

CITY OF LONG BEACH

R-20

DEPARTMENT OF HUMAN RESOURCES

333 West Ocean Boulevard • Long Beach, CA 90802 • Phone: 562.570.6304 / FAX: 562.570.5985

October 13, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the 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, the Prescription Benefit Manager (PBM), for the prescription drug plan; Elite as the Stop-Loss Re-insurer; 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; 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 the City Manager to execute an amendment to extend the existing contract with Alliant Insurance Services, Inc. for healthcare consulting and actuarial services for a period of one year.

Authorize the 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)

DISCUSSION

As set forth in the various Memoranda of Understanding (MOU) between the City of Long Beach and its employee organizations, the City Employees' Health Insurance Advisory Committee, composed of representatives from each of the employee organizations, has met and submitted its advisory recommendations (attached) for health, dental and life insurance programs. These recommendations are for the 2010 benefit year, from January 1, 2010 to December 31, 2010 for active employees, and for the period February 1, 2010 to January 31, 2011 for retired employees. As part of budget balancing strategies for Fiscal Year 2010, \$811,000 in savings from plan design changes were included in the FY 10 Adopted Budget. Statewide, most employers have faced an 11% increase for their healthcare programs. Due to negotiations with the carriers and overall management of the program, the City's healthcare program expenses have increased only 6.3% for FY 10.

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; Elite as the Stop-Loss Re-insurer; Delta Dental for the fee-for-service dental plan; Medical Eye Services (MES) for the vision plan; renewing the long-term care benefits with Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services and the City's in-hospital indemnity plan be renewed at the plan rates and payroll deductions proposed in the attached report, which are consistent with Memoranda of Understanding provisions with the various City employee associations.

Additionally, City Council action is requested to authorize an amendment for the City Manager to extend the existing contract with Alliant Insurance Services (Alliant), due to expire on October 31, 2009, for a period of one year. This contract extension would allow Alliant to conclude work on managing the health plan program such as updating plan summary booklets, ensuring a smooth transition from Great West to Cigna, 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. The annual contract costs for Alliant will also be reduced from \$310,000 to \$250,000.

For plan year 2010, to generate \$811,000 in expected savings, minimal plan design changes are suggested to current benefit plans for Medco and PacifiCare plan. For the Medco Pharmacy plan, utilization management programs related to health and safety will be implemented. For the PacifiCare Plan, under-utilized benefits will be deleted. The changes will result in costs savings to the program and minimal impact to the benefit levels currently available to employees.

This matter was reviewed by Deputy City Attorney Christina Checél on September 28, - 2009 and Budget and Performance Management Bureau Manager David Wodynski on September 29, 2009.

TIMING CONSIDERATIONS

Open enrollment for the health plan year 2010 is conducted in early-November 2009. Therefore, City Council action is requested on October 13, 2009, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late-October 2009.

FISCAL IMPACT

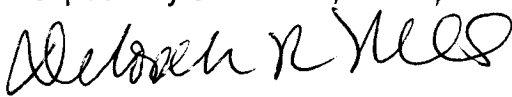
The projected cost for health, dental and life insurance in 2010 is estimated at \$53.2 million. These charges have been included in the Adopted FY 2010 Budget in the

Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DEBORAH R. MILLS, ACTING DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

Attachments

APPROVED:



PATRICK H. WEST
CITY MANAGER



Date: September 23, 2009
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 FISCAL YEAR 2009-2010

During the past few months, the City's Health Insurance Advisory Committee (HIAC) and City staff from the Department of Human Resources have been evaluating the employee benefit plans, plan rates, cost and related employee benefit matters. This process is required each year to ensure that the City's benefit programs remain competitive, meet employee needs and are provided in the most cost effective manner for employees and the City. The following programs have been reviewed:

- Open Access Plan (OA 100 and OA 90 plan options)
- Preferred Provider Organizations Plans (PPO and Thrift plan options)
- HMO Plan (PacifiCare HMO)
- Dental Plans (Delta Dental and PacifiCare Dental plan options)
- Vision
- In-Hospital Indemnity Plan; and
- Life and Disability

RECOMMENDATIONS

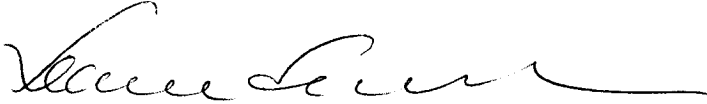
As part of 2010 budget reductions, it was requested that the Committee save \$811,000 by implementing plan design changes. In order to accomplish this savings, the Committee is recommending minimal plan design changes to current Medco and PacifiCare plans. For the Medco Pharmacy plan, utilization management programs related to health and safety will be implemented. For the PacifiCare Plan, it is recommended that under-utilized benefits be deleted. The changes will result in costs savings to the program and minimal impact to the benefit levels currently enjoyed by employees.

PLAN COST/EMPLOYEE COST SHARING

The committee recommends the plan rates and payroll deductions as shown on Exhibits A and B.

This concludes the Committee's report of findings and recommendations for the City's group benefit program for plan year January 1, 2010 to December 31, 2010 for active City employees and for the period of February 1, 2010 to January 31, 2011 for 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 Machinist & Aerospace Workers, District 947



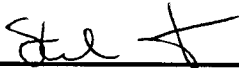
Long Beach Association of Engineering Employees



Long Beach Lifeguards' Associations



Long Beach Firefighters' Associations



Long Beach Police Officers' Association



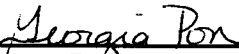
Long Beach City Attorneys' Association



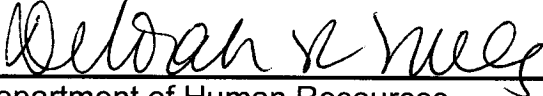
Long Beach City Prosecutors' Association



Long Beach Association of Confidential Employees



Long Beach Management Association



Department of Human Resources

**COMPARISON OF 2009 TO 2010
CURRENT RATES AND PROPOSED RATES**

	Current Rates (2009)	Proposed Rates (2010)
PACIFICARE		
High Plan (includes vision)		
Active	\$907.23	\$975.53
Retiree with Dependent(s)	\$907.23	\$975.53
Single Retirees & Widows	\$628.25	\$673.59
Low Plan (includes vision)		
Retiree with Dependent(s)	\$672.46	\$733.31
Single Retirees & Widows	\$462.10	\$507.31
PACIFICARE / Secure Horizons		
Secure Horizons		
One Medicare & Two/More Non-Medicare Companion	\$1,066.31	\$1,181.99
One Medicare & One Non-Medicare Companion	\$657.18	\$731.14
Two Medicare & One Non-Medicare Companion	\$905.21	\$1,011.43
One Medicare Risk	\$248.04	\$280.29
Two Medicare Risk	\$496.08	\$560.58
DENTAL		
Delta Dental	\$100.18	\$101.83
PacifiCare Dental	\$44.30	\$46.07

**COMPARISON OF 2009 TO 2010
CURRENT RATES AND PROPOSED RATES**

	Current Rates (2009)	Proposed Rates (2010)
GREAT WEST LIFE		
PPO Plan (includes vision)		
Active & Retiree with Dependent(s)	\$892.26	\$911.71
Single Retirees & Widows	\$704.23	\$774.15
HDHP Plan (includes vision)		
Active & Retiree with Dependent(s)	\$529.87	\$566.22
Single Retirees & Widows	\$426.59	\$472.68
OA 100 Plan (includes vision)		
Active & Retiree with Dependent(s)	\$976.03	\$1,025.73
Single Retirees & Widows	\$785.47	\$862.40
OA 90 Plan (includes vision)		
Active & Retiree with Dependent(s)	\$813.00	\$855.40
Single Retirees & Widows	\$655.04	\$720.73
Medicare Supplement		
One Medicare	\$441.66	\$450.94
Two Medicare	\$892.72	\$901.65

2009/2010 RATES

IN-HOSPITAL INDEMNITY PLAN

Age	Employee	Employee & Spouse	Employee & Child	Full Family
0-34	3.62	6.9	7.29	10.58
35-44	4.38	8.39	8.06	12.07
45-54	5.92	11.3	9.59	14.97
55-59	7.45	14.25	11.12	17.92
60-64	7.68	14.63	10.42	17.37
65-69*	4.38	8.39	6.58	10.59
Age 70 Benefit Terminates				

*1/2 benefit from age 65 to 69

COMBINATION COSTS FOR ACTIVE EMPLOYEES									
2009 Plan Year					2010 Plan Year				
Plan Combinations	2009 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction		2010 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction
PPO Plan	\$892.26					\$911.71			
Delta Dental	\$100.18					\$101.83			
Life	\$1.80					\$1.80			
Total	\$994.24	\$98.00	\$123.00	\$148.00		\$1,015.34	\$104.00	\$129.00	\$154.00
HDHP Plan	\$529.87					\$566.22			
Delta Dental	\$100.18					\$101.83			
Life	\$1.80					\$1.80			
Total	\$631.85	\$26.00	\$34.00	\$59.00		\$669.85	\$37.00	\$45.00	\$70.00
OA 100	\$976.03					\$1,025.73			
Delta Dental	\$100.18					\$101.83			
Life	\$1.80					\$1.80			
Total	\$1,078.01	\$187.00	\$212.00	\$237.00		\$1,129.36	\$202.00	\$227.00	\$252.00
OA 90	\$813.00					\$855.40			
Delta Dental	\$100.18					\$101.83			
Life	\$1.80					\$1.80			
Total	\$914.98	\$39.00	\$64.00	\$89.00		\$959.03	\$52.00	\$77.00	\$102.00

COMBINATION COSTS FOR ACTIVE EMPLOYEES									
2009 Plan Year					2010 Plan Year				
Plan Combinations	2009 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction		2010 Monthly Rates	Single Monthly Payroll Deduction	Two-Party Monthly Payroll Deduction	Family Monthly Payroll Deduction
PPO Plan	\$892.26					\$911.71			
PacifiCare Dental	\$44.30					\$46.07			
Life	\$1.80					\$1.80			
Total	\$938.36	\$50.00	\$75.00	\$100.00		\$959.58	\$56.00	\$81.00	\$106.00
HDHP Plan	\$529.87					\$566.22			
PacifiCare Dental	\$44.30					\$46.07			
Life	\$1.80					\$1.80			
Total	\$575.97	\$23.00	\$30.00	\$55.00		\$614.09	\$34.00	\$41.00	\$66.00
OA 100	\$976.03					\$1,025.73			
PacifiCare Dental	\$44.30					\$46.07			
Life	\$1.80					\$1.80			
Total	\$1,022.13	\$140.00	\$165.00	\$190.00		\$1,073.60	\$155.00	\$180.00	\$205.00
OA 90	\$813.00					\$855.40			
PacifiCare Dental	\$44.30					\$46.07			
Life	\$1.80					\$1.80			
Total	\$859.10	\$35.00	\$60.00	\$85.00		\$903.27	\$48.00	\$73.00	\$98.00
PacifiCare	\$907.23					\$975.53			
Delta Dental	\$100.18					\$101.83			
Life	\$1.80					\$1.80			
Total	\$1,009.21	\$106.00	\$131.00	\$156.00		\$1,079.16	\$127.00	\$152.00	\$177.00
PacifiCare	\$907.23					\$975.53			
PacifiCare Dental	\$44.30					\$46.07			
Life	\$1.80					\$1.80			
Total	\$953.33	\$59.00	\$84.00	\$109.00		\$1,023.40	\$80.00	\$105.00	\$130.00