



Office of the City Manager

CONSENT CALENDAR

December 13, 2005

To: Honorable Mayor and  
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: David W. Hodgkins, Director of Human Resources

Subject: Health Plan Rate Increases

RECOMMENDATION

Adopt two Resolutions: 1) approving a 14.63 percent rate increase for the Kaiser Foundation Health Maintenance Organization (HMO) health plan; and 2) approving a 12.9 percent rate increase for both the Health Net Health Maintenance Organization (HMO) health plan and Point of Service (POS) health plan for City employees effective January 1, 2006, through December 31, 2006, and rescinding Resolution No. 62,751–N.S. and Resolution No. 62,752–N.S.

FISCAL IMPACTS OF RECOMMENDATION

Health plan premium rates are adjusted on a calendar year basis. Total estimated health insurance premium costs for Fiscal Year 2006 is \$10,531,000, which includes \$5,105,000 for Health Net and \$5,426,000 for Kaiser (Fiscal Year 2006 includes the final six months of calendar year 2005 and the first six months of calendar year 2006). This represents an increase of \$1,147,000 over Fiscal Year 2005.

Funding for the health premium increases for January 1 to June 30, 2006 is included in the Fiscal Year 2006 budget. Funding for July 1, 2006 to December 31, 2006 will be included in the Fiscal Year 2007 budget. The Payroll Deduction Trust Fund, budget code 930-9701-410-2011, provides for this premium increase.

CURRENT SITUATION AND ITS EFFECTS

The City currently has contracts with Health Net and Kaiser to provide health benefits for all benefited employees. Kaiser has demanded a 14.63 percent increase effective January 1, 2006. RealCare Insurance Marketing, our health and welfare benefits broker, tried to negotiate with Kaiser to lower the increase to match the 12.9 percent offered by Health Net. Unfortunately Kaiser would not reconsider the increase, citing plan costs. The Budget Office, forecasting large increases in health rates, built in a 20 percent increase in the employee fringe rate for fiscal year 2005 and a 20 percent increase for fiscal year 2006, so there are sufficient funds to cover the rate increases.

The rate increases are as follows:

| <b>Health Plan</b> | <b>Coverage Level</b> | <b>2005 Monthly Premium Rate</b> | <b>2006 Monthly Premium Rate</b> |
|--------------------|-----------------------|----------------------------------|----------------------------------|
| Kaiser HMO         | Single                | \$294.48                         | \$337.57                         |
|                    | Two Party             | \$588.96                         | \$675.14                         |
|                    | Family                | \$783.32                         | \$897.94                         |
| Health Net HMO     | Single                | \$341.06                         | \$385.06                         |
|                    | Two Party             | \$679.75                         | \$767.44                         |
|                    | Family                | \$903.18                         | \$1,019.69                       |
| Health Net POS     | Single                | \$679.17                         | \$766.78                         |
|                    | Two Party             | \$1,426.23                       | \$1,610.21                       |
|                    | Family                | \$2,037.64                       | \$2,300.50                       |

#### BACKGROUND

The City has three (3) group health plans for employees: 1) Kaiser HMO, 2) Health Net HMO and 3) Health Net POS plans. The City has a contractual obligation to pay the equivalent of the basic Kaiser rates, including eligible dependents, for all benefited employees. Employees enrolled in a health plan with premiums higher than Kaiser's rates must pay the difference in cost of the premium. For example, the difference between the Kaiser HMO family rate and the Health Net HMO family rate is \$119.86. The exception to this rule is the City pays the full premium for employees represented by SEIU Local 790 and IBEW Local 1245 who were enrolled in a health plan with premiums higher than Kaiser's rates prior to January 1, 2003. All employees represented by either SEIU Local 790 or IBEW Local 1245 hired after January 1, 2003, are required to pay the difference between the Kaiser HMO and the Health Net rates.

#### RATIONALE FOR RECOMMENDATION

Health insurance is an employee benefit required under various collective bargaining agreements with the City.

#### ALTERNATIVE ACTIONS CONSIDERED

Staff did not solicit quotations from other health plan carriers this year since our attempts to do so last year failed. Other carriers are not prepared to offer all of the options needed to cover our vast retiree group.

Staff will continue to monitor consortiums attempts to combine their groups for health coverage. Other entities such as the Bay Area Medical Review group, which is an ad hoc aggregation of cities in the Bay Area, is working on health care alternatives but they have not completed this work as yet. Staff continues to monitor this activity.

#### CONTACT PERSON

David W. Hodgkins, Director of Human Resources, (510) 981-6805

Attachments:

- 1: Resolution for Kaiser
- 2.: Resolution for Health Net

RESOLUTION NO. -N.S.

KAISER HMO HEALTH PLAN RATE INCREASES FOR CALENDAR YEAR 2006

WHEREAS, the City pays for the full health insurance premiums for all employees enrolled under the Kaiser Health Maintenance Organization (HMO) health plan.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby approves a rate increase of 14.63 percent for all employees enrolled under the Kaiser Foundation HMO Health Plan effective January 1, 2006, through December 31, 2006, as follows:

| Kaiser HMO Group # 60 - \$0 office visits, \$5 RX | City Pays | Employee Pays | Total     |
|---|-----------|---------------|-----------|
| Single  | \$ 337.57 | -0-           | \$ 337.57 |
| Two Party   | \$ 675.14 | -0-           | \$ 675.14 |
| Family  | \$ 897.94 | -0-           | \$ 897.94 |

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments reflecting these rate increases to be on file in the Office of the City Clerk.

RESOLUTION NO. -N.S.

HEALTH NET HEALTH PLAN RATE INCREASES FOR CALENDAR YEAR 2006

WHEREAS, the City pays for the health insurance premiums for the Health Net Health Maintenance Organization (HMO) and Health Net Select Point Of Service (POS) plans up to the equivalent of the Kaiser HMO plan rate for all employees except employees under SEIU Local 790 and IBEW Local 1245 enrolled prior to January 1, 2003; and

WHEREAS, the City pays the full premium for the Health Net HMO and Health Net Select POS plans for SEIU Local 790 and IBEW Local 1245 enrolled prior to January 1, 2003.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby approves a rate increase of 12.9 percent for the Health Net HMO plan and Health Net Select POS Plan effective January 1, 2006 through December 31, 2006.

| <u>Health Net HMO Group # 70077 - \$15 office visits,<br/>\$10 generic / \$20 brand / \$35 non-formulary RX</u> | City Pays | Employee*<br>Pays | Total       |
|---|-----------|-------------------|-------------|
| Single  | \$ 337.57 | \$ 47.49          | \$ 385.06   |
| Two Party   | \$ 675.14 | \$ 92.30          | \$ 767.44   |
| Family  | \$ 897.94 | \$ 121.75         | \$ 1,019.69 |

**Health Net Select Point of Service Group # 40618  
HMO= \$5 office visit, \$5 / \$10 / \$35 RX**

|           |           |             |             |
|-----------|-----------|-------------|-------------|
| Single    | \$ 337.57 | \$ 429.21   | \$ 766.78   |
| Two Party | \$ 675.14 | \$ 935.07   | \$ 1,610.21 |
| Family    | \$ 897.94 | \$ 1,402.56 | \$ 2,300.50 |

\* all employees except Locals 790 & 1245 enrolled prior to 1/1/03

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments reflecting these rate increases to be on file in the Office of the City Clerk.