



Staff Reports

File #: 1374-2018, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Brian Cochran, Finance Director

Prepared By: Brian Cochran, Finance Director

TITLE:

Employee Healthcare Plan Design Changes for Fiscal Year 2018/19

RECOMMENDED ACTION:

Adopt a resolution authorizing the City Manager to execute amendments to agreements with employee healthcare providers to implement plan design changes for healthcare insurance services for the plan year beginning July 1, 2018.

DISCUSSION:

The City offers healthcare benefits to eligible City employees (including dependents and retirees), as approved by City Council through negotiated memoranda of understandings (“MOUs”) with represented employees, and through resolutions providing benefits to unrepresented employees. The MOUs and resolutions document the level of benefits offered, and the maximum monthly premium that will be paid by the City, and the portion of the cost (if any) which is required to be paid by the employee. The City’s bi-annual budget includes the City’s costs of funding these healthcare benefits at the levels approved by the City Council.

The City implements the healthcare benefits provided to City employees through agreements with private healthcare providers. The City’s current healthcare providers include Kaiser Permanente, Western Health Advantage, a not for profit health care service plan, Delta Dental of California and Delta Care, a service of Delta Dental of California. Healthcare rates are set annually. Each year, several months in advance of the effective date, the City receives notification of healthcare rates for the coming twelve-month period. The City is required to execute amendments with each provider reflecting the revised monthly healthcare premiums.

For the upcoming fiscal year 2018/19, City staff received preliminary premium quotes from the two healthcare providers based on the existing benefit levels, co-pays, prescription drug coverage, etc. Premiums under those preliminary quotes would have risen between 4.9% and 6.9%, which would have escalated the health premiums well beyond the City’s negotiated contribution caps; this would mean an out-of-pocket monthly payment from all enrolled employees ranging from \$31 - \$84 for Kaiser Permanente and from \$46 - \$123 for Western Health Advantage.

In response to this cost escalation, the City Manager’s Office convened the Health Benefits Advisory Committee (the “Committee”), comprised of representatives of all six employee bargaining units as well as representatives of the City Manager’s Office, the Finance Department, and the Human

Resources Department. The Committee's charge was to review coverages and options for modified plan designs to mitigate / reduce premium increases, and ultimately make a recommendation to the City Manager about the preferred plans.

After reviewing a series of options presented to the Committee by both healthcare providers, the Committee unanimously recommended implementation of a "proposed alternative" plan design, as outlined in more detail in Exhibit "A" to the resolution. In general, the proposed alternative plans increase some co-pays for services such as office visits, emergency room visits, urgent care visits, etc., and in Kaiser's case includes an increase in the cost of mail-order prescriptions. In return, the premium rates were significantly decreased. Most other key components of the plans remain the same, such as the out-of-pocket maximums and all other prescription drug co-pays, other than the exception mentioned above

FINANCIAL IMPACTS:

The City's cost for employee and retiree healthcare coverage is included in the approved Operating Budget, and the plan design changes recommended with this action do not increase the City's cost.

CEQA:

The Finance Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution Authorizing the City Manager to Execute Amendments to Agreements with Healthcare Providers for Plan Design Changes to Healthcare Insurance Services.

EX A - City of Napa "Proposed Alternative" Plan Changes Effective July 1, 2018

NOTIFICATION:

None