



Legislation Text

File #: 20-0838, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute contract amendments 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 plan; UnitedHealthcare 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, 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 to approve the calendar year 2021 Benefits Package rates and employee contribution amounts for active employees and retirees, effective January 1, 2021 through December 31, 2021.

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 staff, in conjunction with the HIAC and Alliant Insurance Services (Alliant), the City's benefits consultant, have had a series of meetings from January 2020 through July 2020 to review plan utilization data, trends, legislative impacts, and met with plan providers to finalize recommendations for the 2021 Employee Benefits Program (Attachment A).

In addition, Alliant 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 end of July. Notwithstanding an increase to the rates for Anthem Blue Cross health plans for calendar year 2021, the City's benefits package continues to out-perform industry trends,

while still providing comprehensive and innovative resources with added value that are designed to contribute toward the City's efforts to mitigate future claims costs and improve overall employee satisfaction with the City's benefits package.

SERVICE PROVIDER CONTRACT RENEWAL AND RATES

ANTHEM BLUE CROSS

Annually, the City Manager, with input from the HIAC, reviews and makes recommendations on benefit provider contract renewals and associated rate changes for the following plan year, which runs from January 1 - December 31. Notably, for the fifth year in a row, the City's PPO and HMO health plan renewals came in lower than industry standard trend and our carriers' book of business trend, in contrast to the City's higher than usual claims experience during the 2019 calendar year and part of calendar year 2020.

The overall impact of the calendar year 2021 renewals for the Anthem PPO and HMO plans resulted in 6.89 percent and 5.40 percent rate increases, respectively. Therefore, the employee-contribution rates will also increase slightly for the upcoming plan year, resulting in the implementation of the contribution cap maximums as prescribed in the MOU agreements of employees' organizations.

DELTA DENTAL OF CALIFORNIA AND VISION SERVICE PLAN (VSP)

Rates and employee contributions for the Dental HMO (DeltaCare USA), Dental PPO (Delta Dental DPO), and Vision coverage (Vision Service Plan (VSP)) remain unchanged for calendar year 2021.

Human Resources and the HIAC recommend the City Council approve the proposed calendar year 2021 benefits package as outlined. A detail of 2021 proposed rates by tier and employee and employer contribution is provided in Attachments B.

RETIREE HEALTH PLANS

It is also recommended that the City Council approve the proposed calendar year 2021 rates (Attachment C) for the retiree Medicare health plans, which include:

- A 6.00 percent reduction for the UHC Medicare PPO Advantage Plan rates;
- A 0.00 percent increase for the SCAN Medicare Advantage Plan; and,
- A 6.89 percent increase for the Anthem Medicare Supplement Plan rates.

The following chart summarizes the City's benefit contracts, applicable industry trend, and final renewal impact for Plan Year 2021. Further, City Council approval is requested to authorize the City Manager to execute contract amendments with various employee benefit providers for the 2021 plan year employee benefits plan, as reflected in the recommendations from the HIAC.

2021 Plan Renewals		
Plan	Industry Trend	Final Renewal
Anthem Blue Cross PPO	7.2%	6.89% increase
Anthem Blue Cross HMO	6.3%	5.40% increase
United HealthCare - fully-insured Medicare Advantage	4%	-6.00%
SCAN Health - fully-insured Medicare Advantage	3.3%	0.00%
Delta Dental DPPO	3.8%	0.00%
DeltaCare USA DHMO	3.5%	0.00%
Vision Service Plan (VSP) Vision	2.0%	0.00%
The Standard Basic Life/AD&D Insurance Voluntary Life Insurance Short and Long-term Disability	Varies by Claim Experience	0.00%

RECOMMENDED PLAN

The HIAC unanimously voted to adopt the employee benefit plan changes summarized on Attachment B, which is submitted to the City Council for approval. No plan design changes are recommended for calendar year 2021.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson and by Budget Manager Grace H. Yoon on August 20, 2020.

Human Resources is planning to utilize the months of September and October to communicate open enrollment changes to employees, using various communication methods, who will update their health plan options online. Therefore, City Council action is requested on September 1, 2020, for adequate open enrollment planning. Communication pieces explaining benefits options will be distributed prior to and during the Open Enrollment period.

There is sufficient appropriation for the City's cost of the health benefit plans in the Proposed Fiscal Year 2021 Budget in the Employee Benefits Fund Group in the Citywide Activities Department. The renewal rates are cost-effective to the City in comparison with industry trends. Any potential ongoing impact to the budget will be evaluated based on actual experience and will be incorporated into the budget as part of the annual budget process. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated

with this recommendation.

Approve recommendation.

ALEJANDRINA BASQUEZ
HUMAN RESOURCES DIRECTOR

APPROVED:

THOMAS B. MODICA
CITY MANAGER