Provider Organization (PPO) and the Point of Service (POS) group health plans and to continue the City's self-funded, in-hospital indemnity program administered by Great-West Life.

Authorize the City Manager to execute any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws on all plans. (Citywide)

DISCUSSION

The City retained the services of Driver Alliant, a health insurance consultant, to conduct an optimization review of our healthcare and employee benefits programs. It is anticipated that savings can be achieved through renegotiation of existing agreements or agreements with new providers without compromising the level of benefits currently enjoyed by City employees. City staff and members of the Health Insurance Advisory Committee are working with the consultant on this study. Final results will be forthcoming during the next few months.

Health and dental insurance contracts for 2005-2006 benefit year expire November 30, 2006, for active employees; and January 31, 2007, for retired employees. Since the healthcare study has not been completed, it is requested that the contract with Great West Life Healthcare be extended on a month-to-month basis effective December 1, 2006. This contract extension includes no plan design or benefit changes. Annual open enrollment and the opportunity to make changes among the existing plans will be afforded to all active employees and retirees, as is our usual

practice. Should the City select a Third-Party Administrator other than Great West Healthcare, staff will bring the new contract back to the City Council for review and adoption. The Health Insurance Advisory Committee supports this recommendation.

This letter was reviewed by Deputy City Attorney Christina Checelski and Budget Management Officer David Wodynski on September 8, 2006.

TIMING CONSIDERATIONS

Open enrollment for the health, dental and life plans is conducted in October 2006. Therefore, City Council action is requested on September 19, 2006, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late September.

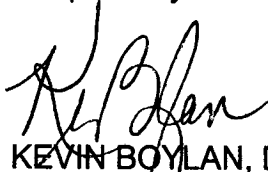
FISCAL IMPACT

The net cost of these programs is estimated to be \$41.3 million annually for all covered employees and retirees. Based upon current contract rates, proposals and continuing favorable claims experience and reserves on hand, our Consulting Actuary has determined that there is little or no change in fiscal impact to the City. These charges have been included in the Proposed Fiscal Year 2007 Budget in the Employee Benefits Fund (IS 391) in the Department of Financial Management Citywide (XC).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KEVIN BOYLAN, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

APPROVED:



GERALD R. MILLER
CITY MANAGER

COMPARISON OF 2005/2006 TO 2006/2007 ACTUAL VS. RESTRUCTURED RATES		
HEALTH	Current Actual Rates	Proposed Actual Rates
GREAT-WEST LIFE		
PPO Plan		
Active & Retiree with Dependent(s)	\$802.67	\$824.17
Single Retirees & Widows	\$630.99	\$649.03
PPO HDP Plan		
Active & Retiree with Dependent(s)	\$474.78	\$486.62
Single Retirees & Widows	\$379.57	\$390.39
POS 100 Plan		
Active & Retiree with Dependent(s)	\$884.69	\$902.19
Single Retirees & Widows	\$709.33	\$724.70
POS 90 Plan		
Active & Retiree with Dependent(s)	\$728.13	\$750.35
Single Retirees & Widows	\$584.06	\$603.22
Medicare Supplement		
One Medicare	\$425.09	\$403.84
Two Medicare	\$850.17	\$807.66

COMPARISON OF 2005/2006 TO 2006/2007 ACTUAL VS. RESTRUCTURED RATES		
HEALTH	Current Actual Rates	Proposed Actual Rates
PACIFICARE		
High Plan		
Active & Retiree with Dependent(s)	\$713.45	\$691.16
Single Retirees & Widows	\$489.52	\$470.42
Low Plan		
Retiree with Dependent(s)	\$525.05	\$515.83
Single Retirees & Widows	\$356.09	\$343.70
PACIFICARE/Secure Horizons		
Secure Horizons		
One Medicare & Two/More Non-Medicare Companion	\$1,182.17	\$1,105.44
One Medicare & One Non-Medicare Companion	\$681.01	\$627.98
Two Medicare & One Non-Medicare Companion	\$1,027.80	\$937.52
One Medicare Risk	\$263.29	\$229.98
Two Medicare Risk	\$526.58	\$459.96

COMPARISON OF 2005/2006 TO 2006/2007 ACTUAL VS. RESTRUCTURED RATES		
HEALTH	Current Actual Rates	Proposed Actual Rates
DENTAL		
Delta Dental	\$88.01	\$90.44
PacifiCare Dental	\$42.60	\$44.30

2005/2006 RATES

IN-HOSPITAL INDEMNITY PLAN

Age	Employee	Employee & Spouse	Employee & Child	Full Family
0-34	3.62	6.9	7.29	10.58
35-44	4.38	8.39	8.06	12.07
45-54	5.92	11.3	9.59	14.97
55-59	7.45	14.25	11.12	17.92
60-64	7.68	14.63	10.42	17.37
65-69*	4.38	8.39	6.58	10.59
Age 70 Benefit Terminates				

* 1/2 benefit from age 65 to 69

9/19/2006

EXHIBIT B

COMBINATION COSTS FOR ACTIVE EMPLOYEES									
2005/2006 Plan Year					2006/2007 Plan Year				
Plan Combinations	2005/2006 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction		2006/2007 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction
PPO	\$ 765.25					\$ 781.20			
Delta Dental	\$ 88.01					\$ 90.44			
Life	\$ 2.48					\$ 2.48			
Total	\$ 855.74	\$ 57.56	\$ 82.56	\$ 107.56		\$ 874.12	\$ 63.07	\$ 88.07	\$ 113.07
HDP PPO	\$ 452.65					\$ 461.25			
Delta Dental	\$ 88.01					\$ 90.44			
Life	\$ 2.48					\$ 2.48			
Total	\$ 543.14	\$ -	\$ 10.00	\$ 35.00		\$ 554.17	\$ 3.31	\$ 10.00	\$ 35.00
POS 100	\$ 843.45					\$ 855.15			
Delta Dental	\$ 88.01					\$ 90.44			
Life	\$ 2.48					\$ 2.48			
Total	\$ 933.94	\$ 147.60	\$ 172.60	\$ 197.60		\$ 948.07	\$ 151.84	\$ 176.84	\$ 201.84
POS 90	\$ 694.18					\$ 711.23			
Delta Dental	\$ 88.01					\$ 90.44			
Life	\$ 2.48					\$ 2.48			
Total	\$ 784.67	\$ -	\$ 22.00	\$ 47.00		\$ 804.15	\$ 5.84	\$ 30.85	\$ 55.85

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COMBINATION COSTS FOR ACTIVE EMPLOYEES

2005/2006 Plan Year

2006/2007 Plan Year

Plan Combinations	2005/2006 Plan Year				2006/2007 Plan Year			
	2005/2006 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	2006/2007 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction
PPO	\$ 765.25				\$ 781.20			
PacifiCare Dental	\$ 42.60				\$ 44.30			
Life	\$ 2.48				\$ 2.48			
Total	\$ 810.33	\$ 11.76	\$ 36.76	\$ 61.76	\$ 827.98	\$ 17.06	\$ 42.06	\$ 67.06
HDP PPO	\$ 452.65				\$ 461.25			
PacifiCare Dental	\$ 42.60				\$ 44.30			
Life	\$ 2.48				\$ 2.48			
Total	\$ 497.73	\$ -	\$ 10.00	\$ 35.00	\$ 508.03	\$ 3.09	\$ 10.00	\$ 35.00
POS 100	\$ 843.45				\$ 855.15			
PacifiCare Dental	\$ 42.60				\$ 44.30			
Life	\$ 2.48				\$ 2.48			
Total	\$ 888.53	\$ 101.80	\$ 126.80	\$ 151.80	\$ 901.93	\$ 105.83	\$ 130.83	\$ 155.83
POS 90	\$ 694.18				\$ 711.23			
PacifiCare Dental	\$ 42.60				\$ 44.30			
Life	\$ 2.48				\$ 2.48			
Total	\$ 739.26	\$ -	\$ 21.18	\$ 46.18	\$ 758.01	\$ 5.63	\$ 30.63	\$ 55.63

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COMBINATION COSTS FOR ACTIVE EMPLOYEES

2005/2006 Plan Year

2006/2007 Plan Year

Plan Combinations	2005/2006 Plan Year				2006/2007 Plan Year			
	2005/2006 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	2006/2007 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction
PacifiCare	\$ 825.29				\$ 811.81			
Delta Dental	\$ 88.01				\$ 90.44			
Life	\$ 2.48				\$ 2.48			
Total	\$ 915.78	\$ 80.00	\$ 105.00	\$ 130.00	\$ 904.73	\$ 76.69	\$ 101.69	\$ 126.69
PacifiCare	\$ 825.29				\$ 811.81			
PacifiCare Dental	\$ 42.60				\$ 44.30			
Life	\$ 2.48				\$ 2.48			
Total	\$ 870.37	\$ 35.00	\$ 60.00	\$ 85.00	\$ 858.59	\$ 31.47	\$ 56.47	\$ 81.47