



Legislation Details (With Text)

**File #:** 22-1015      **Version:** 1      **Name:** HR - Contract Amendments for Medical benefits

**Type:** Contract      **Status:** To Be Introduced

**File created:** 8/5/2022      **In control:** City Council

**On agenda:** 8/23/2022      **Final action:**

**Title:** Recommendation to authorize City Manager, or designee, to execute contract amendments with Anthem Blue Cross, the City of Long Beach’s (City) third-party administrator for the Preferred Provider Organization (PPO) group health plan, the Health Maintenance Organization (HMO) group health plan, and Medicare Supplement plan; UnitedHealthcare for the City’s Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for employer-paid life insurance, voluntary life insurance, and short- and long-term disability insurance; Union Mutual Life Insurance Company (UNUM), through Larry Lambert & Associates Insurance Services, for long-term care insurance; and Carrum Health as a third-party administrator for eligible surgeries to be performed through a Centers of Excellence facility; and, any subsequent amendments necessary to maintain current benefit levels and remain in compliance with State and federal laws on all plans, at the discretion of the City Manager. (Citywide)

**Sponsors:** Human Resources

**Indexes:**

**Code sections:**

**Attachments:** 1. 082322-R-27sr&att.pdf

Date	Ver.	Action By	Action	Result
8/23/2022	1	City Council	approve recommendation	Pass

Recommendation to authorize City Manager, or designee, to execute contract amendments with Anthem Blue Cross, the City of Long Beach’s (City) third-party administrator for the Preferred Provider Organization (PPO) group health plan, the Health Maintenance Organization (HMO) group health plan, and Medicare Supplement plan; UnitedHealthcare for the City’s Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for employer-paid life insurance, voluntary life insurance, and short- and long-term disability insurance; Union Mutual Life Insurance Company (UNUM), through Larry Lambert & Associates Insurance Services, for long-term care insurance; and Carrum Health as a third-party administrator for eligible surgeries to be performed through a Centers of Excellence facility; and, any subsequent amendments necessary to maintain current benefit levels and remain in compliance with State and federal laws on all plans, at the discretion of the City Manager. (Citywide)

City Council authorization is requested for approval of the calendar year 2023 Benefits Package rates and employee contribution amounts for active employees and retirees,

effective January 1, 2023, through December 31, 2023.

The Human Resources Department administers the City’s employee benefits healthcare program, including group health plans for HMO, PPO, dental, vision, life insurance, long- and short-term disability, long-term care, and flexible spending plans (health and dependent care). The program covers approximately 4,300 active employees, 2,000 retirees, and 7,000 dependents. In accordance with the Memoranda of Understanding (MOU) between the City and its employee organizations, the Health Insurance Advisory Committee (HIAC), which is comprised of representatives from each of the employee associations, annually reviews the status of the plan costs and makes recommendations to the City Manager on plan changes, benefit levels, and addition and deletion of plans.

Human Resources Department staff, members of the HIAC, and Alliant Insurance Services (Alliant), the City’s benefits consultant, held a series of meetings from January 2022 through July 2022 to review plan utilization data presented by plan providers, trends, legislative impact, and plan design to finalize recommendations for the calendar year 2023 Employee Benefits Program Alliant in conjunction with an independent Actuary, Turner Consulting Actuarial LLC, conducts an actuarial analysis of the proposed benefit plan costs and negotiates with each provider on behalf of the City to obtain the most competitive rates. Alliant presented the results of their actuarial analysis and negotiation efforts to the HIAC at the July 2022 meeting. It is noted that the claims experience on the Anthem HMO plan has been increasing year after year since 2019, with 2022 being the highest reported year since the contract’s inception. Even with this in mind, the City’s core plans continue to out-perform industry trends. The Anthem Blue Cross health plans have received only modest employee contribution increases, while the dental (PPO) and vision plans received rate passes for the calendar year 2023. The City remains dedicated to provide added value and innovative resources that are designed to contribute towards the City’s efforts to mitigate future claims costs, promote healthier outcomes, and improve overall employee satisfaction through its comprehensive benefits package.

The following chart summarizes the City’s benefit contracts, applicable industry trends, and final renewal impact for Plan Year 2023. Further, City Council approval is requested to authorize the City Manager to execute contracts and/or amendments with various employee benefit providers for the 2023 plan year employee benefits package, as reflected in the recommendations from the HIAC (Attachment A).

2023 Plan Renewals		
Plan	Industry Trend	Final COLB Renewal
Anthem Blue Cross PPO <i>Self-funded medical &amp; Rx</i>	7.3%	4.3% increase <i>Inclusive of 1 Pharmacy Benefit Contract</i>
Anthem Blue Cross HMO Fu <i>insured medical &amp; Self-fund</i>	7.0%	5.97% increase <i>Inclusive of Pharmacy Benefit Contract</i>

United HealthCare - Medical Advantage <i>Fully insured</i>	4.8%	2.5% increase
SCAN Health - HMO Medical Advantage <i>Fully insured</i>	4.8%	0.00%
Delta Dental DPPO - <i>Self-funded</i>	3.1%	0.00%
DeltaCare USA DHMO - <i>Fully insured</i>	3.0%	0.00%
Vision Service Plan (VSP) <i>Self-funded</i>	1.7%	0.00%
The Standard - <i>Fully insured</i> Life/AD&D Insurance Voluntary Insurance Short and Long-term Disability	Varies by Claim Experience	0.00%

**Service Provider Contract Renewal and Rates**

**ANTHEM BLUE CROSS**

The overall impact of the calendar year 2023 renewals for the Anthem PPO and HMO (including CVS Caremark carve-out for prescription drugs) plans resulted in 4.3 percent and 5.97 percent rate increases, respectively. The City’s final renewal rates are lower than the industry standard trend and the City’s carrier partners book of business trends. As stated previously, claims experience on the Anthem HMO plan has been increasing year after year since 2019, resulting in an initial medical renewal increase of 14.3 percent. Final and favorable renewal results are attributed by further negotiation efforts led by Alliant Insurance Services. Renewal figures include a consideration of the impact COVID-19 had on the City’s claim activity and its ongoing uncertainty.

Additionally, increases to employee contributions are limited by maximum(s) that have been previously negotiated in MOU agreements for single, two-party, and family coverage for active employees. For 2023, the rate increases have no impact on the MOU cap, resulting in no carryover amounts for the 2024 plan year.

**DELTA DENTAL OF CALIFORNIA AND VISION SERVICE PLAN (VSP)**

Rates and employee contributions for the Dental PPO (Delta Dental DPO), and Vision coverage (Vision Service Plan (VSP)) plans reflect no increase for the calendar year 2023. Rates for the Dental HMO (DeltaCare USA) plan also remain unchanged for the calendar year 2023.

**VISION SERVICE PLAN (VSP) ENHANCEMENTS**

It is recommended that the City Council approve the following enhancements for employees and their eligible dependents covered on the VSP vision plan:

- The frame allowance value of \$90 will increase to \$130
- Eye exam frequency will become available on a calendar year basis vs. a rolling 12-month schedule

The above-recommended changes will be effective January 1, 2023.

### **RETIREE HEALTH PLANS**

It is also recommended that the City Council approve the proposed calendar year 2023 rates (Attachment B) for the retiree Medicare health plans, which include:

- A 2.50 percent increase for the UHC Medicare PPO Advantage Plan rates;
- No change for the SCAN Medicare Advantage Plan; and,
- An increase of 4.3 percent for the Anthem Medicare Supplement Plan rates.

On July 25, 2022, the HIAC voted to adopt the employee benefit plan changes outlined in Attachment B, which is submitted to the City Council for approval.

This matter was reviewed by Assistant City Attorney Gary J. Anderson on August 4, 2022 and by Budget Management Officer Nader Kaamoush on August 8, 2022.

Human Resources is planning to utilize the months of September and October to communicate open enrollment changes through various efforts to employees, who will update their health plan options online. Therefore, City Council action is requested on August 23, 2022, for adequate open enrollment planning. Communication pieces explaining benefits options will be distributed prior to and during the Open Enrollment period.

The costs for the health benefit plans are paid from the City's Employee Benefits Fund Group in the Citywide Activities Department. Funding to support these costs are recouped through charges to departments and funds as a personnel-related overhead rate. It is expected that there will be sufficient appropriation to support these costs based on these renewal rates which have been included in the Proposed Fiscal Year 2023 Budget. City staff will monitor actual costs throughout the year, and any adjustments needed to the interdepartmental charges will be evaluated based on actual experience and incorporated into future budget development processes. This recommendation has no staffing impact beyond the budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

Approve recommendation.

[Enter Body Here]

JOE AMBROSINI  
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APPROVED:

THOMAS B. MODICA  
CITY MANAGER