



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** DECEMBER 17, 2019

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** KENNETH A. DOMER, CITY MANAGER

**PREPARED BY:** GRETCHEN BEATTY, DIRECTOR OF HUMAN RESOURCES

**SUBJECT:** GROUP INSURANCE RENEWAL

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### **SUMMARY**

This is the annual report and recommendations for proposed contract renewals for the City's fully-insured group health insurance program. Most plans in the program do not require additional signatures and will renew automatically on January 1, 2020 unless affirmatively cancelled. Any renewals to the contracts that require authorized signatures will be finalized by the carriers and prepared for signature following City Council approval. All plans addressed herein are required under collective bargaining agreements with the exception of the Cigna Employee Assistance Plan (EAP) and the Cigna Minimum Value Health Maintenance Organization (HMO) (a minimum value plan implemented to meet the requirements of the Federal Patient Protection and Affordable Care Act (ACA)).

### **RECOMMENDATION**

1. Accept the renewal proposals of Cigna Open Access Plan (OAP), Cigna Full HMO, Cigna Select HMO and Kaiser HMO for medical coverage for represented employees for the 2020 calendar year.
2. Accept the Cigna Minimum Value HMO renewal proposal for 2020.
3. Accept the renewal proposal of Delta Dental of California for dental insurance for 2020.
4. Accept the renewal proposal of The Standard Insurance Company for Life and Accidental Death and Dismemberment (Life/AD&D) coverage and Long-Term Disability (LTD) insurance for 2020.
5. Accept the renewal proposal of Vision Services Plan for vision coverage for 2020.
6. Accept the renewal proposal of Cigna to provide an EAP for 2020.

7. Authorize the City Manager or his designee to execute agreements as required.

#### PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement/s:

- Fiscal and Organizational Stability.

#### FISCAL IMPACT

Projected expenditures for the current fiscal year are reflected in the following table:

PLAN	Estimated 2019/2020 Expenditures
Medical Insurance	\$ 7,838,555
Dental Insurance	\$ 159,540
Vision Insurance	\$ 33,600
Life Insurance	\$ 29,736
Long Term Disability Insurance	\$ 180,000
Cigna Employee Assistance Program	\$ 15,000
TOTAL	\$ 8,256,431

Funding for these expenditures is included in the approved budget appropriations for Fiscal Year 2019-20. There are sufficient funds available to meet anticipated expenses and no budget adjustments are projected at this time. Staff will continue to monitor the budget.

#### DISCUSSION

The City of Fullerton provides a comprehensive set of health and welfare benefits, including medical, dental, vision, life and disability coverage for eligible active employees, as well as access to medical and dental group coverage for eligible retirees. Employees represented by the Fullerton Fire Association (FFA) and Fullerton Fire Management Association (FFMA) are eligible for coverage through benefit plans offered by the California Public Employees Retirement System (CalPERS) all other regular employees are offered medical plans through City sponsored medical plans.

The renewal process began early in the year with strategic conversations with our benefits broker, Burnham, to develop a multi-year health and welfare strategy considering the City's short-and long-term goals. Burnham managed the renewal process and aggressively negotiated on behalf of the City to ensure the most comprehensive, financially competitive benefits package. The 2020 renewal information has been presented to the City's Medical Advisory Committee, a group of employees representing the Fullerton Municipal Employees Federation (FMEF), Fullerton Police Officers' Associations (FPOA), Fullerton Police Management (FPMA) and Fullerton Management Association (FMA) bargaining units

Cigna initially proposed an 8.6% increase. However, after negotiations Cigna agreed to a 3% overall increase. Kaiser proposed a 7.48% increase, but agreed to a 5.86%.

Delta Dental initially proposed a 1.6% increase but due to favorable claims experience, Burnham was successful in negotiating a rate pass for 2020.

Vision, Life / AD&D and employee assistance plan rates are in a rate guarantee through December 31, 2020. Although the Long Term Disability Plan (LTD) is in a rate guarantee through 2020, Burnham negotiated a 10% decrease.

Specific information concerning eligibility, enrollment and City contributions for the various components of the City benefits package is as follows:

*Cigna OAP, Full Network HMO, Select Network HMO*

Approximately 45% of the eligible City employees are enrolled in one of the Cigna plan options. The most popular selection among the Cigna options is the Select HMO. Due to the benefits of the partnership with the St. Joseph Health System this plan offers reduced copays and premiums. The OPA plan, a high deductible plan, has the lowest enrollment with fewer than ten choosing this option. Cigna provides funding for various wellness program and incentives.

Employees in the FMEF, FMA, Confidential / Non-Represented and Executive units will absorb all premium increases in the Cigna plan. Employees in the FPOA and FPMA will split premium increases 50 / 50 with the City.

*Kaiser*

The majority of eligible City employees have chosen the Kaiser Plan option. As with the Cigna plans, FPOA and FPMA employees will split premium increases 50 / 50 with the City. The fixed City contributions for other units will result in those employees absorbing the premium increases.

*CalPERS Health Benefit Program: FFMA and FFA*

FFMA and FFA are provided health benefits through the CalPERS Health Benefits Program. CalPERS offers various HMO and Preferred Provider Organization (PPO) health plans for 2020 with an overall average premium increase of 4.65%. The HMO plans overall average premium increase is 5.98% and the PPO plans increased 3.28%.

The most popular coverage choice for employees and retirees in this unit is the Peace Officers Research Association of California (PORAC) PPO plans. The City liability for contributions for other plan options is limited to the contributions for the PORAC plan. Since the PORAC plan decreased in 2020, the savings is currently split between the City and employees with employees receiving 60% of the decrease and the City receiving the balance of the savings.

*Minimum Value Plan for Non-Regular Employees*

Burnham works proactively to keep the City's benefits program and administrations compliant with federal and state regulations and the City will continue to comply with the ACA requirements. In compliance with the ACA, the City provides the Cigna Minimum Value HMO plan to eligible non-regular employees. Eligible non-regular employees are part-time or temporary employees that work, on average, thirty or more hours per week. The plan meets the ACA test for affordability and minimum essential coverage. The premium increase for this plan is 2.98%. The monthly employee contribution for this

## Contract Renewals for Group Insurance Programs December 17, 2019

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plan will be set at \$101 in accordance with Resolution 2015-22. Fewer than fifteen employees qualify for this plan and only four of which are enrolled.

### *Dental*

The City provides two dental plan options to employees through Delta Dental. For the fourth consecutive year, there are no premium increases for the Delta HMO and PPO plans for 2020. The City contribution is limited to the maximum of the employee-only premium or \$25 per month for either plan for most employees as determined by collective bargaining agreements.

### *Life / AD&D*

The City contracts with The Standard Insurance Company for Life / AD&D coverage. There is no increase in premium for this plan for 2020 as the City is in a rate guarantee through December 31, 2020. Eligibility for coverage limits is determined by collective bargaining agreements.

### *LTD*

The City contracts with The Standard Insurance Company for LTD coverage. Burnham negotiated a 10% decrease for 2020. The plan covers non-safety employees only. Eligibility for coverage limits is determined by collective bargaining agreements.

### *EAP*

Cigna's EAP program offers limited mental health and substance abuse counseling and assistance with financial planning, legal services and childcare or eldercare needs to all benefited employees. The premium for this plan, provided by Cigna, will not increase in 2020. In addition to coverage for individual needs, this plan offers benefits to the City such as wellness seminars and webinars.

### *Vision Insurance*

Eligibility for benefits under this plan is determined by collective bargaining agreements.

### Attachments:

- Attachment 1 – Cigna HD Open Access Plan EOC
- Attachment 2 – Cigna HD Open Access Plan w/HSA EOC
- Attachment 3 – Cigna Full Network HMO EOC
- Attachment 4 – Cigna Select Network HMO EOC
- Attachment 5 – Cigna MVP EOC
- Attachment 6 – Cigna Extraterritorial Legislation 2020
- Attachment 7 – Cigna 2020 Amendment
- Attachment 8 – Kaiser Agreement and EOC 2020
- Attachment 9 – Delta Dental PPO EOC

Contract Renewals for Group Insurance Programs  
December 17, 2019

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- Attachment 10 – Delta Dental HMO EOC
- Attachment 11 – The Standard LTD Policy
- Attachment 12 – VSP Agreement and EOC
- Attachment 13 – Cigna EAP