



Office of the City Manager

CONSENT CALENDAR
December 10, 2019

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: LaTanya Bellow, Director of Human Resources
 Subject: 2020 Health Plan Changes

RECOMMENDATION

Adopt two Resolutions:

1) Approving rates for the Kaiser Health Maintenance Organization (HMO) health plans as follows:

- (a) 2.58% increase for Kaiser S1 Group #60 (Active Group);
- (b) 2.07% increase for the HSA-Qualified Deductible HMO Plan (Active Group)
- (c) 6.01% increase for Pre-Medicare Eligible Retirees (Retiree Group); and
- (d) -0.004% decrease for Post-65 Senior Advantage (Retiree Group)

2) Approving rates for the Sutter Health Plus health plans as follows:

- (a) 5.37% increase for the Active HMO ML30 group; and
- (b) 5.41% increase for the Pre-Medicare retiree group.

The health plan premium rates will be effective for the period of January 1, 2020 through December 31, 2020.

FISCAL IMPACTS OF RECOMMENDATION

Health care premiums are quoted on a calendar year based on standard industry practices. The City budgets are on a fiscal year basis so half of the premium cost is known and the remainder is estimated based on Budget procedures and trends in medical premium costs.

Funding for the health plan premium increases is included in the Fiscal Year (FY) 2020 adopted budget. Premiums are paid one (1) month in advance; e.g., the January 2020 premium is paid in December 2019.

Active Employees: In FY 2019, actual health insurance premium costs totaled \$21,869,109 (\$19,853,039 for Kaiser and \$2,016,070 for Sutter Health Plus). The December 4, 2018, staff report estimated that the health care cost for FY 2019 would be \$21,879,927

(\$19,863,547 for Kaiser and \$2,016,380 for Sutter Health Plus), so the actual cost was actually \$10,818 below projections.

The estimated expenditures for the first half of FY 2020 (July 1, 2019 to December 31, 2019) will total approximately \$11,100,574 (\$10,011,686 for Kaiser and \$1,088,888 for Sutter Health Plus). The estimated expenditures for the second half of FY 2020 (January 1, 2020 to June 30, 2020) will total approximately \$11,417,348 (\$10,269,987 for Kaiser and \$1,147,361 for Sutter Health Plus), for a total FY 2020 projected cost of \$22,517,922. This represents an approximate increase of \$648,813 above FY 2019 actual premium costs.

	Fiscal Year 2020 First Half (July 1, 2019 to December 31, 2019)	Fiscal Year 2020 Second Half (January 1, 2020 to June 30, 2020)	Fiscal Year 2020 Total
Kaiser	\$10,011,686	\$10,269,987	\$20,281,673
Sutter Health Plus	\$1,088,888	\$1,147,361	\$2,236,249
Totals	\$11,100,574	\$11,417,348	\$22,517,922

Funding for the health premium increases for Active Employees from January 1 to June 30, 2019 was included as part of the Council authorized expenditures included in the FY 2020 adopted budget.

The estimated cost for the first half of fiscal year 2021 (July 1 to December 31, 2020) will total approximately \$11,417,348 (\$10,269,987 for Kaiser and \$1,147,361 for Sutter Health Plus). Funding for July 1 to December 31, 2020 will be included in the FY 2021 adopted budget.

The Payroll Deduction Trust Fund, budget code 930-9701-410-2011, provides for these premiums.

Retired Employees: The City's Retiree Health Premium Assistance Plan benefit contribution is capped at an annual increase of 4.5% for Miscellaneous and Berkeley Fire Fighters Association retirees, and 6% for Berkeley Police Association (BPA) retirees. Any premium increase above the City's premium assistance cap is borne by the retirees as an out-of-pocket expense.

Retirees represented by the Berkeley Police Association who retired prior to September 19, 2012 and have a minimum of 10 years of City service (up to a maximum of 20 years of City service) are paid a pro-rated amount equal to the Active two-party Kaiser Plan rate (Berkeley Police Supplemental Retirement Plan). Currently there are 148 participants receiving this benefit at a cost to the City of \$199,570 per month, or \$2,394,840 per year. The rate increase of 2.58% for the Kaiser Health Plan Active Employee group will result in an increase of approximately \$5,149 per month, or \$61,788 per year. The Berkeley Police Supplemental Retirement Plan is a closed group; members retiring on or after

September 19, 2012 are eligible for the Retiree Health Premium Assistance Plan as noted above.

Funding for retiree health premium assistance plan benefits comes from trust funds established for this purpose. The City has established separate retiree health premium assistance plans and trust agreements for the various Unions and unrepresented employees. The City has established a practice to pre-fund each of these trust funds for the purpose of having assets available to pay for the benefit.

CURRENT SITUATION AND ITS EFFECTS

The City has contracts with Kaiser and Sutter Health Plus to provide health benefits for all benefited employees, with 1,126 employees in the Kaiser HMO plan and 124 employees in the Sutter Health Plus plan. There are 188 employees receiving cash in lieu benefits.

In September 2019, Kaiser and Sutter Health Plus provided the City with insurance premium rate quotes for calendar year 2020. Kaiser quoted an increase of 3.09% for the Kaiser S1 Group. The City is required to pay up to the Kaiser S1 Group plan for all active benefitted City employees, thus this represented a significant impact to the City. Staff and Keenan & Associates (Keenan), the City's benefits broker, were able to reduce the increase to the Kaiser S1 Group to 2.58% by renegotiating the 1% load for specialty benefits down to a 0.5% load.

The final rates for all the Kaiser plans are as follows:

- 2.58% increase for the Kaiser S1 Active Group;
- 2.07% increase for Kaiser HSA-Qualified Deductible HMO Active Group Plan;
- 6.01% increase for the Pre-Medicare Retiree Group; and
- 0.004% decrease for the Post-65 Senior Advantage Retiree Group.

The final rates for the Sutter Health Plus plans are as follows:

- 5.37% increase for the Active HMO ML30 group; and
- 5.41% increase for the Pre-Medicare retiree group.

The health plan rates are based primarily on service utilization and claims experience. So these factors, along with rising medical costs, are the reasons given for the premium increases.

The 2020 rates for Active Employees will be:

Active Employees	Coverage Level	2019 Monthly Premium Rate	2020 Monthly Premium Rate	City Pays	Employee Pays
Kaiser HMO S1 Group	Single	\$776.53	\$796.55	\$796.55	\$0
	Two Party	\$1,553.07	\$1,593.09	\$1,593.09	\$0
	Family	\$2,065.58	\$2,118.81	\$2,118.81	\$0
Sutter Health Plus	Single	\$766.90	\$808.11	\$796.55	\$11.56
	Two Party	\$1,534.01	\$1,616.35	\$1,593.09	\$23.26
	Family	\$2,041.55	\$2,151.09	\$2,118.81	\$32.28

Employees enrolled in a health plan with premiums higher than Kaiser's rates must pay the difference in premium costs, so employees enrolled with Sutter Health Plus will have to pay the difference.

The Affordable Care Act (ACA) requires employers to offer health insurance that is affordable and provides minimum essential coverage to at least 95% of eligible employees. An eligible employee is anyone who works an average of 30 hours per week within a 12-month period (the City of Berkeley's 12-month period is November 1 through October 31). Employers are required to offer health coverage, regardless of whether the employee would normally not be eligible for health insurance benefits under the employer's own rules. These employees are considered full-time equivalent for the purpose of the ACA.

Although the ACA only requires employers to offer health coverage to 95% of eligible employees, the City offers health coverage to 100% of all ACA eligible employees. This ensures that all ACA eligible employees have the opportunity to receive health insurance coverage.

The plan offered by the City that meets the requirements under the ACA (affordable and provides minimum essential coverage) is the Kaiser HSA-Qualified Deductible HMO Plan. The 2019 monthly premium rates for this plan will be:

ACA Qualified Plan – Active Employees	Coverage Level	2020 Monthly Premium Rate
Kaiser HSA-Qualified Deductible HMO Plan	Single	\$545.76
	Two Party	\$1,091.52
	Family	\$1,544.51

The City is required to pay 50% of the employee single monthly premium, and the difference is paid by the employee. City staff completed a census, and as of October 18,

2019, four (4) employees will be eligible for this plan. The additional annual cost to the City would be \$17,610 if all four (4) eligible employees enrolled in this plan.

Retiree Group Plans 2020 Rates:

Pre-Medicare Retirees	Coverage Level	2019 Monthly Premium Rate	2020 Monthly Premium Rate
Kaiser HMO	Single	\$1,322.61	\$1,402.07
	Two Party	\$2,645.23	\$2,804.15
	Family	\$3,742.99	\$3,967.87
Sutter Health Plus HMO	Single	\$1,029.57	\$1,085.27
	Two Party	\$2,059.38	\$2,170.71
	Family	\$2,740.47	\$2,888.58

Post 65 Retirees	Coverage Level	2019 Monthly Premium Rate	2020 Monthly Premium Rate
Kaiser Senior Advantage	Single	\$427.53	\$425.63
	Two Party	\$855.06	\$851.26

Currently, Sutter Health Plus does not offer a Medicare coordinated plan. Retirees bear most of the health plan rate increases as an out-of-pocket expense because the benefits from the City's Retiree Health Premium Assistance Plan Trust is capped at a 4.5% annual increase (6% for BPA retirees).

BACKGROUND

The City has two (2) group health plans for employees: 1) a Kaiser HMO plan and 2) a Sutter Health Plus HMO plan. 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. Therefore employees who enroll in the Sutter Health Plus HMO plan will be responsible for the difference.

Separately, the City offers two (2) group health plans for retirees: 1) a Kaiser HMO plan and 2) a Sutter Health Plus HMO plan. Employees who retired prior to July 1, 1998 pay the full cost of the health insurance premium. Employees who retired after July 1, 1998, who meet certain eligibility criteria, are eligible for benefits under the City's Retiree Health Premium Assistance Plan.

Under the City's Retiree Health Premium Assistance Plan, the City pays a portion of the employee's health insurance premiums. The amount is prorated based on the employee's years of service. The City's annual contribution increase is capped at 4.5% (6% for BPA retirees). The retiree pays the difference between the City's monthly contribution and the

actual monthly insurance premium charged by the health plan he or she has elected for retiree medical coverage.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

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

ALTERNATIVE ACTIONS CONSIDERED

Staff and Keenan were satisfied with the rate decrease from Kaiser, Sutter Health Plus came in with a higher increase in their rates, which will cause employees enrolled in this plan to be responsible for the difference in cost. Full-time benefited employees are able to enroll in the Kaiser plan at no cost.

CONTACT PERSON

LaTanya Bellow, Director of Human Resources, Human Resources, (510) 981-6807.

Attachments:

1. Resolution to authorize rate changes for Kaiser
2. Resolution to authorize rate changes for Sutter Health Plus

RESOLUTION NO. -N.S.

AUTHORIZING RATE CHANGES FOR THE KAISER HEALTH PLANS
EFFECTIVE JANUARY 1, 2020 THROUGH DECEMBER 31, 2020

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 by the Council of the City of Berkeley that a rate increase of 2.58% for the Active Employee Kaiser HMO Group; a 2.07% rate increase for the HSA-Qualified Deductible HMO Group; a 6.01% rate increase for the Pre-Medicare Retiree Group; and a 0.004% rate decrease for the Post-65 Retiree Senior Advantage group, all effective January 1, 2020, through December 31, 2020, as follows:

Active Group	City Pays	Employee Pays	Total
Kaiser S1 (HMO) Group #60 (\$0 office visits, \$5 RX)			
Single	\$796.55	-0-	\$796.55
Two Party	\$1,593.09	-0-	\$1,593.09
Family	\$2,118.81	-0-	\$2,118.81
HSA-Qualified Deductible HMO Plan (Deductible - \$2,700 single, \$5,450 family)			
Single	\$272.88	\$272.88	\$545.76
Two Party	\$272.88	\$818.64	\$1,091.52
Family	\$272.88	\$1,271.63	\$1,544.51

Retiree Groups	City Pays	Employee Pays	Total
Early Retiree (Pre-Medicare) Retiree Group (\$5 office visits, \$5 RX)			
Single	Varies	Varies	\$1,402.07
Two Party	Varies	Varies	\$2,804.15
Family	Varies	Varies	\$3,967.87
Senior Advantage (Post-65 Retiree) Group (\$5 office visits, \$5 RX)			
Single	Varies	Varies	\$425.63
Two Party	Varies	Varies	\$851.26

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.

AUTHORIZING RATE CHANGES FOR SUTTER HEALTH PLUS HEALTH PLANS
EFFECTIVE JANUARY 1, 2020 THROUGH DECEMBER 31, 2020

WHEREAS, the City pays for the health insurance premiums for the Sutter Health Plus Health Maintenance Organization (HMO) plans up to the equivalent of the Kaiser HMO plan rate for all employees except employees.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that a rate increase of 5.37% for the Sutter Health Plus HMO for Active Employees, and a rate increase of 5.41% for the Early Retiree Sutter Health Plus HMO group plan, all effective January 1, 2020 through December 31, 2020.

Active Group	City Pays	Employee Pays	Total
Sutter Health Plus HMO Group #116006 (\$10 office visit, \$10/\$30/\$60 RX)			
Single	\$796.55	\$11.56	\$808.11
Two Party	\$1,593.09	\$23.26	\$1,616.35
Family	\$2,118.81	\$32.28	\$2,151.09

Retiree Group	City Pays	Employee Pays	Total
Pre-Medicare Retiree Sutter Health Plus HMO (Group #116006 - \$10 office, \$10/\$30/\$60 RX)			
Single	Varies	Varies	\$1,085.27
Two Party	Varies	Varies	\$2,170.71
Family	Varies	Varies	\$2,888.58

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.