City of Long Beach

411 West Ocean Boulevard
Long Beach, CA 90802

Legislation Details (With Text)

File #:	21-0924	**Version:**	1	**Name:**	HR - 2022 Benefits Package
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File created:	8/20/2021			**In control:**	City Council
On agenda:	9/7/2021			**Final action:**	9/7/2021

Title: Recommendation to authorize City Manager, or designee, to execute contract amendments 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; UnitedHealthcare Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for employer-paid life insurance, voluntary life insurance, and short- and long-term disability insurance; Union Mutual Life Insurance Company (UNUM), through Larry Lambert & Associates Insurance Services, for long-term care insurance; and implement a contractual agreement with Carrum Health as a third-party administrator for eligible surgeries to be performed through a Centers of Excellence facility; and, any subsequent amendments necessary to maintain current benefit levels and remain in compliance with State and federal laws on all plans, at the discretion of the City Manager. (Citywide)

Sponsors: Human Resources

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Attachments: 1. 090721-R-24sr&att.pdf

Date	Ver.	Action By	Action	Result
9/7/2021	1	City Council	approve recommendation	Pass

Recommendation to authorize City Manager, or designee, to execute contract amendments 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; UnitedHealthcare Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for employer-paid life insurance, voluntary life insurance, and short- and long-term disability insurance; Union Mutual Life Insurance Company (UNUM), through Larry Lambert & Associates Insurance Services, for long-term care insurance; and implement a contractual agreement with Carrum Health as a third-party administrator for eligible surgeries to be performed through a Centers of Excellence facility; and, any subsequent amendments necessary to maintain current benefit levels and remain in compliance with State and federal laws on all plans, at the discretion of the City Manager. (Citywide)

City Council authorization is requested for approval of the calendar year 2022 Benefits Package rates and employee contribution amounts for active employees and retirees,

effective January 1, 2022 through December 31, 2022; and approval to implement a contractual agreement with Carrum Health as a third-party administrator for eligible surgeries to be performed through a Centers of Excellence facility.

The Human Resources Department administers the City's employee benefits healthcare program, including group health plans for HMO, PPO, dental, vision, life insurance, long- and short-term disability, long-term care, and flexible spending plans (health and dependent care). The program covers approximately 4,300 active employees, 2,000 retirees, and 7,000 dependents. In accordance with the Memoranda of Understanding (MOU) between the City and its employee organizations, the Health Insurance Advisory Committee (HIAC), which is comprised of representatives from each of the employee associations, annually reviews the status of the plan costs and makes recommendations to the City Manager on plan changes, benefit levels, and addition and deletion of plans.

Human Resources staff, members of the HIAC and Alliant Insurance Services (Alliant), and the City's benefits consultant, have had a series of meetings from February 2021 through July 2021 to review plan utilization data presented by plan providers, trends, legislative impact, and plan design to finalize recommendations for the calendar year 2022 Employee Benefits Program (Attachment A).

Alliant, in conjunction with an independent Actuary, Turner Consulting Actuarial, LLC., conducts an actuarial analysis of the proposed benefit plan costs and negotiates with each provider on behalf of the City to obtain the most competitive rates. Alliant presented the results of their actuarial analysis and negotiation efforts to the HIAC at the end of July. Notwithstanding an increase to the rates for Anthem Blue Cross health plans for the calendar year 2022, along with decreased rates for the dental (PPO) and vision plans, the City's benefits package continues to out-perform industry trends, while still providing comprehensive and innovative resources with added value that are designed to contribute toward the City's efforts to mitigate future claims costs and improve overall employee satisfaction with the City's benefits package.

The following chart summarizes the City's benefit contracts, applicable industry trends, and final renewal impact for Plan Year 2022. Further, City Council approval is requested to authorize the City Manager to execute contracts and/or amendments with various employee benefit providers for the 2022 plan year employee benefits package, as reflected in the recommendations from the HIAC.

2022 Plan Renewals		
Plan	**Industry Trend**	**Final COLB Renewal**
Anthem Blue Cross PPO	7.7%	3.50% increase
Anthem Blue Cross HMO	6.6%	2.8% increase
United HealthCare - fully-insured Medicare Advanta	5.4%	-2.00%

SCAN Health - fully-insure Medicare Advantage	4.6%	0.00%
Delta Dental DPPO	2.6%	-5.00%
DeltaCare USA DHMO	3.3%	0.00%
Vision Service Plan (VSP) Vision	2.1%	-3.00%
The Standard Basic Life/AD&D Insurance Voluntary Life Insurance Short and Long-term Disability	Varies by Claim Experience	0.00%

Service Provider Contract Renewal Rates

ANTHEM BLUE CROSS

The overall impact of the calendar year 2022 renewals for the Anthem PPO and HMO (includes CVS Caremark carve-out for prescription drugs) plans resulted in 3.50% and 2.80% rate increases, respectively. The City's final renewal rates are lower than the industry standard trend and the City's carrier partners book of business trends. Final renewal results are also attributed by further negotiation efforts led by Alliant. Renewal figures include a consideration of the impact COVID-19 had on the City's claim activity and its ongoing uncertainty.

Increases to employee contributions are limited by maximum(s) that have been previously negotiated in MOU agreements for single, two-party, and family coverage for active employees.

In accordance with City Council-approved MOU agreements, any increase to employee contribution(s) that exceeds the employees' maximum cost-share is carried over into the following plan year. It is noted that the 2021 plan year carryover amounts for the Anthem HMO plan (2-party coverage - $1 carryover; family coverage - $5 carryover) were applied to the final HMO plan employee contribution amounts for the 2022 plan year.

DELTA DENTAL OF CALIFORNIA AND VISION SERVICE PLAN (VSP)

Rates and employee contributions for the Dental PPO (Delta Dental DPO), and Vision coverage (Vision Service Plan (VSP)) plans reflect slight decreases for calendar year 2022. Rates for the Dental HMO (DeltaCare USA) plan remain unchanged for the calendar year 2022.

RETIREE HEALTH PLANS

It is also recommended that the City Council approve the proposed calendar year 2022 rates (Attachment B) for the retiree Medicare health plans, which include:

- A 2.00% reduction of the UHC Medicare PPO Advantage Plan rates;
- A 0.00% increase for the SCAN Medicare Advantage Plan; and,
- An increase of 3.50% of the Anthem Medicare Supplement Plan rates.

IMPLEMENTATION OF CARRUM HEALTH HYBRID SURGICAL CARVE OUT FOR ELIGIBLE SURGERIES (ACTIVES AND NON-MEDICARE PPO ENROLLEES ONLY)

To improve cost savings and predictability regarding the City's healthcare expenditures related to common surgical procedures under the City's PPO plan, the HIAC recommends the implementation of Carrum Health as a third-party administrator for eligible surgeries through Carrum's Centers of Excellence platform, which provides members with access to top-quality hospitals, surgery centers, and physicians with documented clinical performance.

Currently, bariatric surgery is not offered on the PPO plan - due to poor historical claims experience under the City's previous third-party administrator for the PPO health plan. However, to make the HMO and PPO plans congruent, Alliant, as a part of its contract with the City, was asked to help identify a platform in which bariatric and other surgeries could be offered on the PPO plan, but through stringent protocols practiced by the providers, i.e., Centers of Excellence (COE) facilities, that yield the most positive member outcomes and cost effectiveness for the City. Alliant's internal Vendor Solutions team works with a multitude of nationwide resources to evaluate vendors through their internal process, which involves Alliant's legal department in addition to a national database of benefits and wellness vendors.

Surgical carve out vendors are relatively new to the marketplace, and Carrum Health is unique in this field due to their rigorous vetting process of its COE facilities and doctors. Carrum Health is the surgical carve out solution that offers cancer surgeries and pre- and post-surgery care for all musculoskeletal surgeries on a flat rate basis with a 30-day warranty on hospital readmissions.

Eligible surgeries performed by Carrum Health are based on a single, transparent bundled price per eligible surgery that includes a 30-day hospital readmission warranty to further curb costs associated with surgical follow up care. In addition, the member experience includes access to end-to-end concierge service, and online tools with zero out of pocket costs. Surgeries performed by Carrum Health include knee and hip replacement, cervical and lumbar spinal fusion, coronary bypass, weight loss, and cancer.

The HIAC further recommends that the City implement Carrum Health on a Hybrid basis for active and non-Medicare Anthem Blue Cross PPO members with orthopedic and weight loss surgeries mandatorily performed through a COE facility. Exceptions are available through a written process. All other eligible surgeries will be performed on a voluntary basis through Carrum Health.

The annual estimated administration cost to the City, based on $1.00 per employee per month (PEPM), is estimated at approximately $39,000 based on the current PPO population.

The historical claim spend for surgeries is factored into the City's Self-funded Anthem PPO Program forecast and, therefore, a separate budget is not required. The forecasted claim spend does not include the estimated Carrum Health discounts due to unknown future surgery incident volume.

INCLUSION OF BARIATRIC (WEIGHT LOSS) SURGERY AS AN OPTION FOR PPO PLAN MEMBERS

Unaddressed obesity is a known risk factor for self-funded and/or fully-insured health plans, as complications of obesity can lead to costly medical issues including diabetes, cardiac failure, skeletal disorders, and other issues. Bariatric surgery was previously eliminated from the PPO plan design in 2012 due to poor claims experience, but the potential risk factors related to such surgeries have significantly diminished over the years with the development of COE (Carrum Health) and Blue Distinction (Anthem Blue Cross) facilities. Bariatric surgery is already offered on the City's fully-insured HMO plan and this proposed change would create further congruency between the City's HMO and PPO plans.

The HIAC also recommends that the City also implement bariatric surgery coverage for Anthem Blue Cross Medicare plan participants, through Anthem's Blue Distinction facilities. At its July 26, 2021 monthly meeting, the HIAC voted to adopt the employee benefit plan changes outlined in Attachment B, which is submitted to the City Council for approval.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on August 17, 2021 and by Revenue Management Officer Geraldine Alejo on August 13, 2021.

Human Resources is planning to utilize the months of September and October to communicate open enrollment changes via various mediums to employees, who will update their health plan options online. Therefore, City Council action is requested on September 7, 2021, for adequate open enrollment planning. Communication pieces explaining benefits options will be distributed prior to and during the Open Enrollment period.

The City's costs for the health benefit plans are paid from the City's Employee Benefits Fund Group in the Citywide Activities Department. Funding to support these costs are recouped through charges to departments and funds as a personnel-related overhead rate. It is expected that there will be sufficient appropriation to support these costs based on these renewal rates, which have been included in the Proposed FY 22 Budget. Staff will monitor actual costs throughout the year, and any adjustments needed to the interdepartmental charges will be evaluated based on actual experience and incorporated into future budget development processes. This recommendation has no staffing impact beyond the budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

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JOE AMBROSINI
HUMAN RESOURCES DIRECTOR

APPROVED:

THOMAS B. MODICA
CITY MANAGER