



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-25

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September 14, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Contracts for Group Health, Dental, Life and Long-Term Care Coverage
and the In-Hospital Indemnity Program (Citywide)

DISCUSSION

Each year, after meeting with representatives of the city employee Health Insurance Advisory Committee (HIAC), the City Manager submits recommendations to the City Council regarding changes in the City's group health, dental, life, long-term care and in-hospital indemnity coverage programs. The HIAC, which consists of representatives from each of the City's employee organizations and the City's Employee Benefits and Services Officer, prepared the accompanying report (see Attachment A).

The HIAC recommends that the contracts be renewed with: Great-West Life, the City's Third Party Administrator for the Preferred Provider Organization (PPO) and Point of Service (POS) Plans; with PacifiCare for the Health Maintenance Organization (HMO) Plan; with Delta Dental for the Fee-for-Service Dental Plan; and with PacifiCare for the Closed-Panel Dental Plan. Rates for these plans are identified on Attachment B.

Earlier this year the City initiated an RFP process for the HMO component of the City's benefit plan. This process identified two finalists: PacifiCare and Kaiser Permanente. Following a thorough evaluation process that included interviews and input from the HIAC and a second selection/review panel, the Committee recommends continuing to offer PacifiCare as the only HMO. As stated in the report from the Committee, this decision from the two evaluation committees was based on the level of benefits offered and cost competitiveness.

The HIAC further recommends continuing the City's in-hospital indemnity program at the rates proposed on Attachment C and renewing the long-term care benefits with Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services at the current rates.

Previously negotiated Memoranda of Understanding with all employee organizations provide a City-paid contribution for employee health/dental/life insurance premiums to be \$600 per month. When in previous years actual premiums have exceeded that amount, the additional premium costs have been paid from an employee trust account.

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This trust account was depleted in the spring of 2004 and is, therefore, no longer available to pay the cost of premiums that exceed the City's negotiated contribution. As part of the current negotiated MOUs, the City agreed to pay the true cost of the premiums, which is \$812 per month once the trust account was depleted, through November 30, 2004, the end of this health plan year.

The HIAC has recommended a City-paid contribution of \$796 per month per employee along with an employee paid payroll deduction (shown on Attachment D), which will result in savings totaling approximately \$2 million to the General Fund and a Citywide savings of \$2.6 million during the coming year. The Three Year Plan and Fiscal Year 2005 General Fund Budget set a target of saving \$5 million in employee compensation and benefits. The balance of savings will be a subject for negotiations, which are currently underway with the various employee organizations.

Senior Deputy City Attorney Donna Gwin and Budget Management Officer David Wodynski reviewed this item on September 8, 2004.

TIMING CONSIDERATIONS

Open enrollment for the plan year 2004-2005 is conducted in October 2004, therefore, City Council action is requested on September 14, 2004, to allow staff to prepare information for distribution to employees prior to open enrollment.

FISCAL IMPACT

These programs are estimated to cost \$46 million annually and are included in the Fiscal Year 2005 Adopted Budget in the Employee Benefits Fund (IS 391) in the Department of Financial Management Citywide (XC). Costs for program expenses beyond the City's contribution will be funded by employee payroll deductions.


IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Authorize the City Manager to execute the renewal of contracts with Great-West Life, the City's Third Party Administrator for the Preferred Provider Organization (PPO) and the Point of Service (POS) group health plans and the term life insurance coverage; PacifiCare for the Health Maintenance Organization (HMO) group health plan; Delta Dental for the fee-for-service dental plan; PacifiCare Dental for the closed-panel dental plan; and 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.

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2. Authorize the City Manager to execute any subsequent amendments necessary to maintain proposed benefit levels and remain in compliance with state and federal laws on all plans.
3. Authorize the City Manager to increase the City paid contribution for health, dental and life insurance coverage to \$796 per month per employee.


Respectfully submitted,



KEVIN BOYLAN
DIRECTOR OF HUMAN RESOURCES

APPROVED

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Attachments



GERALD R. MILLER
CITY MANAGER