

CITY OF LONG BEACH

R-12

DEPARTMENT OF HUMAN RESOURCES

333 West Ocean Boulevard • Long Beach, CA 90802 • Phone: 562.570.6304 / FAX: 562.570.5985

October 12, 2010

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) and the Open Access (OA) 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; 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; and to continue the City's self-funded, In-Hospital Indemnity program administered by Great-West Life/CIGNA.

Authorize the City Manager to execute a renewal of the Agreement with Alliant Insurance Services Inc., in the amount of \$235,000 to provide employee healthcare benefits program consulting and actuarial services for a period of one year and authorize the City Manger to execute amendments to extend the term for up to two separate, consecutive one-year periods.

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

In accordance with Memoranda of Understanding (MOU) between the City of Long Beach and its employee associations, the City Employees' Health Insurance Advisory Committee (HIAC), composed of representatives from each of the employee associations, has met with City staff from the Department of Human Resources to review the employee health, dental and life insurance programs.

The health insurance industry has seen dramatic rate increases during the past several years. Statewide, most employers have faced a 14% increase for their healthcare programs due to rising medical care costs, increased utilization, and escalating prescription drug costs. As part of the budget balancing strategies for Fiscal Year 2011, the City requested that the Committee achieve \$3 million in savings. HIAC discussed and evaluated several proposals/options that were presented by Alliant Insurance Services, Inc., the City's health benefits program consultant.

HIAC recommended plan design changes of \$872,000 (Exhibit A) as well as payroll deduction increases totaling \$1.316 million for a total of approximately \$2.188 million. The Committee should be commended for the time and effort spent in developing their recommendations, however, their proposal does not reach the necessary savings of \$3 million. Therefore, it is recommended that the plan design changes shown in Exhibit B, which incorporates HIAC's recommended changes and result in a cost savings of approximately \$1.65 million, be approved. These changes, coupled with \$1.316 million payroll deduction increases to employees, will achieve the necessary savings.

The Committee recommends that the contracts be renewed with: Great-West Life/CIGNA, the City's Third Party Administrator for the Preferred Provider Organization (PPO) and Open Access (OA) Plans; PacifiCare for the Health Maintenance Organization (HMO) Plan; Delta Dental for the Fee-for-Service Dental Plan; PacifiCare for the Closed-Panel Dental Plan; Medco as the Prescription Benefit Manager (PBM) for the prescription drug plan; Delta Dental for the fee-for-service dental plan; Medical Eye Services (MES) for the vision plan; renewing the long-term care benefits with Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services, and the City's In-hospital Indemnity Plan.

Additionally, City Council action is requested to authorize the City Manager to execute the renewal of the Agreement with Alliant Insurance Services (Alliant), due to expire on October 31, 2010, for a period of one year and authorize the City Manager to execute amendments to extend the term for up to two separate, consecutive one-year periods. This renewal would allow Alliant to continue assisting the City on managing its health plan program such as health insurance strategic planning, expanding network providers, evaluations and actuarial services that could result in continued cost savings to the healthcare program. With the assistance of Alliant, the City has taken decisive steps to mitigate the dramatic rate increases in the health insurance industry during the past three years. Alliant is assisting the City in complying with the very complex changes as a result of health care reform. They are currently outlining strategies and tools to help ensure the City and its group health plans remain in compliance with changes associated with this reform. The annual contract cost for Alliant will be reduced from \$250,000 to \$235,000.

The City's Stop Loss Insurance carrier, Elite Stop-Loss Re-insurer, rates have not been finalized since it will be advantageous to obtain quotes closer to the plan year start date. Final quotes to determine the most competitive offering are contingent on receiving and evaluation of the City's medical plan performance through September 2010. Staff will return to City Council for approval in November 2010.

This matter was reviewed by Senior Deputy City Attorney Christina Checél on September 29, 2010, and Budget Management Officer Victoria Bell on September 30, 2010.

TIMING CONSIDERATIONS

Open enrollment for the health plan year 2011 is conducted in early-November 2010. Therefore, City Council action is requested on October 12, 2010, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late-October 2010.

FISCAL IMPACT

The net cost of the City's share of the health, dental and life insurance programs in 2011 is estimated to be \$ 56.6 million. These charges have been budgeted in the Employee Benefits Fund (IS 391) in the Citywide Activities Department. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DEBORAH R. MILLS, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

DRM:MME
Attachments

APPROVED:



PATRICK H. WEST
CITY MANAGER



EXHIBIT A

Date: September 27, 2010
To: Patrick H. West, City Manager
From: City Employees' Health Insurance Advisory Committee
Subject: RECOMMENDATION FOR CITY EMPLOYEES HEALTH, DENTAL, VISION, LIFE AND DISABILITY PROGRAMS FOR FISCAL YEAR 2011-2012

During the past few months, the City's Health Insurance Advisory Committee (HIAC) and City staff from the Department of Human Resources have been evaluating the employee benefit plans, plan rates, cost, utilization and related employee benefit matters. This process is required each year to ensure that the City's benefit programs remain competitive, meet employee needs and are provided in the most cost effective manner for employees and the City. The following programs have been reviewed:

- Open Access Plans (OA 100 and OA 90 plan options)
- Preferred Provider Organizations Plans (PPO and High Deductible plan options)
- HMO Plan (PacifiCare HMO)
- Dental Plans (Delta Dental and PacifiCare Dental plan options)
- Vision
- In-Hospital Indemnity Plan
- Life and Disability

RECOMMENDATIONS

The committee's purpose as outlined in the MOU's between the City and the employee bargaining groups is "to review the status and solvency of the health, dental, and life insurance plans. The Committee reviews plan costs and makes recommendations to the City Manager on plan changes, benefit levels, and addition or deletion of plans."

As in past years, the Committee has taken its role very seriously and has evaluated how to make the plan stronger not only this year, but in to the future. The Committee has evaluated dozens of potential changes for both their immediate and long-term effects on the plan. The only way to have a positive long-term effect on the plan is to find ways to promote more efficient use of the plan by its participants. It is this philosophy that leads to the recommendation of the following plan design changes that we feel will not only save money immediately, but will also have a positive effect on utilization by participants.

1. PacifiCare – Increase copay for RX from \$5 generic/\$10 brand/\$25 non-formulary to \$10, \$25, \$40 respectively
2. Great-West/Cigna – Decrease out of network coinsurance from 60% to 50%
3. Great-West/Cigna – Increase the Emergency Room copay from \$75 to \$100

4. Medco Pharmacy – Institute Retail Refill Allowance (RRA); which requires that, after the first three maintenance drug refills at a pharmacy at the normal copay (\$10/generic, \$25/brand, \$40/formulary) the fourth refill will be at a rate of double the copay if the mail order program is not utilized.

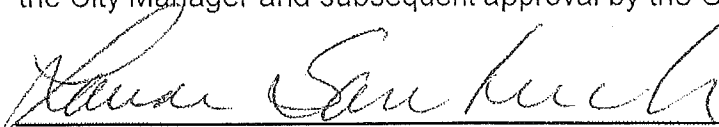
These plan design changes result in approximately \$872,000 in projected savings. This is in addition to the increase of \$25.00/month per employee in payroll deduction, which by itself results in \$1.316 million. The total savings from combining the plan changes and the increases in payroll deductions is \$2.18 million.

While the recommendations above include parts of City Staff's "plan 2A" (see attached), the committee did not accept that plan in its entirety as some parts simply shifted cost from the employer to the employee with no positive effect on the plan itself.

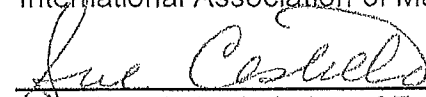
The Committee would like to thank City Staff and the Consultant for working with us to find the plan design changes listed above. Without this collaborative effort, these positive changes and corresponding savings would not have been possible.

This concludes the Committee's report of findings and recommendations for the City's group benefit program for plan year January 1, 2011 to December 31, 2011 for both active employees and retirees.

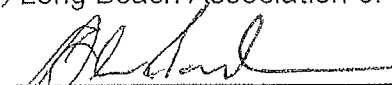
The Committee requests endorsement of this report and its recommendations by the City Manager and subsequent approval by the City Council.



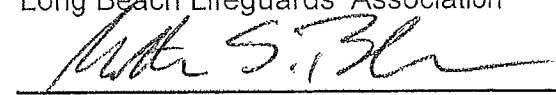
International Association of Machinist & Aerospace Workers, District 947



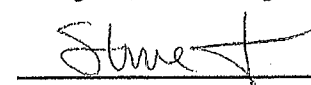
Long Beach Association of Engineering Employees



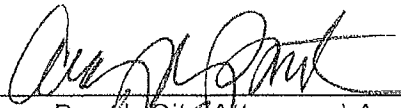
Long Beach Lifeguards' Association




Long Beach Firefighters' Association



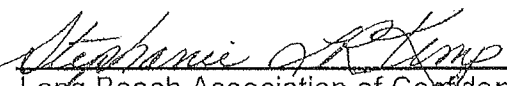
Long Beach Police Officers' Association



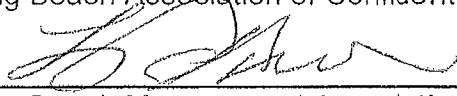
Long Beach City Attorneys' Association



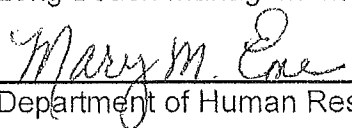
Long Beach City Prosecutors' Association



Long Beach Association of Confidential Employees



Long Beach Management Association



Department of Human Resources

City of Long Beach - 2011 Plan Changes (2A) - Great West / PacificCare

Office Visit Copays		
Plan Offering	Current Benefits	Plan Options
PacificCare of CA HMO	\$10 office visit copay (Medical)	\$20 office visit copay (Medical)
PacificCare of CA HMO	\$10 office visit copay (Mental Health)	\$20 office visit copay (Mental Health)
Emergency Room		
Plan Offering	Current Benefits	Plan Options
PacificCare of CA HMO	\$50 copay per visit (Waived if Admitted)	\$100 copay per visit (Waived if Admitted)
Other Benefit Options		
Plan Offering	Current Benefits	Plan Options
PacificCare of CA HMO	Accu/Chiro: \$10 copay; 30 visits	Accu/Chiro: \$15 copay; 20 visits
PacificCare of CA HMO	Rx \$5 generic / \$15 brand / \$25 non-formulary (2x mail order)	Rx \$10 generic / \$25 brand / \$40 non-formulary (2x mail order)

City of Long Beach - 2011 Plan Changes (2A) - PacificCare (EARLY RETIREES)

Office Visit Copays		
Plan Offering	Current Benefits	Plan Options
PacificCare of CA HMO High Option	\$10 office visit copay (Medical)	\$20 office visit copay (Medical)
PacificCare of CA HMO High Option	\$10 office visit copay (Mental Health)	\$20 office visit copay (Mental Health)
Emergency Room		
Plan Offering	Current Benefits	Plan Options
PacificCare of CA HMO High Option	\$50 copay per visit (Waived if Admitted)	\$100 copay per visit (Waived if Admitted)
PacificCare of CA HMO Low Option	\$50 copay per visit (Waived if Admitted)	\$100 copay per visit (Waived if Admitted)
Other Benefit Options		
Plan Offering	Current Benefits	Plan Options
PacificCare of CA HMO High Option	Accu/Chiro: \$10 copay; 30 visits	Accu/Chiro: \$15 copay; 20 visits
PacificCare of CA HMO High Option	Rx \$5 generic / \$15 brand / \$25 non-formulary (2x mail order)	Rx \$10 generic / \$25 brand / \$40 non-formulary (2x mail order)
PacificCare of CA HMO Low Option	Rx \$5 generic / \$15 brand / \$25 non-formulary (2x mail order)	Rx \$10 generic / \$25 brand / \$40 non-formulary (2x mail order)

City of Long Beach - 2011 Plan Changes (2A) - Great West / Pacificare

Plan Consolidation / Coinsurance Changes	
Plan Offering	Current Benefits
Great West Plans	Out of Network Coinsurance for PPO at 60%
Great West Plans	Out of Network Coinsurance for HDHP at 60%
	Plan Options
	Change Out of Network Coinsurance for PPO to 50%
	Change Out of Network Coinsurance for HDHP to 50%
	Deductibles
Plan Offering	Current Benefits
Great West OA 100 Plan	Deductibles are \$100/\$200 in-network, \$300/\$600 out-of-network (Ind/Fam)
Great West OA 90 Plan	Deductibles are \$100/\$200 in-network, \$300/\$600 out-of-network (Ind/Fam)
Great West PPO Plan	Deductibles are \$300/\$600 in-network, \$500/\$1,000 out-of-network (Ind/Fam)
	Plan Options
	Change to \$250/\$500 in-network, \$500/\$1,000 out-of-network
	Change to \$250/\$500 in-network, \$500/\$1,000 out-of-network
	Change to \$300/\$600 in-network, \$600/\$1,200 out-of-network
	Office Visit Copays*
Plan Offering	Current Benefits
Great West OA 100 Plan	In Network: Office visit and specialist copay is \$20; Out of Network: 50%
Great West OA 90 Plan	In Network: Office visit and specialist copay is \$20; Out of Network: 50%
Great West PPO Plan	In Network: Office visit and specialist copay is \$25; Out of Network: 60%
HDHP	In Network: 90% Coinsurance; Out of Network: 60% Coinsurance
	<i>*In network office visit copays will not change for 2011</i>
	Emergency Room
Plan Offering	Current Benefits
Great West OA 100 Plan	Pays at 100% after \$75 copay
Great West OA 90 Plan	Pays at 100% after \$75 copay
	Plan Options
	Pays at 100% after \$150 copay
	Pays at 100% after \$150 copay
	Hospital Confinement
Plan Offering	Current Benefits
Great West OA 100 Plan	In Network covered at Coinsurance of 100%; Out of Network Hospitalization covered at Coinsurance of 50%
Great West OA 90 Plan	In Network covered at Coinsurance of 90%; Out of Network Hospitalization covered at Coinsurance of 50%
Great West PPO Plan	In Network Copay per confinement of \$200 then Coinsurance at 80%; Out of Network Hospitalization Copay per confinement of \$500 then Coinsurance at 60%
	Plan Options
	In Network Copay per confinement of \$300 then Coinsurance at 100%; Out of Network Hospitalization Copay per confinement of \$600 then Coinsurance at 50%
	In Network Copay per confinement of \$300 then Coinsurance at 90%; Out of Network Hospitalization Copay per confinement of \$600 then Coinsurance at 50%
	In Network Copay per confinement of \$300 then Coinsurance at 80%; Out of Network Hospitalization Copay per confinement of \$600 then Coinsurance at 50%

City of Long Beach - 2011 Plan Changes - Great West, Medco, and PacifiCare

Great West Plans

Great West Plans		Coinsurance	
Plan Offering	Current Benefits	Plan Options	
Great West PPO Plan	Out of Network Coinsurance for PPO at 60%	Change Out of Network Coinsurance for PPO to 50%	
Great West HDHP	Out of Network Coinsurance for HDHP at 60%	Change Out of Network Coinsurance for HDHP to 50%	
Office Visit Copay			
Plan Offering	Current Benefits	Plan Options	
Great West OA 100 Plan	In Network: Office visit and specialist copay is \$20; OON: 50% Coinsurance	Out of Network Only: \$40 copay, then 50% Coinsurance	
Great West OA 90 Plan	In Network: Office visit and specialist copay is \$20; OON: 50% Coinsurance	Out of Network Only: \$40 copay, then 50% Coinsurance	
Great West PPO Plan	In Network: Office visit and specialist copay is \$25; OON: 60% Coinsurance	Out of Network Only: \$50 copay, then 50% Coinsurance	
Deductible			
Plan Offering	Current Benefits	Plan Options	
Great West OA 100 Plan	Deductibles are \$100/\$200 in-network, \$300/\$600 OON (Ind/Fam)	Change to \$150/\$300 in-network, \$350/\$700 OON (Ind/Fam)	
Great West OA 90 Plan	Deductibles are \$100/\$200 in-network, \$300/\$600 OON (Ind/Fam)	Change to \$150/\$300 in-network, \$350/\$700 OON (Ind/Fam)	
Great West PPO Plan	Deductibles are \$300/\$600 in-network, \$500/\$1,000 OON (Ind/Fam)	Change to \$350/\$700 in-network, \$550/\$1,100 OON (Ind/Fam)	

Emergency Room

Emergency Room		Plan Options	
Plan Offering	Current Benefits		
Great West OA 100 Plan	Pays at 100% after \$75 copay	Pays at 100% after \$100 copay	
Great West OA 90 Plan	Pays at 100% after \$75 copay	Pays at 100% after \$100 copay	

Hospital Confinement¹

Hospital Confinement ¹		Plan Options	
Plan Offering	Current Benefits		
Great West OA 100 Plan	Out of Network Hospitalization covered at Coinsurance of 50%	Add OON Hospitalization per confinement of \$300, then 50%	
Great West OA 90 Plan	Out of Network Hospitalization covered at Coinsurance of 50%	Add OON Hospitalization per confinement of \$300, then 50%	

¹ PPO currently has a \$500 per confinement

Medco Health Solutions

Medco Health Solutions		Prescription Drugs	
Plan Offering	Current Benefits	Plan Options	
Medco Health Solutions	Medco Rx	Medco Rx with Retail Refill Allowance (RRA)	

PacifiCare Plans

PacifiCare Plans		Office Visit Copay	
Plan Offering	Current Benefits	Plan Options	
PacifiCare of CA HMO	\$10 office visit copay (Medical)	\$20 office visit copay (Medical)	
PacifiCare of CA HMO	\$10 office visit copay (Mental Health)	\$20 office visit copay (Mental Health)	
Prescription Drugs			
Plan Offering	Current Benefits	Plan Options	
PacifiCare of CA High/Low	Rx \$5 generic / \$15 brand / \$25 non-formulary (2x mail order)	Rx \$10 generic / \$25 brand / \$40 non-formulary (2x mail order)	

COMPARISON OF 2010 TO 2011 CURRENT RATES AND PROPOSED RATES		
	Current Rates (2010)	Proposed Rates (2011)
GREAT WEST LIFE		
PPO Plan (includes vision)		
Active & Retiree with Dependent(s)	\$911.71	\$1,009.55
Single Retirees & Widows	\$774.15	\$805.27
HDHP Plan (includes vision)		
Active & Retiree with Dependent(s)	\$566.22	\$626.70
Single Retirees & Widows	\$472.68	\$495.60
OA 100 Plan (includes vision)		
Active & Retiree with Dependent(s)	\$1,025.73	\$1,135.89
Single Retirees & Widows	\$862.40	\$895.95
OA 90 Plan (includes vision)		
Active & Retiree with Dependent(s)	\$855.40	\$947.39
Single Retirees & Widows	\$720.73	\$750.37
Medicare Supplement		
One Medicare	\$450.94	\$508.21
Two Medicare	\$901.65	\$1,016.16

COMPARISON OF 2010 TO 2011 CURRENT RATES AND PROPOSED RATES		
	Current Rates (2010)	Proposed Rates (2011)
PACIFICARE		
High Plan (includes vision)		
Active	\$975.53	\$1,105.60
Retiree with Dependent(s)	\$975.53	\$1,105.60
Single Retirees & Widows	\$673.59	\$702.84
Low Plan (includes vision)		
Retiree with Dependent(s)	\$733.31	\$764.44
Single Retirees & Widows	\$507.31	\$532.29
PACIFICARE / Secure Horizons		
Secure Horizons		
One Medicare & Two/More Non-Medicare Companion	\$1,181.99	\$1,264.22
One Medicare & One Non-Medicare Companion	\$731.14	\$790.47
Two Medicare & One Non-Medicare Companion	\$1,011.43	\$1,107.20
One Medicare Risk	\$280.29	\$316.73
Two Medicare Risk	\$560.58	\$633.46
DENTAL		
Delta Dental	\$101.83	\$105.52
PacifiCare Dental	\$46.07	\$46.07

COMBINATION COSTS FOR ACTIVE EMPLOYEES									
Plan Combinations	2010 Plan Year					2011 Plan Year			
	2010 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	2011 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	
PPO Plan	\$911.71				\$1,009.55				
Delta Dental	\$101.83				\$105.52				
Life	\$1.80				\$1.80				
Total	\$1,015.34	\$104.00	\$129.00	\$154.00	\$1,116.87	\$129.00	\$154.00	\$179.00	
HDHP Plan	\$566.22				\$626.70				
Delta Dental	\$101.83				\$105.52				
Life	\$1.80				\$1.80				
Total	\$669.85	\$37.00	\$45.00	\$70.00	\$734.02	\$56.00	\$64.00	\$89.00	
OA 100	\$1,025.73				\$1,135.89				
Delta Dental	\$101.83				\$105.52				
Life	\$1.80				\$1.80				
Total	\$1,129.36	\$202.00	\$227.00	\$252.00	\$1,243.21	\$227.00	\$252.00	\$277.00	
OA 90	\$855.40				\$947.39				
Delta Dental	\$101.83				\$105.52				
Life	\$1.80				\$1.80				
Total	\$959.03	\$52.00	\$77.00	\$102.00	\$1,054.71	\$77.00	\$102.00	\$127.00	

COMBINATION COSTS FOR ACTIVE EMPLOYEES									
Plan Combinations	2010 Plan Year					2011 Plan Year			
	2010 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	2011 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction	Family Monthly Payroll Deduction
PPO Plan	\$911.71				\$1,009.55				
PacifiCare Dental	\$46.07				\$46.07				
Life	\$1.80				\$1.80				
Total	\$959.58	\$56.00	\$81.00	\$106.00	\$1,057.42	\$81.00	\$106.00	\$131.00	
HDHP Plan	\$566.22				\$626.70				
PacifiCare Dental	\$46.07				\$46.07				
Life	\$1.80				\$1.80				
Total	\$614.09	\$34.00	\$41.00	\$66.00	\$674.57	\$52.00	\$59.00	\$84.00	
OA 100	\$1,025.73				\$1,135.89				
PacifiCare Dental	\$46.07				\$46.07				
Life	\$1.80				\$1.80				
Total	\$1,073.60	\$155.00	\$180.00	\$205.00	\$1,183.76	\$180.00	\$205.00	\$230.00	
OA 90	\$855.40				\$947.39				
PacifiCare Dental	\$46.07				\$46.07				
Life	\$1.80				\$1.80				
Total	\$903.27	\$48.00	\$73.00	\$98.00	\$995.26	\$73.00	\$98.00	\$123.00	
PacifiCare	\$975.53				\$1,105.60				
Delta Dental	\$101.83				\$105.52				
Life	\$1.80				\$1.80				
Total	\$1,079.16	\$127.00	\$152.00	\$177.00	\$1,212.92	\$152.00	\$177.00	\$202.00	
PacifiCare	\$975.53				\$1,105.60				
PacifiCare Dental	\$46.07				\$46.07				
Life	\$1.80				\$1.80				
Total	\$1,023.40	\$80.00	\$105.00	\$130.00	\$1,153.47	\$105.00	\$130.00	\$155.00	

2011 RATES
IN-HOSPITAL INDEMNITY PLAN

Age of Employee	Employee	Employee & Spouse	Employee & Child	Full Family
0-34	3.62	6.90	7.29	10.58
35-44	4.38	8.39	8.06	12.07
45-54	5.92	11.30	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

* ½ benefit from age 65 to 69