

TO: James L App, City Manager
FROM: Dennis Fansler, Management Analyst
SUBJECT: Employee Group Benefit Plan: Dental Insurance
DATE: September 7, 1999

NEEDS: For the City Council to consider a new employee dental insurance carrier.

- FACTS:**
1. The City's dental insurance provider is Mutual of Omaha. Mutual of Omaha has underwritten the policy for the past year.
 2. The insurance coverage contract expires August 31, 1999.
 3. Mutual of Omaha proposed a one year contract with a 20% increase which would raise the total monthly premium from \$6,906 to \$8,287.
 4. Because of the significant premium increase, competitive quotes were solicited.
 5. Only Principal submitted quotes. Principal Mutual is the low bidder at \$7,026-approximately 1 3/4 %.. Principal also included a rate guarantee for two years.
 6. If accepted, the Principal Mutual proposal would raise the yearly premium cost of Dental insurance from \$82,869 to \$84,315.
 7. The City's Health Committee recommends Principal Mutual.
 8. Worker associations endorse the Health committee's recommendation.

**ANALYSIS &
CONCLUSION:**

Group Dental Insurance premium cost increases have become a yearly issue in our organization because of the group's high claim to premium ratio. Mutual of Omaha justified it's premium increase proposal by citing a 85% claim to premium ratio. If the group's claim experience continues, the City will continue to see significant upward pressure on premium rates.

When compared to the original proposal from Mutual of Omaha, the 1 3/4 increase with a two year rate guarantee proposed by Principal Mutual, appears favorable. The annual cost increase is approximately \$1,446.

POLICY

REFERENCE: "Memorandum's of Understanding"(MOU) with worker associations document commitment to provide a Dental insurance program.

**FISCAL
IMPACT:**

Maximum \$1,446 for FY00 and \$1,446 for FY01.

OPTIONS:

- A. Adopt resolution approving group dental insurance provider change.
- B. Amend, modify or reject option above.

RESOLUTION NO. 99-_____

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF EL PASO DE ROBLES AUTHORIZING CHANGE OF
THE CITY'S DENTAL INSURANCE PROVIDER.

WHEREAS, The city's dental insurance provider currently is Mutual of Omaha; and

WHEREAS, The insurance coverage expires August 31, 1999; and

WHEREAS, Mutual of Omaha proposed a one year contract with a 20% increase which would raise the total monthly premium from \$6,906 to \$8,287; and

WHEREAS, Because of the significant premium increase, competitive quotes were solicited; and

WHEREAS, Principal Mutual submitted quotes. Principal is the low bidder at \$7,206; and

WHEREAS, The City's Health Insurance Committee has reviewed the proposal and recommends the change to Principal Mutual ; and

WHEREAS, Worker associations endorse the Health committee's recommendation.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles that the City enter into a contract with Principal Mutual for a period of two years commencing September 1, 1999.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 7th day of September 1999 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Duane J. Picanco, Mayor

ATTEST:

Sharilyn Ryan, Deputy City Clerk