



Legislation Text

File #: 13-0857, **Version:** 1

Recommendation to authorize City Manager to execute the renewal of contracts with Anthem Blue Cross, the City's Third Party Administrator for the Preferred Provider Organization (PPO) and the Health Maintenance Organization (HMO) group health plans and Medicare Supplement group health plans; Scan Health Plan for the Medicare Advantage Plan; United HealthCare for the closed-panel dental 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; execute a contract with CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan; and 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 organizations, the Health Insurance Advisory Committee (HIAC), composed of representatives from each of the employee associations, has met and submitted its recommendations (Attachment A) for health, dental, vision and life insurance programs.

It is recommended that the above contracts be approved for the 2014 benefit year, from January 1, 2014 to December 31, 2014, for active and retired employees.

There will be no material plan design changes for the 2014 plan year. However, the City will make the following mandatory design changes in order to comply with federally mandated Affordable Care Act (Healthcare Reform): add coverage for clinical trials; eliminate the pre-existing condition clause on the PPO; out-of-pocket maximums must consist of all medical expenses, including the deductible; all dollar limits on essential health benefits must be removed (if any).

The Department of Human Resources will continue to work with Alliant Insurance Services (Alliant), the City's healthcare insurance consultant, and HIAC to review possible changes for 2015, in compliance with additional changes of Healthcare Reform, such as medical rate tiering (3-tier rate structure versus our current rate structure).

Alliant conducted a bid process for our Prescription Benefit Manager (PBM). There were four competitive bids submitted, including our current PBM, Express Scripts (formerly Medco). After a thorough actuarial review and financial analysis, it was determined that the City could benefit from switching PBM's from Express Scripts to CVS Caremark. It is projected that changing the PBM from Express Scripts to CVS Caremark will provide significant savings over the renewal costs for the next three years. CVS Caremark will also provide additional benefits, including more mail order options, access to CVS clinics, and discounts on health-related items purchased at CVS.

The City's Stop Loss Insurance carrier, Sun Life (stHealth), rates have not been finalized. Quotes for stop loss insurance cannot be finalized until closer to the plan year start date. Final quotes to

determine the most competitive offering are contingent on receiving an evaluation of the City's medical plan performance through September 2013. The Department of Human Resources will return to City Council for approval at a later date.

This matter was reviewed by Senior Deputy City Attorney Christina Checel and Budget Management Officer Victoria Bell on September 16, 2013.

Open enrollment for the health plan year 2014 is conducted in late-October/early-November 2013. Therefore, City Council action is requested on October 1, 2013, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late October 2013.

The projected cost for health, dental, vision and life insurance in 2014 is estimated to be \$62.3 million. These charges have been included in the Fiscal Year 2014 Budget in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC). There are no local job impacts associated with this matter.

Approve recommendation.

DEBORAH R. MILLS, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER