

TO: James L. App, City Manager  
FROM: Meg Williamson, Assistant City Manager  
SUBJECT: Employee Group Health Insurance Contract Renewal  
DATE: October 3, 2006

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NEEDS: For City Council to consider renewal of the City's Group Health Insurance Contract.

- FACTS:
1. The City's Health Insurance contract with Blue Cross will expire on October 31, 2006.
  2. Health Care contract provider options and cost comparisons are reviewed each year to determine if there is merit in switching health care structures and/or providers. Based on the limited availability of health care provider networks within San Luis Obispo County and the relatively small size of our organization, Blue Cross Health Care is the only provider who can offer a truly comparative plan to our current one (mainly in terms of in-network providers).
  3. The renewal rates quoted by Blue Cross are 6.5% higher than the current contract. This rate increase is well below the state and national averages for health care cost escalation, mostly attributable to our organization's favorable "loss experience" (claims history).
  4. All employee contracts require that any increase in health benefit premiums be shared proportionally, with the City covering 75% and the employee covering 25% of the premium increase. This increase would be in addition to what base premium share the employee is already paying.
  5. The Blue Cross PPO One health care plan is referenced within all employee bargaining group contracts as the basis for premium cost sharing.
  6. The City's Health Committee met in August 2006 and recommended that the City Council renew its current Health Plan (PPO One) with Blue Cross.

ANALYSIS &

CONCLUSION: The extension of the current health contract would continue the same level of employee coverage at a shared cost between employees and the City in accordance with employee contracts. The increased cost in the medical contract is below the state and national market trends in the health industry which are averaging 10-15% increases. The increased premium costs will cause both employer and employee costs to rise. All employee bargaining groups have endorsed continuation of the current health contract for another year.

POLICY

REFERENCE: Employee Group Contracts.

FISCAL

IMPACT: Cost of the health contract increase is within established budget parameters.

- OPTIONS:
- a. Adopt Resolution No. 06-XXX authorizing the City Manager to execute a contract with Blue Cross for medical coverage for one additional year.
  - b. Amend, modify or reject the above option.

Attachments:

1. Resolution approving extended contract with Blue Cross

RESOLUTION NO. 06-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
AUTHORIZING RENEWAL OF EMPLOYEE GROUP  
HEALTH INSURANCE PLAN CONTRACT

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WHEREAS, the City's contract for health insurance is with Blue Cross and that contract will expire on October 31, 2006; and

WHEREAS, Blue Cross has proposed a one year contract for the continuation of the PPO One (90/70) plan that will result in an 6.5% cost increase effective November 1, 2006; and

WHEREAS, the escalated cost of the contract renewal is well below the state and national health industry market trend of 10-15% increases, and indicative of the City's favorable "loss experience" as an organization; and

WHEREAS, based on the limited availability of health care provider networks within San Luis Obispo County and the relatively small size of the City organization, Blue Cross Health Care is the only provider who can offer a truly comparative plan to the City's current contract terms; and

WHEREAS, the City's Health Committee has reviewed the proposal and recommends renewal of the Blue Cross PPO One contract; and

WHEREAS, the Blue Cross PPO One health care plan is referenced within all employee bargaining groups as the basis for premium cost sharing; and

WHEREAS, the cost sharing agreement within each employee group contract will require that the City of Paso Robles cover 75% and the Employee 25% of the 6.5% premium increase (with new employee shares being shown in Exhibit A);

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of El Paso de Robles that the City Manager shall execute a contract with Blue Cross for Health Insurance for an additional one year.

PASSED AND ADOPTED by the City of El Paso de Robles this 3<sup>rd</sup> day of October 2006 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Frank R. Mecham, Mayor

ATTEST:

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Deborah Robinson, Deputy City Clerk

