



REPORT TO CITY COUNCIL

Approved by:

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Wendy Silva, Director of Human Resources

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Arnaldo Rodriguez, City Manager

Council Meeting of: May 19, 2021

Agenda Number: D-2

SUBJECT:

Approval of employee health and welfare benefit providers for Fiscal Year 2021/22

RECOMMENDATION:

Adopt a Minute Order:

1. Approving the Fiscal Year 2021/22 employee health and welfare benefit providers:
 - a. Selecting PRISM as the medical plan provider with the Anthem and Kaiser plan designs noted in Attachment 1;
 - b. Selecting PRISM as the dental plan provider with the Delta Dental plan design noted in Attachment 2;
 - c. Renewing the existing vision plan with Superior Vision;
 - d. Selecting PRISM as the life and long term disability insurance provider with the same Lincoln plan designs the City currently contracts directly for;
 - e. Renewing the existing EAP and Wellness benefits through Halcyon Behavioral; and
2. Authorizing the City Manager to execute any agreements and related documents.

SUMMARY:

The City of Madera offers health benefits to its employees through an IRS Section 125 cafeteria-style plan. The City's Section 125 plan includes health benefits, group life insurance buy-up and accidental death and dismemberment benefits, a medical expense flexible spending account option, and a dependent care flexible spending account option. The health benefits category is further broken down into medical, dental, and vision insurance. The City's contribution towards individual employee health insurance is a negotiated item in the various Memorandums of Understanding (MOUs) between the City and bargaining units. All MOUs with the bargaining units state that the City has the right to determine the plan carriers. Employee units have input on plan design.

In addition to standard health benefits as noted above, as a requirement for participation in the Central San Joaquin Risk Management Authority (CSJVRMA), the City provides an Employee Assistance Program (EAP).

DISCUSSION:

Medical Plan

Beginning with the 2015 plan year, the City offered a single medical plan consisting of a high deductible PPO purchased from a primary carrier with the City self-funding the deductible through what is known as a Medical Expense Reimbursement Plan (MERP). The primary carrier processes claims first. If a claim is in-network and applied to the deductible, then the MERP will pay as secondary payer. This plan structure proved to be effective at reducing the City's overall cost of health insurance over the last several years. The primary insurer for this plan is Blue Shield of California (Blue Shield) for the PPO. The MERP plan is administered by Administrative Solutions, Inc. (ASi) out of Fresno, with funding from the City on deposit in a trust account for claims payment.

The City received a very high renewal quote from Blue Shield for the 2021/22 plan year that will begin July 1, 2021. For this reason, staff requested that the broker seek other options. The PRISMHealth (PRISM) pool was identified as a potential option for the City to evaluate. PRISM is a public entity risk-sharing pool that is focused on creating value and long-term stability. The PRISM option would allow the City to offer multiple plans for employees to choose from and, at the same time, reduce the market volatility the City has experienced with a stand-alone plan. PRISM provided quotes to the City for various plan designs from Anthem and from Kaiser. The City can elect to offer up to four plans if it joins PRISM, a core and buy-up option for both Anthem and Kaiser. A comparison of the City's existing plan and the plan designs proposed for participation in the PRISM program is provided as Attachment 1. It should be noted that PRISM is a January 1 plan, while the City is currently on a July 1 plan. If the City were to move to PRISM, the City's plan year under the program will start July 1, 2021 and re-set to January 1 going forward. The quoted rates are for 18-months, through December 31, 2022, with the next medical plan renewal effective January 1, 2023. Because the quoted rates for PRISM are for 18-months, there are potential savings for the period of July 1-December 31, 2022, when the City would likely receive another carrier increase from its existing plan.

Council will note that the PRISM Anthem premiums are close to the offered renewal from Blue Shield for the existing plan design. The difference will be that the Anthem plan is fully insured and the City will no longer have the exposure created by the self-funded MERP. Additionally, the offered Kaiser plans are less than the Blue Shield renewal rates, creating the potential for premium savings if employees elect the Kaiser option. The estimated difference in the annual premium increase for the renewal options are noted below in Table 1 at various enrollment percentages in Kaiser. Actual enrollment will not be known until the open enrollment period that allows employees an opportunity to select their benefits for the year is completed in June.

Table 1. Additional annual cost of medical premiums based on renewal rates			
	<i>Renew Blue Shield</i>	<i>Join PRISM Assume 20% Kaiser</i>	<i>Join PRISM Assume 40% Kaiser</i>
Additional Annual Cost	\$809,725	\$584,613	\$518,709
Potential Savings		\$225,113	\$291,017

Staff provided plan design information to all four bargaining units and received feedback indicating that the plan design of the existing Blue Shield/MERP plan was preferred due to its zero dollar deductible and \$10 co-pay.

Staff recommends Council move the medical plan to the PRISM pool and offer the plans as outlined in Attachment 1 effective July 1, 2021.

Dental

The City currently offers dental benefits through Ameritas. Ameritas provided initial renewal rates at approximately 14.9% over current rates. The City’s broker was able to negotiate this down to approximately 7.5% over current rates. The broker also evaluated alternative providers. Through the PRISM pool, the City can offer a Delta Dental plan with a slightly better plan design than the current Ameritas benefits at an increase of 3.3% over current rates. The Delta Dental plan includes adult orthodontic benefits, which are not currently available under the Ameritas Plan. A comparison of the existing Ameritas plan and proposed PRISM Delta Dental plan is provided as Attachment 2 to this report.

Staff recommends Council move the dental plan to the PRISM pool and offer employees the Delta Dental plan outlined in Attachment 2 effective July 1, 2021.

Vision

The City currently offers vision benefits through Superior Vision. The City was offered a 2-year rate guarantee at existing rates from Superior and no changes to the carrier or plan are recommended. While the PRISM pool does offer vision insurance plans, the City’s broker evaluated the current plans benefits and premiums and does not recommend the City make a change at this time.

Staff recommends Council renew the vision insurance plan with Superior Vision at a 2-year rate guarantee effective July 1, 2021.

Life and Long Term Disability Insurance

The City provides employee and dependent life insurance to all full-time employees based on benefit levels provided in the negotiated MOUs. Additionally, employees may purchase additional life insurance benefits for themselves, their spouse, and dependent children. The current provider of these benefits is Lincoln Financial. The City’s broker evaluated the rates provided by Lincoln and was able to decrease the rates for both the City-paid and employee voluntary benefits. The PRISM pool provides life insurance and long term disability insurance

through Lincoln Financial at the same rates our broker was able to negotiate. For this reason, staff recommends the City continue with Lincoln Financial, but through the PRISM pool, effective July 1, 2021, to consolidate administrative costs and burdens.

Employee Assistance Program (EAP)

The final benefit contemplated in this report is the EAP. The EAP program provides counseling services to employees as well as services related to work-life balance such as legal advice, financial planning, assistance in locating elder and childcare, and online resources to help individuals find balance in their life and manage their responsibilities. Effective July 1, 2020, the City contracted with Halcyon Behavioral to provide EAP and Wellness benefits. The City is in a rate guarantee period (no premium increase) and the benefits have been well received by employees.

Staff recommends Council renew the existing EAP and Wellness plans through Halcon Behavioral.

FINANCIAL IMPACT:

Health plan premiums are paid by employees through payroll deductions. The City's contributions toward health insurance are negotiated with the bargaining units and contained in the applicable MOUs.

With a move to the PRISM pool, certain services the City currently contracts for on a stand-alone basis will move to administration with the PRISM pool at no additional cost. As these services are transitioned, staff will cancel the service provider contracts no longer needed and there will be savings in the contracted services line item for the Human Resources Department, estimated at \$10,000 - \$15,000 per year, once fully transitioned.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

The information contained herein is not addressed by the Vision Madera 2025 plan, nor is the information in conflict with that plan.

ALTERNATIVES:

The City's health plan year begins on July 1 of each year. Should Council not take action, the existing plans will automatically renew without notice from the City to terminate the plans. Alternatively, Council may direct staff to renew existing carriers and plans with no changes.

ATTACHMENTS:

1. Comparison of medical plan renewal options
2. Comparison of dental plan renewal options

Attachment 1: Medical plan renewal options

Medical Plan Benefits	Blue Shield Underlying PPO Renewal		ASi MERP Employee Facing Benefits Renewal		PRISM Anthem Custom PPO Core Option		PRISM Anthem Custom PPO Buy-Up Option		PRISM Kaiser Option - Core Deductible	PRISM Kaiser Buy-Up Option
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	In-Network
Calendar Year Deductible Individual / Family Embedded / Aggregate	\$5,500 / \$11,000 Embedded		Various Co-Pays		\$500 / \$1,000 Embedded		None \$5,500 / \$11,000 Embedded		\$300/\$900 Embedded	None
Annual Out-of-Pocket Maximum Individual / Family Embedded / Aggregate	\$6,650 / \$13,300 Embedded	\$10,000 / \$20,000 Embedded	\$1,000/\$2,000	N/A	\$3,000 / \$6,000 Embedded	\$0 / \$0 Embedded	\$1,000 / \$2,000 Embedded	\$10,000 / \$20,000 Embedded	\$2,500/\$7,500 Embedded	\$1,500 / \$3,000 Embedded
Physician Office Visit	20%	50%	\$10	Not Covered	\$20 (ded waived)	40%	\$10	50%	\$30 (ded waived)	\$10
Specialist Copay	20%	50%	\$10	Not Covered	\$20 (ded waived)	40%	\$10	50%	\$30 (ded waived)	\$10
Preventative Care	\$0 (ded waived)	Not Covered	\$0	Not Covered	\$0 (ded waived)	40%	\$0	Not Covered	\$0 (ded waived)	\$0
Lab and X-Ray										
CT, MRI, PET scans	Lab Center: 20% Outpatient Hospital: 30%	Radiology Center: 50% Outpatient Hospital: 50% (Max \$350)	0%	Not Covered	20%	40% (Max \$800)	No Charge	50% (Max \$350)	20%	No Charge
Other lab and x-ray tests	Radiology Center: 20% Outpatient Hospital: 30%	Radiology Center: 50% Outpatient Hospital: 50% (Max \$350)	0%	Not Covered	20%	40% (Max \$350)	No Charge	50% (Max \$350)	20%	No Charge
Hospitalization Inpatient	20%	50% (Max \$600)	\$100 / Day (Up to 7 Days)	Not Covered	20%	40% (Max \$600)	\$100 / Day (up to 7 days)	50% (Max \$600)	20%	No Charge
Outpatient	20%	50% (Max \$350)	\$100	Not Covered	\$0	40% (Max \$350)	\$100	50% (Max \$350)	20%	\$10 / procedure
Emergency Room	\$150 + 20% Waived if admitted		\$50 Waived if admitted		\$250 + 20% Waived if admitted		\$50 Waived if admitted		\$75 (ded waived) Waived if admitted	\$50 Waived if admitted
Urgent Care Services	20%	50%	\$10	Not Covered	\$20	40%	\$10	50%	\$30 (ded waived)	\$10
Durable Medical Equipment	20%	50%	0%	Not Covered	20%	40%	No Charge	50%	20%	20%
Chiropractic Care	20% (20 visits / calendar year)	50% (20 visits / calendar year)	\$10 (20 visits / calendar year)	Not Covered	\$15 (20 visits / calendar year combined with Acu.)	40%	\$10 (30 visits / calendar year)	50%	Not Covered	Not Covered
Acupuncture Care	20% (20 visits / calendar year)	50% (20 visits / calendar year)	\$10 (20 visits / calendar year)	Not Covered	\$15 (20 visits / calendar year)	40%	\$10 (20 visits / calendar year)	50%	Not Covered	Not Covered
PRESCRIPTION DRUGS	Tier 1 / Tier 2 / Tier 3 / Tier 4				Generic / Brand / Specialty		Generic / Brand / Specialty		Tier 1 / Tier 2 / Tier 3 / Tier 4	Tier 1 / Tier 2 / Tier 3 / Tier 4
Rx Copay Out-of-Pocket Maximum	Combined with Medical				\$2,000 / \$4,000		\$1,000 / \$2,000		Combined with Medical	Combined with Medical
Retail - 30 day supply	\$10 / \$25 / \$40 / 30% up to \$250	Copay + 25%	\$15 / \$30 / \$50 / 30% up to \$500	N/A	\$30 / \$60 / \$100 / 30% up to \$500	Not Covered	\$10 / \$25 / \$40 / 30% up to \$500		\$15 / \$30 / \$30 / \$30	\$10 / \$10 / \$10 / \$10
Mail Order - 90 day supply	\$20 / \$50 / \$80 / 30% up to \$500	Not Covered					\$20 / \$25 / \$40 / 30% up to \$500		\$20 / \$60 / \$60 / \$30	\$10 / \$10 / \$10 / \$10
Rate Guarantee			1 Year		18 Months until 12/31/2022		18 Months until 12/31/2022		18 Months until 12/31/2022	18 Months until 12/31/2022
MONTHLY RATES	20/21 Existing with ASi MERP		Renewal with ASi MERP		Core PPO Option		Buy-Up Option		Core Deductible Option	Buy-Up Option
EE Only	\$654.65		\$847.05		\$848.00		\$933.00		\$773.00	\$868.00
EE + 1	\$1,191.81		\$1,527.71		\$1,544.00		\$1,698.00		\$1,407.00	\$1,580.00
EE + Family	\$1,711.15		\$2,185.77		\$2,214.00		\$2,435.00		\$2,018.00	\$2,266.00

Attachment 2: Dental plan renewal options

Dental Plan Benefits	
Calendar Year Maximum	
Per Member	
Calendar Year Deductible	
Individual / Family	
Diagnostic and Preventive	
Oral Exam X-Rays Teeth Cleaning Fluoride Treatment	
Basic Services	
Sealants Periodontics (Gum disease) Endodontics (Root Canal) Simple & Surgical Extractions	
Major Services	
Single Crowns Inlays, Onlays, Veneers Bridges & Dentures	
Orthodontics	
Benefit Percentage Lifetime Maximum	
Out-of-Network Reimbursement	
Rate Guarantee	
MONTHLY RATES	
Employee Only	
Employee + 1	
Employee + Family	

Ameritas Current / Renewal		
In-Network	Out-of-Network	
\$1,500	\$1,000	
\$50/\$150 (Waived for Preventive)		
100%	90%	
80%	70%	
50%	50%	
Children under age 19		
50%	50%	
\$1,000		
90th U&C		
1 Year		
Current	Initial Renewal	Negotiated Renewal
\$27.40	\$31.48	\$29.48
\$57.44	\$66.00	\$61.80
\$106.24	\$122.08	\$114.24

PRISM Delta Dental		
PPO Network	Premier Network / Out-of-Network	
\$1,500	\$1,000	
\$50/\$150 (Waived for Preventive)		
100%	90%	
80%	70%	
50%	50%	
Adult and Child age 26		
50%	50%	
\$1,000		
90th U&C		
1 Year		
Proposed Rates		
\$28.30		
\$59.30		
\$109.70		