



Legislation Text

File #: 10-1125, **Version:** 1

Recommendation to authorize 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 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 to execute amendments to extend the term for up to two separate, consecutive one-year periods; and

Authorize 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)

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 8, 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 longterm 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 Checel on September 29, 2010, and Budget Management Officer Victoria Bell on September 30, 2010.

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.

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.

Approve recommendation.

DEBORAH R. MILLS
DIRECTOR DEPARTMENT OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER

