

September 10, 2024

Honorable Mayor and City Council  
City of Long Beach  
California

**RECOMMENDATION:**

Recommendation to authorize the City Manager, or designee, to execute contract amendments with Anthem Blue Cross, the City's third-party administrator for the Preferred Provider Organization (PPO) and the Health Maintenance Organization (HMO) group health plans, and Medicare Supplement plan; UnitedHealthcare Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for employer-paid life insurance, voluntary life insurance, and short- and long-term disability insurance; Union Mutual Life Insurance Company (UNUM), through Larry Lambert & Associates Insurance Services, for long-term care insurance; and Carrum Health as a third-party administrator for eligible surgeries to be performed through a Centers of Excellence facility; and, any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws on all plans, at the discretion of the City Manager. (Citywide)

**DISCUSSION**

City Council authorization is requested for approval of the calendar year 2025 Benefits Package rates and employee contribution amounts for active employees and retirees, effective January 1, 2025, through December 31, 2025.

**Background**

The Human Resources Department administers the City's employee benefits healthcare program, including group health plans for HMO, PPO, dental, vision, life insurance, long- and short-term disability, long-term care, and flexible spending plans (health and dependent care). The program covers approximately 4,300 active employees, 2,000 retirees, and 7,000 dependents. In accordance with the Memoranda of Understanding (MOU) between the City and its employee organizations, the Health Insurance Advisory Committee (HIAC), which is comprised of representatives from each of the employee associations, annually reviews the status of the plan costs and makes recommendations to the City Manager on plan changes, benefit levels, and addition and deletion of plans.

Human Resources Department staff, members of the HIAC, and Alliant Insurance Services (Alliant), the City's benefits consultant, have had a series of meetings from January 2024 through

July 2024 to review plan utilization data presented by plan providers, trends, legislative impact, and plan design to finalize recommendations for the calendar year 2025 Employee Benefits Program.

Alliant in conjunction with an independent Actuary, Turner Consulting Actuarial LLC., conducts an actuarial analysis of the proposed benefit plan costs and negotiates with each provider on behalf of the City to obtain the most competitive rates. Alliant presented the results of their actuarial analysis and negotiation efforts to the HIAC at the July meeting.

It is noted that while the claims experience on the Anthem HMO plan has been increasing since 2019, with 2023 being the highest reported year since the contract's inception, 2024 saw a slight decrease in claims experience. The City's PPO plans continue to see increases on the claims experience, specifically since 2021, post pandemic. The City's medical and pharmacy plans annual rate of change continues to outperform industry trends which show a continued increase to premiums based on impacted plan performance. Analysis of the City's healthcare spend showed that the four main cost drivers affecting plan performance are the continued impacts of the COVID-19 pandemic and deferred care resulting in rising inpatient and outpatient services, the sustained increases to the cost of care, inflation, and high-cost claimants over \$50,000. Improved pharmacy benefit contract outcomes, as a result of the recent Pharmacy Benefits Management RFP, were factored into 2025 health plan renewals.

The vision and health plans have received a modest increase to employee contributions, while the dental (PPO), and Life and Disability plans remain unchanged for the calendar year 2025. The City remains dedicated to providing added value and innovative resources that are designed to contribute towards the City's efforts to mitigate future claims costs, promote healthier outcomes, and improve overall employee satisfaction through its comprehensive benefits package.

The following chart summarizes the City's benefit contracts, applicable industry trends, and final renewal impact for Plan Year 2025. Further, City Council approval is requested to authorize the City Manager to execute contracts and/or amendments with various employee benefit providers for the 2025 plan year employee benefits package, as reflected in the recommendations from the HIAC.

2025 Plan Renewals		
Plan	Industry Trend	Final COLB Renewal
Anthem Blue Cross PPO <i>Self-funded medical &amp; Rx</i>	6.8%	4.29% increase <i>Inclusive of Pharmacy Benefit Contract</i>
Anthem Blue Cross HMO <i>Fully insured medical &amp; Self-funded Rx</i>	9.9%	4.4% decrease <i>Inclusive of Pharmacy Benefit Contract</i>
United HealthCare – Medicare Advantage <i>Fully insured</i>	4.9%	18.4% increase

SCAN Health – HMO Medicare Advantage <i>Fully insured</i>	4.5%	0.00%
Delta Dental DPPO – <i>Self-funded</i>	4.0%	0.00%
DeltaCare USA DHMO – <i>Fully insured</i>	3.5%	0.00%
Vision Service Plan (VSP) Vision – <i>Self-funded</i>	2.8%	8.1%
The Standard – <i>Fully insured</i> Basic Life/AD&D Insurance Voluntary Life Insurance Short and Long-term Disability	Varies by Claim Experience	0.00%

## Service Provider Contract Renewal and Rates

### *Anthem Blue Cross*

The overall impact of the calendar year 2025 renewals for the Anthem PPO and HMO (including CVS Caremark carve-out for prescription drugs) plans resulted in 4.29 percent increase and a 4.4 percent rate decrease, respectively. As stated previously, while the claims experience on the Anthem HMO plan has been increasing year after year since 2019, 2024 saw a slight decrease which positively impacted the City's final renewal rates. Final and favorable renewal results are attributed by further negotiation efforts led by Alliant Insurance Services.

Additionally, increases to employee contributions are limited by maximum(s) that have been previously negotiated in MOU agreements for single, two-party, and family coverage for active employees. Per the MOU, any increase to employee contribution(s) that exceeds the employees' maximum cost share as outlined in the MOU agreement(s), will be carried over into the following plan year (2025). Carryover amounts for plan year 2025 are as follows:

Anthem PPO – Two Party	\$6.00 carryover
Anthem PPO – Family	\$14.00 carryover
Anthem HMO – Two Party	\$15.00 carryover
Anthem HMO – Family	\$25.00 carryover

### *Delta Dental of California and Vision Service Plan (VSP)*

Rates and employee contributions for the Dental PPO (Delta Dental DPO) and Dental HMO (DeltaCare USA) reflect no increase for the calendar year 2025. It is recommended that the City Council approve the following no-cost enhancements for employees and their eligible dependents covered on the Dental PPO (Delta Dental DPO) plan:

- SmileWay Enhancement; offers employees with certain chronic medical conditions additional teeth and gum cleanings.

#### *Vision Service Plan (VSP) Enhancements*

It is recommended that the City Council approve the following enhancements for employees and their eligible dependents covered on the VSP vision plan:

- The contact lens allowance value of \$100 will increase to \$130

The above-recommended changes will be effective January 1, 2025.

#### *Retiree Health Plans*

It is also recommended that the City Council approve the proposed calendar year 2025 rates (Exhibit 2) for the retiree Medicare health plans, which include:

- A 18.4 percent increase for the UHC Medicare PPO Advantage Plan rates;
- No change for the SCAN Medicare Advantage Plan; and,
- An increase of 4.29 percent for the Anthem Medicare Supplement Plan rates.

At its July 30, 2024, monthly meeting, the HIAC voted to adopt the employee benefit plan changes outlined in Attachment B, which is submitted to the City Council for approval.

This matter was reviewed by Assistant City Attorney Gary J. Anderson and by Budget Development Officer Jennifer Rodriguez on August 22, 2024.

#### TIMING CONSIDERATIONS

Human Resources is planning to utilize the months of September and October to communicate open enrollment changes via various mediums to employees, who will update their health plan options online. Therefore, City Council action is requested on September 10, 2024, for adequate open enrollment planning. Communication pieces explaining benefits options will be distributed prior to and during the Open Enrollment period.

#### LEVINE ACT

This item is subject to the Levine Act. The Mayor, Councilmembers, and Commissioners who have received a contribution of more than \$250 within 12 months prior from a party, participant, or their representatives involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; OR (2) return the portion of the contribution that exceeds \$250 within 30 days from the time the elected official knew or should have known about the contribution and participate in the proceeding.

All parties, participants, and their representatives must disclose on the record of this proceeding any contribution of more than \$250 made to the Mayor or any Councilmembers within 12 months

prior to the date of the proceeding. The Mayor, Councilmembers, and Commissioners are prohibited from accepting, soliciting, or directing a contribution of more than \$250 from a party, participant, or their representatives during a proceeding and for 12 months following the date a final decision is rendered.

#### FISCAL IMPACT

The costs for the health benefit plans are paid from the City's Employee Benefits Fund Group in the Citywide Activities Department. The City's current employee benefits healthcare program is approximately \$100.9 million in annual spend. This figure is inclusive of employee contributions. Effective January 1, 2025, the employee benefits healthcare program is estimated to increase by 1.6 percent or \$1.6 million to \$102.5 million annually. The estimated figure is inclusive of renewal figures listed above. Funding to support these costs are recouped through charges to departments and funds as a personnel-related overhead rate. It is expected that there will be sufficient appropriation to support these costs based on these renewal rates which have been included in the Proposed FY 25 budget. Staff will monitor actual costs throughout the year, and any adjustments needed to the interdepartmental charges will be evaluated based on actual experience and incorporated into future budget development processes. This recommendation has no staffing impact beyond the budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Joe Ambrosini  
Director  
Human Resources

APPROVED:



THOMAS B. MODICA  
CITY MANAGER

ATTACHMENTS