

CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-16

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802 • (562) 570.6621

DEBORAH R. MILLS
DIRECTOR

October 7, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the 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 plan; United Healthcare Medicare Advantage Plan; Scan Health Plan for the Medicare Advantage Plan; Delta Dental for the fee-for-service dental plan (DPPO); Medical Eye Services (MES) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug 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 Delta Dental for the closed-panel dental plan (DHMO); and 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 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 2015 benefit year, from January 1, 2015 to December 31, 2015, for active and retired employees.

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October 7, 2014

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There will be no material plan design changes for the 2015 plan year for the PPO Plan. However, the HMO plan emergency room co-payment will increase from \$50 to \$100. In compliance with the Affordable Care Act (Healthcare Reform), active employees' rate structure will be changed from the current composite rate to "Single, 2-Party and Family" (Retirees will remain on the current rate structure). Employees will also have individual plan selections, i.e. medical, dental and vision may be elected separately.

For the dental plans, we currently contract with Delta Dental for the DPPO and United HealthCare (UHC) for the DHMO. Through Alliant Insurance Services (Alliant), the City's insurance consultant, we requested a bid from Delta Dental for the DHMO program. Delta Dental offered a 17 percent reduction in costs, a two-year rate guarantee, and access to more providers; therefore, Delta Dental is recommended as the new provider for the DHMO program.

For the Prescription Drug Plan under CVS Caremark, we are implementing various items to enhance member benefits, add administrative efficiencies, manage plan costs, and comply with the mandates of Healthcare Reform. The Tier 3 co-payment of "\$40 retail/\$80 mail order or 30 percent, whichever is greater" will change to a flat co-payment of \$40 retail/\$80 mail order. In compliance with Healthcare Reform mandates, there will be an out-of-pocket maximum on the prescription drug plan, "in network - \$3,950 individual/\$7,900 Family; out of network – no maximum."

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 renewal date. Final quotes to determine the most competitive offering are contingent on receiving an evaluation of the City's medical plan performance through September 2014. The Department of Human Resources will return to City Council for approval at a later date.

This matter was reviewed by Deputy City Attorney Gary Anderson and Budget Management Officer Victoria Bell on September 18, 2014.

TIMING CONSIDERATIONS

Open enrollment for the health plan year 2015 is conducted in late-October/early-November 2014. Therefore, City Council action is requested on October 7, 2014, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late October 2014.

FISCAL IMPACT

The projected cost for health, dental, vision and life insurance in 2015 is estimated to be \$66.5 million. These charges have been included in the Fiscal Year 2015 Budget in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC). There are no local job impacts associated with this matter.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DEBORAH R. MILLS, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

DRM/slm
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Attachment A – Health Insurance Advisory Committee Memo

APPROVED:



PATRICK H. WEST
CITY MANAGER



Date: September 11, 2014
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 CALENDAR YEAR 2015**

City staff from the Department of Human Resources (HR) and the City's Health Insurance Advisory Committee (HIAC) evaluates the employee benefit plans, plan rates, costs and related employee benefit matters annually. This process is to ensure programs remain competitive; they meet employee needs; and they are provided on the most tax- and cost-effective basis for employees and the City. This plan year, the following programs were reviewed:

- Anthem Blue Cross (PPO and HMO Plans)
- Dental Plans (Delta Dental and United HealthCare Dental Plans)
- MES Vision
- CVS Caremark
- Life and Disability
- Flexible Spending

RECOMMENDATIONS

The City, with the assistance of Alliant Insurance Services (Alliant), our insurance consultant, evaluated the financial and service offerings of our current benefit plan vendors. We also explored alternatives for cost savings and administrative efficiencies, without compromising the level of benefits currently offered to City employees. As a result of this year's review, it was determined that the optimal renewal strategy is to permit the existing vendors, Anthem Blue Cross, MES, Delta Dental, CVS Caremark and Standard Insurance Company to continue administering the employee benefits plans.

Recommended Medical Plan changes:

- PPO Plan – No material plan design changes
- HMO Plans – Emergency room co-payment increase from \$50 to \$100
- Change Active employees' rate structure to reflect "Single, 2-Party and Family" (Retirees will remain on the current rate structure)
- Individual Plan Selections, i.e. medical, dental and vision may be elected separately

Alliant requested a bid from Delta Dental for the DHMO program since we currently have a PPO contract with them. Our current contract with United HealthCare (UHC)

is comprised of the old PacifiCare fee schedule, i.e. an older legacy contract, and does not contain all of the current American Dental Association (ADA) codes, which equates to greater out of pocket costs for the members. By switching from UHC to the Delta DHMO, the plan will realize a 17% reduction off the renewal costs. In addition, Delta has provided a 2-year rate guarantee. As a result of the recommended change, members will have access to more providers under the Delta DHMO plan, as opposed to the UHC plan. Members will also benefit by paying only the listed co-payment price for the following services, versus a "not covered" or payment of additional fees under UHC: costs of noble, high noble metal and titanium fillings and/or crowns; costs of material upgrades, including resin and porcelain; costs of posterior composites; lab fees associated with items listed above; and additional fees for periodontal maintenance.

Recommended Dental Plan changes:

- Dental PPO Plan – add a late entrant penalty of a 12-month waiting period on major services and orthodontia, upon re-enrollment for members who choose to waive dental
- Dental HMO Plan – switch from UHC DHMO to Delta DHMO

Under CVS Caremark, we are recommending implementation of various items to enhance member benefits, add administrative efficiencies, manage plan costs, and comply with mandates of the Affordable Care Act (ACA), i.e. Health Care Reform.

Recommended CVS Caremark changes:

- Add an Out of Pocket Maximum (OOPM) – ACA mandate
 - In Network - \$3,950 individual / \$7,900 family
 - Out of Network - None
- Add Specialty Management and Specialty Drug Design
- Add Drug Savings Review
- Add Compound Medication Management
- Add Vaccination Services (at CVS Caremark Pharmacies only)
- Change Tier 3 from "\$40 retail/\$80 mail order or 30% whichever is greater" to a flat co-payment (\$40 retail/\$80 mail order)

In 2013, there was a legislative change as it relates to Flexible Spending Accounts. Specifically, plan administrators have an option of: 1) providing a grace period of 2.5 months to incur claims from the prior year; or 2) permitting members to rollover up to \$500. Based on the evaluation of the current program utilization, it is in the best interest of both, the City and the members, to maintain the status quo (2.5 month grace period).

Recommended FSA changes:


- NONE - Continue to offer the grace period to enrolled members


PLAN COSTS/EMPLOYEE COST SHARING

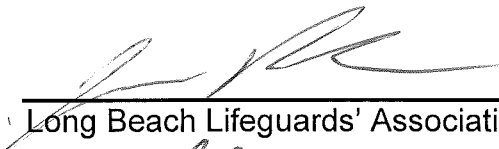
The Committee recommends the plan rates and payroll deductions as shown on Exhibits A and B. The 2015 plan rates are inclusive of the required healthcare reform fees, which represent .8% on the self-funded PPO plan and 4.3% on the fully insured HMO plans.

This concludes the Committee's report of findings and recommendations for the City's group benefit program for plan year January 1, 2015, to December 31, 2015, for all City employees and retirees.

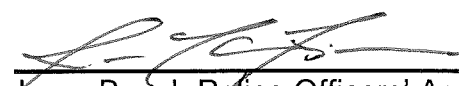
The Committee requests endorsement of this report and its recommendations by the City Manager and subsequent approval by the City Council.


International Association of Machinists & Aerospace Workers, District
947, Local Lodge 1930


Long Beach Association of Engineering Employees

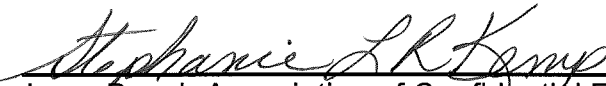

Long Beach Lifeguards' Association



Long Beach Firefighters' Association

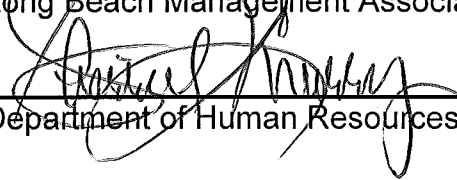

Long Beach Police Officers' Association


Long Beach City Attorneys' Association


Long Beach City Prosecutors' Association


Long Beach Association of Confidential Employees


Long Beach Management Association


Department of Human Resources

| COMPARISON OF 2014 TO 2015 CURRENT RATES AND PROPOSED RATES | | | |
|--|---------------------------------|---|----------------------------------|
| | Current Rates (2014) | | Proposed Rates (2015) |
| ANTHEM | | ANTHEM | |
| Anthem Prudent Buyer PPO | | Anthem Prudent Buyer PPO | |
| Actives | | Actives | |
| Single | \$1,122.03 | Single | \$536.00 |
| Two Party | \$1,122.03 | Two Party | \$1,125.00 |
| Family | \$1,122.03 | Family | \$1,500.00 |
| Retirees | | Retirees | |
| Single Retirees & Widows | \$897.03 | Single Retirees & Widows | \$932.76 |
| Retirees with Dependent(s) | \$1,122.03 | Retirees with Dependent(s) | \$1,166.76 |
| Anthem Medicare Supplement Assurance Plan | | Anthem Medicare Supplement Assurance Plan | |
| One Medicare | \$581.00 | One Medicare | \$604.00 |
| Two Medicare | \$1,152.00 | Two Medicare | \$1,197.00 |
| Anthem | | Anthem | |
| Anthem Premier HMO | | Anthem Premier HMO | |
| Actives | | Actives | |
| Single | \$1,310.03 | Single | \$617.00 |
| Two Party | \$1,310.03 | Two Party | \$1,295.00 |
| Family | \$1,310.03 | Family | \$1,727.00 |
| Retirees | | Retirees | |
| Single Retirees & Widows | \$707.03 | Single Retirees & Widows | \$734.76 |
| Retirees with Dependent(s) | \$1,337.03 | Retirees with Dependent(s) | \$1,389.76 |
| Anthem Classic HMO | | Anthem Classic HMO | |
| Single Retirees & Widows | \$562.03 | Single Retirees & Widows | \$584.76 |
| Retiree with Dependent(s) | \$828.03 | Retiree with Dependent(s) | \$860.76 |
| UHC/PACIFICARE - Secure Horizons | | UHC/PACIFICARE - Secure Horizons | |
| Secure Horizons and Anthem Premier HMO | | Secure Horizons and Anthem Premier HMO | |
| One Medicare & Two/More Non-Medicare Companion | \$1,641.34 | One Medicare & Two/More Non-Medicare Companion | \$1,829.45 |
| One Medicare & One Non-Medicare Companion | \$1,018.23 | One Medicare & One Non-Medicare Companion | \$1,122.18 |
| Two Medicare & One Non-Medicare Companion | \$1,413.32 | Two Medicare & One Non-Medicare Companion | \$1,537.03 |
| Secure Horizons Only | | Secure Horizons Only | |
| One Medicare Risk | \$395.09 | One Medicare Risk | \$414.85 |
| Two Medicare Risk | \$790.18 | Two Medicare Risk | \$829.70 |
| Scan Health Plan | | Scan Health Plan | |
| Scan Health Plan and Anthem Premier HMO | | Scan Health Plan and Anthem Premier HMO | |
| One Medicare & Two/More Non-Medicare Companion | \$1,577.81 | One Medicare & Two/More Non-Medicare Companion | \$1,746.16 |
| One Medicare & One Non-Medicare Companion | \$954.70 | One Medicare & One Non-Medicare Companion | \$1,038.89 |
| Two Medicare & One Non-Medicare Companion | \$1,286.26 | Two Medicare & One Non-Medicare Companion | \$1,370.45 |
| Scan Health Plan Only | | Scan Health Plan Only | |
| One Medicare Risk | \$331.56 | One Medicare Risk | \$331.56 |
| Two Medicare Risk | \$663.12 | Two Medicare Risk | \$663.12 |
| DENTAL | | DENTAL | |
| Delta Dental | | Delta Dental | |
| Single | \$110.56 | Single | \$50.30 |
| Two Party | \$110.56 | Two Party | \$105.70 |
| Family | \$110.56 | Family | \$140.80 |
| Retiree | \$110.56 | Retiree | \$110.56 |
| UnitedHealthcare Dental DHMO | | Delta Dental DeltaCare DHMO | |
| Single | \$46.07 | Single | \$21.60 |
| Two Party | \$46.07 | Two Party | \$45.40 |
| Family | \$46.07 | Family | \$60.60 |
| Retiree | \$46.07 | Retiree | \$37.91 |
| VISION | | VISION | |
| MES Vision | | MES Vision | |
| Single | \$9.97 | Single | \$4.60 |
| Two Party | \$9.97 | Two Party | \$9.80 |
| Family | \$9.97 | Family | \$13.00 |
| Retiree | \$9.97 | Retiree | \$10.24 |

COMBINATION COSTS FOR ACTIVE EMPLOYEES

| | | 2014 Plan Year | | | | | 2015 Plan Year | | | | |
|-------------------------------|-----------------------|----------------------------------|-------------------------------------|----------------------------------|-----------------------------|---|----------------------------------|-------------------------------------|----------------------------------|--|--|
| Plan Combinations | 2014 Monthly Rates | Single Monthly Payroll Deduction | Two-Party Monthly Payroll Deduction | Family Monthly Payroll Deduction | Plan Combinations | 2015 Monthly Rates | Single Monthly Payroll Deduction | Two-Party Monthly Payroll Deduction | Family Monthly Payroll Deduction | | |
| Anthem Prudent Buyer PPO | Composite: \$1,122.03 | | | | Anthem Prudent Buyer PPO | Single: \$536.00 Two Party: \$1,125.00 Family: \$1,500.00 | \$128.00 | \$153.00 | \$176.00 | | |
| Delta Dental DPPO | Composite: \$110.56 | | | | Delta Dental DPPO | Single: \$50.30 Two Party: \$105.70 Family: \$140.80 | \$11.00 | \$15.00 | \$20.00 | | |
| MES Vision | Composite: \$9.97 | | | | MES Vision | Single: \$4.60 Two Party: \$9.80 Family: \$13.00 | \$0.00 | \$0.00 | \$0.00 | | |
| Life - City Paid | \$2.41 | | | | Life - City Paid | \$2.41 | | | | | |
| Total | | \$121.00 | \$146.00 | \$171.00 | Total | | \$139.00 | \$168.00 | \$196.00 | | |
| Anthem Prudent Buyer PPO | Composite: \$1,122.03 | | | | Anthem Prudent Buyer PPO | Single: \$536.00 Two Party: \$1,125.00 Family: \$1,500.00 | \$128.00 | \$153.00 | \$176.00 | | |
| United Healthcare Dental DHMO | Composite: \$46.07 | | | | Delta Dental DeltaCare DHMO | Single: \$21.60 Two Party: \$45.40 Family: \$60.60 | \$0.00 | \$0.00 | \$0.00 | | |
| MES Vision | Composite: \$9.97 | | | | MES Vision | Single: \$4.60 Two Party: \$9.80 Family: \$13.00 | \$0.00 | \$0.00 | \$0.00 | | |
| Life - City Paid | \$2.41 | | | | Life - City Paid | \$2.41 | | | | | |
| Total | | \$117.00 | \$142.00 | \$167.00 | Total | | \$128.00 | \$153.00 | \$176.00 | | |
| Anthem Premier HMO | Composite: \$1,310.03 | | | | Anthem Premier HMO | Single: \$617.00 Two Party: \$1,295.00 Family: \$1,727.00 | \$173.00 | \$198.00 | \$223.00 | | |
| Delta Dental DPPO | Composite: \$110.56 | | | | Delta Dental DPPO | Single: \$50.30 Two Party: \$105.70 Family: \$140.80 | \$11.00 | \$15.00 | \$20.00 | | |
| MES Vision | Composite: \$9.97 | | | | MES Vision | Single: \$4.60 Two Party: \$9.80 Family: \$13.00 | \$0.00 | \$0.00 | \$0.00 | | |
| Life - City Paid | \$2.41 | | | | Life - City Paid | \$2.41 | | | | | |
| Total | | \$208.00 | \$233.00 | \$258.00 | Total | | \$184.00 | \$213.00 | \$243.00 | | |
| Anthem Premier HMO | Composite: \$1,310.03 | | | | Anthem Premier HMO | Single: \$617.00 Two Party: \$1,295.00 Family: \$1,727.00 | \$173.00 | \$198.00 | \$223.00 | | |
| United Healthcare Dental DHMO | Composite: \$46.07 | | | | Delta Dental DeltaCare DHMO | Single: \$21.60 Two Party: \$45.40 Family: \$60.60 | \$0.00 | \$0.00 | \$0.00 | | |
| MES Vision | Composite: \$9.97 | | | | MES Vision | Single: \$4.60 Two Party: \$9.80 Family: \$13.00 | \$0.00 | \$0.00 | \$0.00 | | |
| Life - City Paid | \$2.41 | | | | Life - City Paid | \$2.41 | | | | | |
| Total | | \$160.00 | \$185.00 | \$210.00 | Total | | \$173.00 | \$198.00 | \$223.00 | | |