

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: Employee Group Health Insurance Contract – Blue Cross
DATE: October 21, 2008

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

- FACTS:**
1. On September 16, 2008, the City Council approved a one month extension of the current Blue Cross PPO P1A (90%) Health Plan Contract to provide time for employee and employer dialogue related to potential cost saving measures with that plan.
 2. Employee group contracts do not require employees to reopen and negotiate the terms of their health benefits. However, there was expressed interest from some groups in finding ways to reduce rising plan costs. As a result, price quotes for an alternative P2A (80%) PPO Plan was obtained and offered to each labor group for consideration.
 3. Health care contract renewal rates are based on the City's "experience" of loss (claims history) in relation to premiums paid. The higher loss experience in this past year for covered individuals has resulted in the following contract costs:

Current P1A (90%) PPO Plan – 15% increase.
Alternative P2A (80%) PPO Plan – 3.98 % increase.
 4. The City's insurance broker worked with Blue Cross to allow for individual employee groups to choose either the Current P1A (90%) Plan or an Alternative P2A (80%) Plan. Any labor group can choose either plan at the respective quoted rates, but the entire group of individuals must then go with that plan.
 5. The Fire, Police and Non-Represented Confidential, Professional and Management Groups chose to enter into "side letter" agreements to their contracts, to modify their health benefits to the Alternative P2A (80%) PPO Plan. (See attached signed side letters). The SEIU group chose to stay with the P1A (90%) PPO Plan as provided for under their labor contract.
 6. All employee labor contracts require that changes in health benefit premiums be shared proportionally between the City and the employee. The 75/25 split has the City experiencing 75% and the employee experiencing 25% of the premium increase.

