



**M E M O R A N D U M**  
**Finance Department**

**DATE:** September 11, 2007

**TO:** City Council

**FROM:** Dave Warren  
Director of Finance

**SUBJECT: MEDICAL INSURANCE STATUS REPORT**

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**RECOMMENDATION:**

Acknowledge and file the medical insurance status report as presented.

**BACKGROUND:**

The City has purchased medical insurance from CalPERS since 2003. Currently, 90% of all active employees and retirees participating in a medical insurance plan are enrolled in the Blue Shield EPO plan. The CalPERS Health Benefits Committee, which is composed of CalPERS Board Members, governs the administration of all CalPERS medical insurance companies. On May 15, 2007, the Health Benefits Committee voted in favor of discontinuing the Blue Shield EPO in four counties, including El Dorado County, effective December 31, 2007. On June 19, 2007, the Health Benefits Committee voted in favor of discontinuing the Western Health Advantage HMO entirely effective December 31, 2007. Both of these actions significantly compromised the CalPERS medical insurance program in El Dorado County.

In response to the Health Benefits Committee's actions, staff prepared a comprehensive medical insurance study (that was included in a previous staff report), which concluded that the Small District Risk Management Authority (SDRMA)/California State Association of Counties (CSAC) may be a viable alternative to the CalPERS medical insurance program. On August 13<sup>th</sup>, staff held a medical insurance informational meeting for active employees and retirees, which included a presentation of the City's medical insurance study and an opportunity for employees to "weigh in" on the City potentially discontinuing the CalPERS medical insurance program.

Title 2, California Code of Regulations, Section 599.515 (e) provides the City the ability to terminate its participation in CalPERS/PEMHCA program by the City Council adopting a Resolution and filing the Resolution with CalPERS by August 20, 2007 (60 days from CalPERS 2008 rate adoption date).

At its regular meeting held on August 14<sup>th</sup>, the City Council adopted Resolution No. 7531 ceasing to be subject to the Public Hospital Care Act (PEMHCA) effective January 1, 2008 pending consensus from the City's employee bargaining units.

The City received written confirmation from both unions and a majority of unrepresented employees indicating that a majority of City employees wanted to discontinue the CalPERS medical insurance program. After receiving the written confirmations from employees, staff submitted the Resolution to CalPERS for processing.

#### **ANALYSIS:**

Now that employees have decided to discontinue the CalPERS medical insurance program, the City must negotiate the alternative plan with each of the employee bargaining units. As mentioned earlier, the SDRMA/CSAC medical insurance program may be a viable alternative to CalPERS. The SDRMA Board of Directors adopted the following 2008 medical insurance premiums on September 5th:

<b>Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>
Blue Shield EPO (Under Age 65)	\$ 500.68	\$1,001.35	\$1,301.76
Blue Shield 80% PPO (Gold-Under Age 65)	\$ 445.05	\$ 890.09	\$1,157.12
Blue Shield 80% PPO (Silver-Under Age 65)	\$ 333.78	\$ 667.57	\$ 867.83
Blue Shield 80% PPO (Gold-Over Age 65)	\$ 334.44	\$ 668.89	\$ 869.55
Blue Shield 80% PPO (Silver-Over Age 65)	\$ 250.83	\$ 501.67	\$ 652.16

The medical insurance study included projected 2008 premiums for SDRMA and was published prior to the SDRMA Board adopting their 2008 premiums. The adopted 2008 SDRMA premiums are very close to staff's projections.

As a comparison, the 2008 premiums for the Blue Shield HMO/EPO in authorized counties are as follows:

<b>Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>
Blue Shield EPO (Under Age 65)	\$ 534.48	\$1,068.95	\$1,389.64

As you can see, the SDRMA Blue Shield EPO premiums are less than CalPERS.'

Staff has scheduled negotiation sessions with both employee unions to discuss the alternative medical insurance plan. Once the City has received consensus from the bargaining units, staff will bring a recommendation forward to the City Council for consideration and approval. Staff will also schedule another informational meeting and a health fair to answer any questions active employees and retirees may have. Tentatively, staff anticipates conducting the open enrollment period in November. The new medical insurance plan will begin January 1, 2008.

#### **FISCAL IMPACT:**

Medical insurance is a sizable expense to the City's operating budget that must be managed carefully especially in the volatile medical insurance market we are experiencing at this time.

Currently, staff anticipates the cost of the alternative medical insurance program from January 1 to June 30, 2008 will be within the adopted Fiscal Year 2007/2008 Operating Budget.

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Dave Warren  
Director of Finance

Reviewed and Approved:

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John Driscoll  
City Manager/City Attorney