



Date: September 1, 2004
To: Gerald R. Miller, City Manager
From: City Employees' Health Insurance Advisory Committee
Subject: RECOMMENDATION FOR CITY EMPLOYEES' HEALTH, DENTAL AND LIFE PROGRAMS FOR FISCAL YEAR 2004-05

During the past several months, the City's Health Insurance Advisory Committee and City staff from the Department of Human Resources have been evaluating the existing benefit plans, plan rates, costs, and related employee benefit matters. The following programs have been reviewed:

- Life Insurance;
- Preferred Provider Organization (PPO) High, Value and Low Option Plans, Point of Service (POS), Long Beach Choice (POS) Plan, and PacifiCare (HMO) Plan;
- Delta Dental and PacifiCare Dental; and
- In-Hospital Indemnity Plan.

This process is required each year to ensure that the City's benefit programs remain competitive, meet employee needs, and are provided on the most tax- and cost-effective basis for employees and the City.

RECOMMENDATIONS

Due to continued rising costs in healthcare and the depletion of the MOU Trust fund, the Committee is recommending significant changes to the employee benefit program. We have focused on designing new plans with lower level benefits and requiring more cost-sharing from employees on existing plans. In addition, requests for proposals were solicited for the HMO component of the City's benefit plan. Finalists were interviewed by both the HIAC and a second evaluation committee. The Committee voted and recommends continuing to offer PacifiCare as the only HMO plan. This decision was based on employee input as well as the level of benefits and their cost competitiveness.

Our recommendation is to offer a new POS plan with reduced benefits that will be called the POS 90. Currently the Long Beach Choice POS plan is available to all employees with no payroll deduction. This new POS 90 will have reduced benefits and will be available to single employees for no payroll deduction, \$25 per month for two persons and \$50 per month for families. This plan will provide 90% coverage (current plan is 100%) for in-network expenses and will have a \$100 single/\$200 family in-network deductible (current plan has no deductible). Office visit copays will be \$20 (currently \$15 and prescription drug copays will be \$10 for generic (currently \$5), \$25 for brand names on the formulary and \$40 or 30% of cost whichever is higher for non-formulary drugs (currently all brand names are \$20).

We have also kept some existing plans for those employees who want to maintain their benefit levels and are willing to pay the higher payroll deduction. These plan changes and new payroll deductions are recommended based on the City contributing \$796 per month per employee. This will result in significant savings over the budgeted amount of \$812 per employee per month.

The Committee recommends that the group benefits program outlined below be adopted and that the carrier contracts be renewed or initiated at the rates listed in Exhibit A for the period December 1, 2004 to November 30, 2005 for active employees and for the period of February 1, 2005 to January 31, 2006 for retired employees.

Life Insurance Benefits

Continue the life insurance benefit of \$20,000 with Great-West Life at the current rate of \$3.80 per employee per month.

Dental Plans

Continue the prepaid dental plan with PacifiCare Dental at the new proposed rate with no change in benefit levels. This represents a 5% increase from last year.

Also continue the fee-for-service dental plan with Delta Dental at the new proposed rate with no change in benefit levels. This represents a 4% increase from the previous year.

PacifiCare HMO Medical Plan

Continue the PacifiCare plans with no change in benefit levels for active plans at the new proposed rates which represent an overall 12.3% increase.

Great-West Life Plans

The Health Insurance Advisory Committee recommends several changes to the Great West Healthcare self-funded plans. These changes include:

PPO Plan

- Consolidate the PPO Low, PPO Value and PPO High plans into one PPO plan called PPO plan.
- Benefits would be paid at 80% in-network (currently 80-90%) and 60% out-of-network
- Plan pays 100% after \$6,000 out-of-pocket expenses are paid excluding deductible and copays for each covered individual
- Plan year in-network deductible would be \$300 individual/\$600 family (currently \$200/\$400)
- Unlimited lifetime maximum in-network and \$500,000 out-of-network
- \$200 in-network hospital admission copay (currently none) and \$500 out-of-network
- \$25 in-network office visit copay (currently \$20)

- \$10 generic/\$25 preferred brand name prescription drug copay (currently \$5/20)
- \$40 or 30% whichever is higher non-preferred brand name prescription drug copay (currently all name brand drugs are \$20)

POS 100 Plan

- Consolidate the Great West Healthcare POS plan and the Long Beach Choice POS Plan into one POS plan called the POS 100 plan.
- Benefits would be paid at 100% in-network and 50% out-of-network
- Plan year in-network deductible would be \$100 individual /\$200 family (currently no deductible)
- \$75 in-network emergency room copay (currently \$50)
- \$20 in-network office visit copay (currently \$15)
- \$10 generic/\$25 preferred brand name prescription drug copay (currently \$5/20)
- \$40 or 30% whichever is higher non-preferred brand name prescription drug copay (currently all name brand drugs are \$20)
- Payroll deduction of \$150.00 for single employees, \$175.00 for two persons and \$200.00 for families (currently none)

POS 90 Plan

- Create a new POS 90 plan with the same benefits as the POS 100 plan (above) except that benefits would be paid at 90% in-network and 50% out-of-network

High Deductible Plan

- Create a new high deductible plan that will allow active employees to use in conjunction with their Flexible Spending Accounts
- Plan year deductible would be \$1,000 individual/\$2,000 family
- Benefits would be paid at 90% in-network and 60% out-of-network
- Preventive care - \$200 limit
- Prescription drugs covered under medical and subject to deductible and co-insurance.

In-Hospital Indemnity Plan

The In-Hospital Indemnity Plan is a voluntary supplemental benefit plan that is self-insured by the City. The plan pays money directly to the employee when the covered individual is hospitalized. The rates remain unchanged from last year. Because a reserve has accumulated for this program, the Committee recommends continuing the premium waiver for all City employees who were self-paying and covered through this plan on March 1, 1994. This premium waiver will remain in effect until such time as the reserve is depleted to an actuarially prudent amount. This will be the seventh year of the premium waiver. All new enrollees will self-pay the premiums shown in Exhibit A-1.

SAVINGS FROM BUDGET

The recommendations in this document are predicated on a City contribution of \$796 per month and the addition of a \$25 per month payroll deduction for two persons and a \$50 per month payroll deduction for families. As a result, we believe the City will realize significant savings over their budgeted health care costs. The approximate savings will be \$2.8 million. A breakdown of these savings can be seen on Exhibit B.

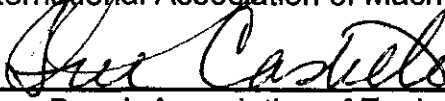
PLAN COSTS/EMPLOYEE COST SHARING

Health plans across the country continue to experience significant rate increases due to rising medical care costs, increased utilization, as well as escalating prescription drug costs. This trend is expected to continue. The Committee recommends the payroll deductions shown on Exhibit C.

This concludes the Committee's report of findings and recommendations for the City's group benefits program for plan year December 1, 2004 to November 30, 2005 for active City employees and for the period of February 1, 2005 to January 31, 2006 for retired employees. 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



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

Gerald R. Miller, City Manager
September 1, 2004
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Long Beach Association of Confidential Employees



Long Beach Management Association



Department of Human Resources

KB:DRM:dm

EXHIBIT A
Comparison of 2003/2004 to 2004/2005 Rates

LIFE	Current Rates	Proposed Rates
Great-West Life \$20,00 benefit	\$3.80	\$3.80

DENTAL	Current Rates	Proposed Rates
Delta Dental	\$82.04	\$85.32
PacifiCare Dental	\$40.57	\$42.60

HEALTH	Current Rates	Proposed Rates
Great-West Life		
Long Beach Choice (POS) vs. POS 100		
<i>Active & Retiree With Dependent(s)</i>	\$696.33	\$870.06
<i>Single Retiree or Widow</i>	\$555.74	\$694.39
POS Plan vs. POS 90		
<i>Active & Retiree with Dependent(s)</i>	\$696.33	\$720.07
<i>Single Retiree or Widow</i>	\$555.74	\$576.15
PPO Value Plan vs. PPO		
<i>Active & Retiree with Dependent(s)</i>	\$755.06	\$773.54
<i>Single Retiree or Widow</i>	\$590.52	\$606.56
PPO High Plan vs. PPO		
<i>Active & Retiree with Dependent(s)</i>	\$1,212.59	\$773.54
<i>Single Retiree or Widow</i>	\$961.86	\$606.56
PPO Low Plan vs. High Deductible PPO		
<i>Active & Retirees with Dependent(s)</i>	\$590.95	\$473.19
<i>Single Retiree or Widow</i>	\$472.44	\$376.81
Medicare Supplement		
One Medicare	\$389.71	\$408.61
Two Medicare	\$779.41	\$817.22

EXHIBIT A
Comparison of 2003/2004 to 2004/2005 Rates

HEALTH		Current Rates	Proposed Rates
PacifiCare			
High Plan			
	Active & Retiree with Dependent(s)	\$589.31	\$661.79
	Single Retiree or Widow	\$409.51	\$459.87
	One Medicare Coordination	\$322.12	N/A
	Two Medicare Coordination	\$644.24	N/A
Low Plan			
	Retiree with Dependent(s)	\$442.25	\$496.66
	Single Retiree or Widow	\$299.94	\$336.84
	One Medicare Coordination	\$305.08	N/A
	Two Medicare Coordination	\$610.16	N/A
Secure Horizons			
	One Medicare & Two/More Non-Medicare Companions	\$920.34	\$1,008.39
	One Medicare & One Non-Medicare Companion	\$529.86	\$569.89
	Two Medicare & One Non-Medicare Companion	\$799.40	\$847.42
	One Medicare Risk	\$204.46	\$204.46
	Two Medicare Risk	\$408.92	\$408.92

**EXHIBIT A-1
2004/2005 Rates**

IN-HOSPITAL INDEMNITY PLAN

Age	Employee	Employee & Spouse	Employee & Child	Full Family
0 - 34	3.62	6.90	7.29	10.58
35 - 44	4.38	8.39	8.06	12.07
45 - 54	5.92	11.30	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

EXHIBIT B

Increased City Employees Contributions to Health Care

	No. of Total Employees	Reduction Per Employee	Contribution by Employee	Total Savings
Benefit of \$796.00 versus budget of \$812.00	4,600	\$16.00		\$883,200.00
Two Persons	1,700		\$25.00	\$510,000.00
Family	2,300		\$50.00	\$1,380,000.00

Total Reduction

\$2,773,200.00

EXHIBIT C
COMBINATIONS OF SELECTIONS
MONTHLY PAYROLL DEDUCTIONS (paid with pretax dollars)

Plan Selections	Single	Two-Party	Family
PPO Plan Delta Dental Plan Life	\$55.00	\$80.00	\$105.00
POS 100 Plan Delta Dental Plan Life	\$150.00	\$175.00	\$200.00
POS 90 Plan Delta Dental Plan Life	\$0.00	\$25.00	\$50.00
High Deductible Plan (HDP) Delta Dental Plan Life	\$0.00	\$25.00	\$50.00
PPO Plan PacifiCare Dental Plan Life	\$10.00	\$35.00	\$60.00
POS 100 Plan PacifiCare Dental Plan Life	\$105.00	\$130.00	\$155.00
POS 90 Plan PacifiCare Dental Plan Life	\$0.00	\$25.00	\$50.00
High Deductible Plan (HD) PacifiCare Dental Plan Life	\$0.00	\$25.00	\$50.00
PacifiCare HMO Plan Delta Dental Plan Life	\$65.00	\$90.00	\$115.00
PacifiCare HMO Plan PacifiCare Dental Plan Life	\$20.00	\$45.00	\$70.00

Comparison of 2003/2004 to 2004/2005 Rates

ATTACHMENT B

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