



Legislation Text

File #: 08-0982, **Version:** 1

Recommendation to authorize 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), Point of Service (POS) group health plans; PacifiCare for the Health Maintenance Organization (HMO) group health plan and 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; Standard Insurance Company for the 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 to continue the City's self-funded, in-hospital indemnity program administered by Great-West Life/CIGNA; and

Authorize 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)

During 2006 and 2007, the City marketed all health, dental and life insurance plans through a joint labor-management effort, selecting providers that offered the best overall benefit options for employees, with the most efficient and effective administrative support and pricing. The recommended agreements reflect the providers selected as part of this process and pricing guarantees offered as a result of these efforts.

Over the past several months, Human Resources staff has met with members of the Health Insurance Advisory Committee (HIAC) to discuss the City's healthcare and benefits program. With the assistance of Alliant Insurance Services, our insurance advisor, the staff and HIAC have reviewed the financial performance of the health plans and plan design options that could generate savings to the City's overall healthcare costs. With medical cost trends estimated to increase close to 12% in California, the proposed FY 09 Budget included a \$1 million savings target for health benefit plans.

After considerable discussion, staff is recommending increasing the deductible for the Preferred Provider Thrift Plan, modification to the service offerings through the HMO plan, implementing a preferred drug step therapy program as part of the pharmacy benefit plan and changing the PPO and POS plan providers to the CIGNA network during the 2009 plan year. The recommended changes are based upon benefit plan offerings in other comparable local government organizations and should help control the overall cost of the health insurance program which is estimated to increase close to 8.5%. A summary of recommended plan changes are detailed in Exhibit A. The recommended changes are estimated to generate \$1 million in savings in projected healthcare benefit plan costs in the coming year. In addition, staff recommends the plan rates and payroll deductions shown on Exhibit Band C, which are consistent with Memorandums of Understanding provisions with the various City employee associations.

This letter was reviewed by Deputy City Attorney, Christina Checél and Budget Management Officer, Victoria Bell on September 15, 2008.

Open Enrollment for health, dental, and life plans will be conducted in early-November 2008. Therefore, City Council action is requested on September 23, 2008, so the Department of Human Resources will have adequate time to prepare information for distribution to employees in late-October.

The projected cost for health, dental and life insurance in 2009 is estimated at \$50.1 million. These charges have been included in the Proposed Fiscal Year 2009 Budget in the Employee Benefits Fund (IS 391) in the Department of Financial Management- Citywide (XC).

Approve recommendation.

SUZANNE R. MASON, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER