

# CITY OF LONG BEACH

**R-28** 

DEPARTMENT OF HUMAN RESOURCES

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

September 20, 2011

HONORABLE MAYOR AND CITY COUNCIL City of Long Beach California

#### RECOMMENDATION:

Authorize the City Manager to execute contracts with Anthem Blue Cross for the Preferred Provider Organization (PPO), Health Maintenance Organization (HMO) and Medicare Supplement group health plans; and Scan Health Plan for the Medicare Advantage Plan; and

Authorize the City Manager to execute the renewal of contracts with United Healthcare for the Medicare Advantage Plan and closed-panel dental plan; Medco as the Prescription Benefit Manager (PBM) for the prescription drug plan; 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; and Union Mutual Life Insurance Company (UNUM) through Larry Lambert & Associates Insurance Services, for the long-term care benefits; and

Authorize the City Manager to execute any subsequent amendments and/or agreements necessary to maintain current benefit levels and remain in compliance with state and federal laws on all plans. (Citywide)

## DISCUSSION

The City, with assistance from Alliant Insurance Services (Alliant), its health insurance advisor, marketed the City's health insurance plans for plan year 2012. The last marketing effort was in 2005. The scope of this bid was to obtain competitive quotes as options to replace the current PPO and HMO health benefit plans with more efficient and cost effective alternatives that would continue to provide the same level of benefit, service, and choice that the current plans provide.

In December 2010, the Request for Proposal (RFP) was advertised on the City's website <a href="https://www.longbeach.gov/purchasing">www.longbeach.gov/purchasing</a>. Eight proposals were received for the self-funded plan, and eight for the HMO plan. One of the respondents for the self-funded plan provided an initial response, but did not respond to additional requests for information. Therefore, they were eliminated from further consideration. All others were invited for an in-person presentation and interview.

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A Health Insurance Review Sub-Committee, comprised of three representatives from the City Employees' Health Insurance Advisory Committee (HIAC), representatives from Human Resources and Alliant, reviewed the bid results, chose and interviewed finalists, and made a selection.

In accordance with Memoranda of Understanding (MOU) between the City of Long Beach and its employee associations, HIAC (which is composed of representatives from each of the employee associations), met with City staff from the Department of Human Resources to review the current employee health, dental, and life insurance programs, as well as the recommendations of the Health Insurance Review Sub-Committee, for both their immediate and long-term effects on the plan. Based on this review, HIAC submitted the following recommendations for plan year 2012 (January 1, 2012 to December 31, 2012) for both active employees and retirees:

- 1. Anthem Blue Cross PPO (90) and HMO, to replace CIGNA PPO and United Healthcare HMO
- 2. Add Scan Medicare Advantage Plan for retirees
- 3. Maintain the PPO (90) plan and eliminate the Open Access 100 (OAP 100), PPO (80) and High Deductible Plans
- 4. Eliminate the In-Hospital Indemnity Plan (plan is antiquated and cannot be administered by Anthem)

As a result, it is recommended that contracts be executed with Anthem Blue Cross for PPO (90), HMO and Medicare Supplement group health plan; and Scan Health Plan for the Medicare Advantage Plan for retirees. The Committee also recommends that the contracts be renewed with United Healthcare for the Medicare Advantage Plan and closed-panel dental plan; Medco as the PBM for the prescription drug plan; Delta Dental for the fee-for-service dental plan; MES for the vision plan; Standard Insurance Company for life insurance and Long- and Short- Term Disability; and UNUM for the long-term care benefits.

The City's Stop Loss Insurance carrier, Elite Stop-Loss Re-insurer, rates have not been finalized. This is because it is more advantageous for the City to obtain quotes closer to the plan year start date. Final quotes to determine the most competitive offering are contingent on receiving an evaluation of the City's medical plan performance through September 2011. Staff will return to City Council for approval at a later date.

This matter was reviewed by Christina Checel, Senior Deputy City Attorney, on August 25, 2011, and Victoria Bell, Budget Management Officer, on August 26, 2011.

## TIMING CONSIDERATIONS

Open enrollment for the health plan year 2012 will be conducted in late October. Therefore, City Council action is requested on September 20, 2011, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in October 2011.

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## **FISCAL IMPACT**

The net cost of the City's share of the health, dental and life insurance programs in 2012 is estimated to be \$55.6 million, a \$2,588,315 savings over the renewal costs with our current carriers, CIGNA and United Healthcare. These charges have been budgeted in the Employee Benefits Fund (IS 391) in the Citywide Activities Department. There is no local job impact associated with this recommendation.

## SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

DEBORAH R. MILLS, DIRECTOR

DEPARTMENT OF HUMAN RESOURCES

DRM:MME Attachments

APPROVED:

PATRICK H. WEST CITY MANAGER



Date:

August 15, 2011

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 2012

The City currently offers Active and Non-Medicare retired employees four (4) self-funded health plans and two fully insured Health Maintenance Organization (HMO) plan designs (the low HMO is available to non-Medicare retirees only). The self-funded plans contract with CIGNA Healthcare (formerly Great-West Healthcare) for administrative services only (ASO). The HMO plans are offered and insured through United Healthcare (formerly PacifiCare). The Medicare Retirees are insured through a self-funded CIGNA Medicare Supplement Plan and a fully insured United Healthcare Medicare Advantage Plan.

The City, with assistance from Alliant Insurance Services, our health insurance consultant, marketed the City's Health Insurance Plans for plan year 2012. The last marketing effort was in 2005. The scope of this bid was to obtain competitive quotes, as options, to replace the current Preferred Provider Organization (PPO) and HMO health benefit plans with more efficient and cost effective alternatives that would continue to provide at least the same level of benefit, service and choice that the current plans provide.

HMO bids were sent out to applicable carriers offering coverage in California and nationally. Self-funded program bid requests were sent to all applicable ASO carriers and three Third Party Administrators.

A Health Insurance Review Sub-Committee, comprised of three representatives from the Health Insurance Advisory Committee (HIAC), representatives from Human Resources and Alliant Insurance reviewed the bid results, chose and interviewed finalists.

The following items were reviewed and evaluated in the marketing process:

- Financial impact (cost savings)
- Network strength and stability
- Ability to match current plan design
- Large claims management
- Customer service
- Administrative capabilities
- Network, claims and performance guarantees
- Network Disruption

Patrick H. West, City Manager August 15, 2011 Page 2

From this process, the Health Insurance Review Sub-Committee selected finalists and the following was presented to HIAC:

- Anthem Blue Cross, ASO and HMO, to replace CIGNA, ASO and United Healthcare HMO
- Scan Medicare Advantage Plan (Scan is a Long Beach company) to be offered alongside the Medicare Supplement plan and Secure Horizons Senior Advantage plan
- Explore the option of consolidating the self-funded health plans
- All other carriers will remain in place

During the past two months, the City's Department of Human Resources and HIAC have met to discuss the above recommendations, as well as review the current employee benefit plans. The review of current plans 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 were reviewed:

- Open Access Plans (OAP 100 and OAP 90 plan options)
- PPO Plans (PPO 80 and High Deductible plan options)
- HMO Plan (United Healthcare HMO)
- Dental Plans (Delta Dental and PacifiCare Dental plan options)
- Vision
- In-Hospital Indemnity Plan
- Life and Disability

In addition to discussing the change in carriers to Anthem, consolidation of the OAP 100, OAP 90, PPO 80 and High Deductible plans was examined. Consolidation of the plans will enable the City to stabilize plan risk and reduce administrative efforts/costs by the City.

#### RECOMMENDATIONS

The HIAC's purpose, as outlined in the Memorandum of Understanding between the City and the employee bargaining groups, is "to review the status and solvency of the health, dental, and life insurance plans. The Committee reviews plan costs and makes recommendations to the City Manager on plan changes, benefit levels, and addition or deletion of plans."

As in past years, the Committee has taken its role very seriously and has evaluated how to make the plan stronger not only this year, but in to the future.

Patrick H. West, City Manager August 15, 2011 Page 3

The Committee reviewed the recommendations of the Health Insurance Review Sub-Committee for both their immediate and long-term effects on the plan. The only way to have a positive long-term effect on the plan is to find ways to promote more efficient use of the plan by its participants. It is this philosophy that leads to the following recommendations:

- 1. Anthem Blue Cross, ASO and HMO, to replace CIGNA, ASO and United Healthcare HMO
- 2. Add Scan Medicare Advantage Plan
- 3. Maintain the 90% plan and eliminate the 100%, PPO 80% and High Deductible Plans
- 4. Eliminate the In-Hospital Indemnity Plan (plan is antiquated and cannot be administered by Anthem)

As a result of consolidation, employees will have the choice of the 90% PPO plan or the HMO plan. This change will result in approximately \$2,588,315 in projected savings over renewal costs from our current carriers, CIGNA and United Healthcare.

The Committee would like to thank City staff and the Consultant for its marketing efforts and working with us so we my continue providing our employees and retirees with healthcare options that afford cost-effective choice and flexibility, while maintaining comprehensive services. Without this collaborative effort, these positive changes and corresponding savings would not have been possible.

This concludes the Committee's report of findings and recommendations for the City's group benefit program for plan year January 1, 2012 to December 31, 2012, for both active employees and retirees.

The Committee recommends the plan rates and payroll deductions as shown on Exhibits A and B. 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 Lifeguards' Association

Long Beach Firefighters' Association

Long Beach Police Officers' Association

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Long Beach City Attorneys' Association

Long Beach City Prosecutors' Association

Long Beach Association of Confidential Employees

Long Beach Management Association

Long Beach Association of Engineering Employees

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Patrick H. West, City Manager

		OF 2011 TO 2012 ND PROPOSED RATES	
	Current Rates (2011)		Proposed Rates (2012)
CIGNA/GREAT WEST LIFE		ANTHEM	
PPO Plan (includes vision) Active & Retiree with Dependent(s)	\$1,009.55		
Single Retirees & Widows	\$805.27		
HDHP Plan (includes vision) Active & Retiree with Dependent(s)	\$626.70		
Single Retirees & Widows	\$495.60		
OA 100 Plan (includes vision)  Active & Retiree with Dependent(s)	\$1,135.89		
Single Retirees & Widows	\$895.95		
OA 90 Plan (includes vision)  Active & Retiree with Dependent(s)	\$947.39	Anthem Prudent Buyer PPO (includes visio Active & Retiree with Dependent(s)	n) \$985.27
Single Retirees & Widows	\$750.37	Single Retirees & Widows	\$789.88
Medicare Supplement		Anthem Medicare Supplement Assurance	Plan
One Medicare	\$508.21	One Medicare	\$506.57
Two Medicare	\$1,016.16	Two Medicare	\$1,003.18
UHC/PACIFICARE		Anthem	
High Plan (Includes vision)  Active	\$1,105.60	Anthem Premier HMO (includes vision) Active	\$1,144.84
Retiree with Dependent(s)	\$1,105.60	Retiree with Dependent(s)	\$1,144.84
Single Retirees & Widows	\$702.84	Single Retirees & Widows	\$650.78
Low Plan (includes vision)  Retiree with  Dependent(s)	\$764.44	Anthem Classic HMO (includes vision) Retiree with Dependent(s)	\$708.00
Single Retirees & Widows	\$532.29	Single Retirees & Widows	\$483.28

		OF 2011 TO 2012	
	Current Rates (2011)		Proposed Rates (2012)
UHC/PACIFICARE - Secure Horizons		UHC/PACIFICARE - Secure Horizons	
Secure Horizons One Medicare & Two/More Non-Medicare Companion	\$1,264.22	Secure Horizons and Anthem Premier HMC One Medicare & Two/More Non-Medicare Companion	\$1,394.97
One Medicare & One Non-Medicare Companion	\$790.47	One Medicare & One Non-Medicare Companion	\$871.69
Two Medicare & One Non-Medicare Companion	\$1,107.20	Two Medicare & One Non-Medicare Companion	\$1,220.09
One Medicare Risk	\$316.73	Secure Horizons Only One Medicare Risk	\$348.40
Two Medicare Risk	\$633.46	Two Medicare Risk	\$696.80
		Scan Health Plan	
		Scan Health Plan and Anthem Premier HM One Medicare & Two/More Non-Medicare Companion	O \$1,378.13
		One Medicare & One Non-Medicare Companion	\$854.85
		Two Medicare & One Non-Medicare Companion	\$1,186.41
		Scan Health Plan Only One Medicare Risk	\$331.56
		Two Medicare Risk	\$663.12
DENTAL		DENTAL	
Delta Dental	\$105.52	Delta Dental	\$107.99
PacifiCare Dental	\$46.07	PacifiCare Dental	\$46.07

			COMBINA	TION GOS	MBINATION COSTS FOR ACTIVE EMPLOYEES	OYEES			
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