

REPORT TO THE CITY COUNCIL



DATE: May 2, 2017

TITLE: Resolution Designating an Official Representative and an Alternate Representative to the Public Agency Coalition Enterprise (PACE) JPA Board of Directors and to Change the Employee Benefits Program from CalChoice to the PACE Program

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Reviewed by: Joseph M. Tanner, Administrative Services Director

RECOMMENDATION

- 1) Adopt a Resolution of the City Council of the City of Desert Hot Springs designating an Official Representative and an Alternate Representative to the PACE JPA Board of Directors; and
- 2) Authorize the City Manager to execute JPA membership documents and change the City employee medical benefits coverage from CalChoice to PACE, effective July 1, 2017.

BACKGROUND

Benefits for medical insurance are currently provided to City employees through CalChoice. Prior to November 2014, City employees had medical coverage through Anthem Blue Cross with premiums based on a large employer group population. Due to changes in the law under the Affordable Care Act, effective November 1, 2014, the City no longer qualified as a large group employer and lost their coverage through Anthem Blue Cross. The City then obtained coverage through CalChoice with plans and age-rated premiums based on a small group population. Without the advantage of a large group status, employees had to select from medical plans with higher co-pays, deductibles, and out of pocket costs. There was no financial impact to the City but the employees bore additional medical costs when using medical benefits. The PACE program is a medical pool offered by our current benefit brokerage, Keenan and Associates. Since PACE is a part of a Joint Powers Authority (JPA) that includes many other public agencies, the City of Desert Hot Springs can qualify for the benefits of a large group status without age-rated premiums. Concurrently, PACE is able to offer plans with lower copays, deductibles, and out of pocket medical costs. With the PACE program, employees may continue to elect to add their spouse and/or children to their coverage and choose between EPO and PPO plans with Anthem Blue Cross or an HMO plan with Kaiser Permanente.

DISCUSSION

The City's current insurance broker has provided a comparison of a CalChoice gold plan with that of Anthem Blue Cross and Kaiser, as well as the City's previous coverage under Anthem Blue Cross (Exhibit 1).

Attached is a proposed Employee Benefits Schedule showing combined benefit premiums and maximum City contributions (Exhibit 2). If approved, the City will provide the maximum contribution amounts. Employees will continue to be responsible for their share of the premiums, no greater than current contributions, based on the elected number of dependents. Each employee will choose health care options from either Anthem Blue Cross EPO or PPO or Kaiser HMO. Upon City Council approval, an Open Enrollment will take place from May 30 to June 7, 2017, allowing City employees to meet with benefit representatives and make choices prior to the effective date of July 1, 2017.

FISCAL IMPACT

Based on the current employee census and the cost analysis completed by staff, it appears that there will be an increase of approximately \$76,000 to the approved budget amount of \$689,849 for the 17/18 fiscal year which will be paid by the City. The premium rates are based on an 18 month rate guarantee. The plan year will be changed from fiscal year to calendar year and the premium amounts are guaranteed until January 1, 2019.

The overall premium renewal quoted by CalChoice for the 17/18 fiscal year shows an increase of 10.2%. Premium increase trends for CalChoice is 6-10% each year. Historically, the average renewal increase for the PACE PPO over 7.5 years is 3.20%. The average renewal increase for the PACE EPO over 3.5 years is 2.86%. There is not enough historical data to provide the trend for PACE Kaiser HMO.

EXHIBIT(S)

- 1) Proposed Benefit Plan Comparison provided by Keenan and Associates
- 2) Proposed Employee Benefits Schedule
- 3) Resolution of the City Council of the City of Desert Hot Springs Designating an Official Representative and an Alternate Representative to the PACE JPA Board of Directors
- 4) Amended and Restated Joint Exercise of Powers Agreement
- 5) Amended Bylaws Public Agency Coalition Enterprise Joint Powers Authority
- 6) Exhibit B Agreement and Acceptance of Amended and Restated Joint Exercise of Powers Agreement
- 7) PACE JPA Agency Departments