



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** NOVEMBER 16, 2021

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** STEVE DANLEY, ACTING CITY MANAGER

**PREPARED BY:** EDDIE MANFRO, INTERIM DIRECTOR OF HUMAN RESOURCES  
CHRISTINE PILAPIL, HUMAN RESOURCES MANAGER I

**SUBJECT:** 2022 GROUP INSURANCE PLAN RENEWAL

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### **SUMMARY**

This item contains the annual report for the City's group health insurance program. The plans in the program do not require signature and will renew automatically on January 1, 2022. All plans addressed herein are required under collective bargaining agreements with the exception of the Cigna Employee Assistance Plan and the Cigna Minimum Value Health Maintenance Organization, which is a minimum value plan implemented to meet the requirements of the Federal Patient Protection and Affordable Care Act (ACA).

### **RECOMMENDATION**

Receive and file report.

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

### **FISCAL IMPACT**

The Fiscal Year 2021-22 adopted budget includes funds for the employee group insurance programs, with plan breakdowns as follows:

PLAN	Appropriated 2021-22 Expenditures
Medical Insurance (Cigna and Kaiser)	\$ 6,197,046
Medical Insurance (CalPERS / PEMHCA)	\$ 1,335,990
Dental Insurance	\$ 146,000
Vision Insurance	\$ 45,000
Life Insurance	\$ 25,000

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PLAN	Appropriated 2021-22 Expenditures
Long Term Disability Insurance	\$ 160,000
Cigna EAP	\$ 14,000
TOTAL	\$ 7,923,036

## DISCUSSION

The City of Fullerton provides a comprehensive set of health 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. The City determines City and employee contributions through collective bargaining.

The 2022 renewal process for the City-sponsored plans began earlier this year and included strategic conversations with the City's benefits broker, Burnham Benefits Insurance Services (Burnham). Burnham managed the renewal process and aggressively negotiated on behalf of the City with providers to ensure the most comprehensive and financially competitive benefits package.

The City established a medical advisory committee (MAC) through four bargaining units and City employees representing the units. The bargaining units include: Fullerton Municipal Employees Federation (FMEF), Fullerton Management Association (FMA), Fullerton Police Officers' Association (FPOA) and the Fullerton Police Management Association (FPMA). In July 2021, Burnham presented the 2022 renewal information to the MAC. The MAC reviewed the rates and provided the information to their respective bargaining units.

### *City Sponsored Programs*

Providers consider a number of factors when setting renewal rates, including prior utilization of services and large claims. Cigna initially proposed a 13.15% increase, but Burnham negotiated the renewal increase down to 4.52%. Kaiser set a 6% increase and remained steadfast during negotiations. The following table reflects initially proposed and the final negotiated increases or decreases.

Plan	2022 Initial <u>Proposed</u> Renewal Increase	2022 Final <u>Negotiated</u> Renewal Increase/(Decrease)
Cigna	13.15%	4.52%
Kaiser	6.0%	6.0%
Delta Dental HMO	0%	(5.0%)
Delta Dental PPO	0%	(5.0%)
VSP	0%	(12.6%)
LTD	0%	0%
Life/AD&D	0%	0%

Increases for 2022 are attributed solely to the medical plans. Delta Dental and VSP proposed a rate pass (0% increase) on their respective plans, but Burnham negotiated decreases with both carriers. Attachment 1 includes monthly premiums for City

sponsored benefit plans. City and employee contributions vary by bargaining group or employee unit and are determined through collective bargaining.

There were no increases to Life Insurance, Accidental Death & Dismemberment Insurance, and Long Term Disability, as they have rate guarantees through 2022.

Employees represented by the FMA, FMEF, FPMA, FPOA (Safety and Dispatch), Confidential and Executive Employees are eligible for health coverage through a City sponsored program. The FMA, FMEF, Executive and Confidential employees have flat rate City contributions that vary by agreement for each program. Therefore, the employees absorb all increases to premiums. Increases for these groups average 12% to 14% based on chosen coverage. The City and the FPMA and FPOA share increases or decreases to premiums equally (50%/50%). This results in an average increase of 11% for members of these units.

#### Minimum Value Plan for Non-Regular Employees

In compliance with the ACA, the City provides the Cigna Minimum Value HMO plan to eligible non-regular employees. Eligible non-regular employees are temporary employees that work, on average, 30 or more hours per week. The plan meets the ACA test for affordability and minimum essential coverage. The monthly employee contribution for this plan is set at \$103 in accordance with Resolution No. 2020-104. Currently, fewer than ten employees qualify for the plan, of which only two have enrolled.

#### Dental Insurance

The City provides two dental plan options to all regular employees through Delta Dental. 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 Insurance

The City contracts with The Standard Insurance Company for Life / AD&D coverage. Collective bargaining agreements determine eligibility for coverage limits.

#### Long Term Disability (LTD)

The City contracts with The Standard Insurance Company for LTD coverage. The plan covers non-safety employees only. Collective bargaining agreements determine eligibility for coverage limits.

#### Vision Insurance

Collective bargaining agreements determine eligibility for benefits under this plan.

#### *Public Employees' Medical & Hospital Care Act (PEMHCA) / California Public Employees Retirement System (CalPERS) Health Program*

Employees represented by the Fullerton Fire Management Association (FFMA) and Fullerton Firefighters' Association (FFA) may receive health coverage through benefit plans offered by PEMHCA which governs the CalPERS Health Program. CalPERS Board of Administration negotiates rates in this program.

The Peace Officers Research Association of California (PORAC) plan is the baseline and used for establishing City contributions for all plans available through CalPERS. The City

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and the FFMA and FFA share increases or decreases to premiums (40% / 60% respectively). Rates for PORAC regional plans averaged an increase of 2.66%. Employee contributions will increase an average of 4.69% based on their chosen coverage.

Other than health, FFMA and FFA employees may participate in other City sponsored programs as required by their bargaining unit agreements.

Attachments:

- Attachment 1 – City Sponsored Program Premiums
- Attachment 2 – 2022 Health Insurance Rate Sheets