



## REPORT TO CITY COUNCIL

**Approved by:**

Wendy Silva  
Wendy Silva, Director of Human Resources

Arnoldo Rodriguez  
Arnoldo Rodriguez, City Manager

**Council Meeting of:** July 6, 2022

**Agenda Number:** B-5

**SUBJECT:**

Approval of employee health and welfare plans for calendar year 2023

**RECOMMENDATION:**

Adopt a Minute Order:

1. Approving the renewal of the City's health and welfare plans for calendar year 2023; and
2. Authorizing the City Manager to execute any documents necessary to effectuate the plan renewals.

**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 medical, dental, and vision insurance benefits; group life insurance buy-up and accidental death and dismemberment benefits for employees, spouses, and dependents; a medical expense flexible spending account option; and a dependent care flexible spending account option. 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. The Section 125 plan allows employees to use the City's contribution to pay premiums on a pre-tax basis.

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). The EAP provider, Halcyon, also provides the City's wellness program.

The City began a transition in July 2021 from fiscal year plans to calendar year plans with its participation in the PRISMHealth pool for medical, dental, and life insurance. As such, the City had 18-month rates that began in July 2021 and will end in December 2022. The PRISMHealth pool has provided the City with renewal rates for calendar year 2023. In summary, medical plans

will be increasing 8.9%, dental has a rate pass, and all other plans are in a rate guarantee. The requested action is to approve the renewal of the plans.

**DISCUSSION:**

Medical Plan

In 2021, the City joined PRISM for health benefits. PRISMHealth is a public entity risk-sharing pool that is focused on creating value and long-term stability. It was expected that over time, the PRISMHealth 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 had experienced with a stand-alone plan. Beginning in July 2021, the City has been able to offer employees a choice of four (4) medical plans through PRISMHealth: Anthem Core, Anthem Buy-up, Kaiser Core, and Kaiser Buy-up. The plan design for these four (4) options are summarized in Table 1.

<b>Table 1. Summary of medical insurance plan designs</b>				
<i>Plan Benefit</i>	<i>Anthem PPO*</i>		<i>Kaiser Permanente HMO</i>	
	<i>Core</i>	<i>Buy-Up</i>	<i>Core</i>	<i>Buy-Up</i>
Deductible Self   Family	\$500   \$1,000	None	\$300   \$900	None
Annual Out-of-Pocket Maximum Self   Family	\$3,000   \$6,000	\$1,000   \$2,000	\$2,500   \$7,500	\$1,500   \$3,000
Office Visits Primary Care or Specialist	\$20	\$10	\$30	\$10
Urgent Care	\$20	\$10	\$30	\$10
Emergency Room (waived if admitted)	\$250 + 20%	\$50	\$75	\$50
Outpatient Surgery	20%	\$100	20%	\$10/procedure
Inpatient Hospital Stay	20%	\$100 per day (up to 7 days)	20%	No Charge
Pharmacy - Retail	<i>Administered by Express Scripts</i>			
RX Copay Out of Pocket Max	\$2,000	\$1,000	Combined with Medical	
Tier 1   Tier 2   Tier 3 Tier 4 or Specialty	\$15   \$30   \$50 30% up to \$500	\$10   \$25   \$40 30% up to \$500	\$10   \$30   \$30 \$30	\$10   \$10   \$10 \$10

\*Benefits shown are for in-network services

PRISMHealth determines annual renewal rates by overall pool performance and cost of claims. This is used to set the overall pool renewal rate. Every other year a member is evaluated for a Claims Performance Risk Adjustment (CPRA) based on a review of 18-months of the entity's

claims data compared to the overall pool. This analysis can lead to an adjustment of plus or minus 7.5% to the pool renewal rate. As the City has only been a member for barely a year at this point, there is insufficient claims data to analyze CPRA at this time. The City has been offered the pool rate for renewal, or 8.9%. Next year (2024) the City will be evaluated to determine if a CPRA adjustment is warranted based on our claims. Table 2 summarizes the proposed renewal rates at the 8.9% pool renewal and the monthly monetary difference between current rates and the renewal.

<b>Table 2. Monthly medical plan premiums</b>			
<i>July 2021-December 2022</i>	<i>Employee Only</i>	<i>Employee+1</i>	<i>Employee +Family</i>
Anthem Core	\$848	\$1,544	\$2,214
Anthem Buy-up	\$933	\$1,698	\$2,435
Kaiser Core	\$773	\$1,407	\$2,018
Kaiser Buy-up	\$868	\$1,580	\$2,266
<i>January – December 2023</i>	<i>Employee Only</i>	<i>Employee+1</i>	<i>Employee +Family</i>
Anthem Core	\$923	\$1,681	\$2,411
Anthem Buy-up	\$1,016	\$1,849	\$2,652
Kaiser Core	\$842	\$1,532	\$2,198
Kaiser Buy-up	\$945	\$1,721	\$2,468
<i>Dollar Difference</i>	<i>Employee Only</i>	<i>Employee+1</i>	<i>Employee +Family</i>
Anthem Core	\$75	\$137	\$197
Anthem Buy-up	\$83	\$151	\$217
Kaiser Core	\$69	\$125	\$180
Kaiser Buy-up	\$77	\$141	\$202

Dental

In July 2021, the City moved dental insurance into the PRISMHealth pool as well, opting for a Delta Dental plan. The City has been offered a rate pass through December, 2023, meaning no change to current rates. Monthly dental premiums are shown in Table 3.

<b>Table 3. Monthly Dental plan premiums</b>			
	<i>Employee Only</i>	<i>Employee+1</i>	<i>Employee +Family</i>
July 2021 – December 2022	\$28.30	\$59.30	\$109.70
January – December 2023	\$28.30	\$59.30	\$109.70
Dollar Difference	\$0	\$0	\$0

### Benefits in a Rate Guarantee Period

In addition to the medical and dental benefits that are due for renewal in January 2023, the City also has vision insurance, life and long term disability insurance, and the EAP/wellness program that are in a rate guarantee period. The rate guarantee periods are summarized in Table 4.

<b>Table 4. Benefits in a rate guarantee period</b>	
<i>Benefit Type</i>	<i>Current guarantee period</i>
Vision insurance	7/1/2021 – 12/31/2023
Life and Long Term Disability Insurance	7/1/2021 – 12/31/2023
EAP/Wellness Program	7/1/2020 – 12/31/2023

### **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. The MOUs state that the City's contribution will be equal to the Core plan for Anthem or Kaiser, plus dental, plus vision insurance at each enrollment level through the term of the MOUs, or June 30, 2025. Table 5 provides an estimate based on current enrollment of the increased cost to the City for health contributions. These amounts will begin in January 2023.

<b>Table 5. Estimated cost to City based on MOU provisions and renewal premiums</b>			
<i>Plan/Tier</i>	<i>Number Currently Enrolled</i>	<i>Monthly Increase per Employee</i>	<i>Total Monthly Increase</i>
Anthem EE Only	38	\$75	\$2,850
Anthem EE+1	25	\$137	\$3,425
Anthem EE+Family	83	\$197	\$16,351
Kaiser EE Only	9	\$69	\$621
Kaiser EE+1	5	\$125	\$625
Kaiser EE+Family	14	\$180	\$2,520
<b>Total Estimated Monthly Increase</b>			<b>\$26,392</b>
<b>Total Estimated Annual Increase</b>			<b>\$316,704</b>

When the current MOUs were adopted by the City Council, staff was directed to utilize unallocated unreserved General Fund dollars at that time for any increase to the City's health insurance contribution over the City's Fiscal Year 2020-21 contributions for the term of the MOUs. A General Fund designation was made in the City's financial statements and these funds will be used to pay for the increase to the City's contribution for all employees regardless of their normal payroll expensing department.

### **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:**

Council may direct staff to explore changes to the plan designs. While the City has the authority to determine carriers under the MOUs, bargaining units have input on plan design. Should the Council desire to effectuate a change to the plan designs, staff would begin the process of meeting with bargaining unit representatives.

**ATTACHMENTS:**

None