



# CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

# R-26

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September 23, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute the renewal of contracts with Great-West Life/CIGNA, the City's Third Party Administrator for the Preferred Provider Organization (PPO), Point of Service (POS) group health plans; PacifiCare for the Health Maintenance Organization (HMO) group health plan and closed-panel dental plan; Medco as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan; Elite as the Stop-Loss Re-insurer; Delta Dental for the fee-for-service dental plan; Medical Eye Services (MES) for the vision plan; Standard Insurance Company for the 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; and to continue the City's self-funded, in-hospital indemnity program administered by Great-West Life/CIGNA.

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

During 2006 and 2007, the City marketed all health, dental and life insurance plans through a joint labor-management effort, selecting providers that offered the best overall benefit options for employees, with the most efficient and effective administrative support and pricing. The recommended agreements reflect the providers selected as part of this process and pricing guarantees offered as a result of these efforts.

Over the past several months, Human Resources staff has met with members of the Health Insurance Advisory Committee (HIAC) to discuss the City's healthcare and benefits program. With the assistance of Alliant Insurance Services, our insurance advisor, the staff and HIAC have reviewed the financial performance of the health plans and plan design options that could generate savings to the City's overall healthcare costs. With medical cost trends estimated to increase close to 12% in California, the proposed FY 09 Budget included a \$1 million savings target for health benefit plans.

After considerable discussion, staff is recommending increasing the deductible for the Preferred Provider Thrift Plan, modification to the service offerings through the HMO plan, implementing a preferred drug step therapy program as part of the pharmacy benefit plan

and changing the PPO and POS plan providers to the CIGNA network during the 2009 plan year. The recommended changes are based upon benefit plan offerings in other comparable local government organizations and should help control the overall cost of the health insurance program which is estimated to increase close to 8.5%. A summary of recommended plan changes are detailed in Exhibit A. The recommended changes are estimated to generate \$1 million in savings in projected healthcare benefit plan costs in the coming year. In addition, staff recommends the plan rates and payroll deductions shown on Exhibit B and C, which are consistent with Memorandums of Understanding provisions with the various City employee associations.

This letter was reviewed by Deputy City Attorney, Christina Checel and Budget Management Officer, Victoria Bell on September 15, 2008.

TIMING CONSIDERATIONS

Open Enrollment for health, dental, and life plans will be conducted in early-November 2008. Therefore, City Council action is requested on September 23, 2008, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late-October.

FISCAL IMPACT

The projected cost for health, dental and life insurance in 2009 is estimated at \$50.1 million. These charges have been included in the Proposed Fiscal Year 2009 Budget in the Employee Benefits Fund (IS 391) in the Department of Financial Management Citywide (XC).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



SUZANNE R. MASON, DIRECTOR  
DEPARTMENT OF HUMAN RESOURCES

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER

SRM/DH:ns  
Attachments

**Exhibit A**

**City Manager Recommended Plan Changes (2009)**

<b>Plan Offering</b>	<b>Current Benefits</b>	<b>Recommended Benefits</b>
Great West Health Plans	Great West PPO/POS networks	Move to CIGNA OAP network effective 1/1/2009
Great West Thrift Plan	Deductibles are \$1,000 / \$2,000 combined in-network and out-of-network	Increase deductibles to \$1,200 / \$2,400 combined in-network and out-of-network. Implement a Health Savings Account (HSA) for employees who enroll in the Thrift Plan.
Medco Pharmacy Plan (Great West Plans ONLY)	N/A	Implement Preferred Drug Step Therapy (PDST) program
Pacificare HMO	Caregiver benefit offered (resource call center)	Eliminate caregiver benefit (currently a duplicate benefit)

**Exhibit B**

<b>COMPARISON OF 2007-08 TO 2009 CURRENT RATES AND PROPOSED RATES</b>		
	<b>Current Rates (2007-08)</b>	<b>Proposed Rates (2009)</b>
<b>GREAT WEST LIFE</b>		
<b>PPO Plan (includes vision)</b>		
Active & Retiree with Dependent(s)	\$810.99	\$892.26
Single Retirees & Widows	\$638.56	\$704.23
<b>PPO Thrift Plan (includes vision)</b>		
Active & Retiree with Dependent(s)	\$478.65	\$529.87
Single Retirees & Widows	\$383.91	\$426.59
<b>POS 100 Plan (includes vision)</b>		
Active & Retiree with Dependent(s)	\$887.80	\$976.03
Single Retirees & Widows	\$713.06	\$785.47
<b>POS 90 Plan (includes vision)</b>		
Active & Retiree with Dependent(s)	\$738.31	\$813.00
Single Retirees & Widows	\$593.45	\$655.04
<b>Medicare Supplement</b>		
One Medicare	\$410.71	\$441.66
Two Medicare	\$830.16	\$892.72

**Exhibit B**

<b>COMPARISON OF 2007-08 TO 2009 CURRENT RATES AND PROPOSED RATES</b>		
	<b>Current Rates (2007-08)</b>	<b>Proposed Rates (2009)</b>
<b>PACIFICARE</b>		
<b>High Plan (includes vision)</b>		
Active	\$822.99	\$907.11
Retiree with Dependent(s)	\$822.99	\$907.23
Single Retirees & Widows	\$567.29	\$628.25
<b>Low Plan (includes vision)</b>		
Retiree with Dependent(s)	\$607.83	\$672.46
Single Retirees & Widows	\$414.92	\$462.10
<b>PACIFICARE / Secure Horizons</b>		
<b>Secure Horizons</b>		
One Medicare & Two/More Non-Medicare Companion	\$1,129.62	\$1,066.31
One Medicare & One Non-Medicare Companion	\$640.84	\$657.18
Two Medicare & One Non-Medicare Companion	\$955.60	\$905.21
One Medicare Risk	\$233.41	\$248.04
Two Medicare Risk	\$466.82	\$496.08
<b>DENTAL</b>		
<b>Delta Dental</b>	\$94.88	\$100.18
<b>PacifiCare Dental</b>	\$44.30	\$44.30

**Exhibit C**

<b>COMBINATION COSTS FOR ACTIVE EMPLOYEES</b>									
<b>2007-08 Plan Year</b>					<b>2009 Plan Year</b>				
<b>Plan Combinations</b>	<b>2007-08 Monthly Rates</b>	<b>Single Monthly Payroll Deduction</b>	<b>Two-Party Monthly Payroll Deduction</b>	<b>Family Monthly Payroll Deduction</b>		<b>2009 Monthly Rates</b>	<b>Single Monthly Payroll Deduction</b>	<b>Two-Party Monthly Payroll Deduction</b>	<b>Family Monthly Payroll Deduction</b>
PPO Plan	\$810.99					\$892.26			
PacifiCare Dental	\$44.30					\$44.30			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$857.10</b>	<b>\$25.80</b>	<b>\$50.80</b>	<b>\$75.80</b>		<b>\$938.36</b>	<b>\$50.00</b>	<b>\$75.00</b>	<b>\$100.00</b>
PPO Thrift Plan	\$478.65					\$529.87			
PacifiCare Dental	\$44.30					\$44.30			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$524.76</b>	<b>\$8.12</b>	<b>\$15.02</b>	<b>\$40.02</b>		<b>\$575.97</b>	<b>\$23.00</b>	<b>\$30.00</b>	<b>\$55.00</b>
POS 100	\$887.80					\$976.03			
PacifiCare Dental	\$44.30					\$44.30			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$933.91</b>	<b>\$115.43</b>	<b>\$140.44</b>	<b>\$165.43</b>		<b>\$1,022.13</b>	<b>\$140.00</b>	<b>\$165.00</b>	<b>\$190.00</b>
POS 90	\$738.31					\$813.00			
PacifiCare Dental	\$44.30					\$44.30			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$784.42</b>	<b>\$13.56</b>	<b>\$38.57</b>	<b>\$63.56</b>		<b>\$859.10</b>	<b>\$35.00</b>	<b>\$60.00</b>	<b>\$85.00</b>
PacifiCare	\$822.99					\$907.11			
Delta Dental	\$94.88					\$100.18			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$919.68</b>	<b>\$81.17</b>	<b>\$106.17</b>	<b>\$131.19</b>		<b>\$1,009.09</b>	<b>\$106.00</b>	<b>\$131.00</b>	<b>\$156.00</b>
PacifiCare	\$822.99					\$907.11			
PacifiCare Dental	\$44.30					\$44.30			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$869.10</b>	<b>\$34.63</b>	<b>\$59.64</b>	<b>\$84.63</b>		<b>\$953.21</b>	<b>\$59.00</b>	<b>\$84.00</b>	<b>\$109.00</b>

**Exhibit C**

<b>COMBINATION COSTS FOR ACTIVE EMPLOYEES</b>									
<b>2007-08 Plan Year</b>					<b>2009 Plan Year</b>				
<b>Plan Combinations</b>	<b>2007-08 Monthly Rates</b>	<b>Single Monthly Payroll Deduction</b>	<b>Two-Party Monthly Payroll Deduction</b>	<b>Family Monthly Payroll Deduction</b>		<b>2009 Monthly Rates</b>	<b>Single Monthly Payroll Deduction</b>	<b>Two-Party Monthly Payroll Deduction</b>	<b>Family Monthly Payroll Deduction</b>
PPO Plan	\$810.99					\$892.26			
Delta Dental	\$94.88					\$100.18			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$907.68</b>	<b>\$73.15</b>	<b>\$98.15</b>	<b>\$123.15</b>		<b>\$994.24</b>	<b>\$98.00</b>	<b>\$123.00</b>	<b>\$148.00</b>
PPO Thrift Plan	\$478.65					\$529.87			
Delta Dental	\$94.88					\$100.18			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$575.34</b>	<b>\$9.67</b>	<b>\$16.35</b>	<b>\$41.35</b>		<b>\$631.85</b>	<b>\$26.00</b>	<b>\$34.00</b>	<b>\$59.00</b>
POS 100	\$887.80					\$976.03			
Delta Dental	\$94.88					\$100.18			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$984.49</b>	<b>\$162.77</b>	<b>\$187.77</b>	<b>\$212.77</b>		<b>\$1,078.01</b>	<b>\$187.00</b>	<b>\$212.00</b>	<b>\$237.00</b>
POS 90	\$738.31					\$813.00			
Delta Dental	\$94.88					\$100.18			
Life	\$1.81					\$1.80			
<b>Total</b>	<b>\$835.00</b>	<b>\$15.10</b>	<b>\$40.12</b>	<b>\$65.12</b>		<b>\$914.98</b>	<b>\$39.00</b>	<b>\$64.00</b>	<b>\$89.00</b>