

Meeting Date: 9/30/2014

Report Type: Consent

Report ID: 2014-00730

Title: Authorization to Enter Into Health Carrier Contracts (Two-Thirds Vote Required)

Location: Citywide

Recommendation: Pass a Motion 1) waiving the 10-day posting requirement for contracts prior to Council action pursuant to the Council Rules and Procedures; 2) suspending competitive bidding on the contract with Kaiser Permanente; and 3) authorizing the City Manager or the City Manager's designee to execute the health carrier agreements with Kaiser, Western Health Advantage, Sutter Health Plus, and Health Net.

Contact: Geri Hamby, Director, (916) 808-7173; Kimberly Isaacs, Human Resources Manager, (916) 808-7657, Department of Human Resources

Presenter: None

Department: Human Resources

Division: Benefits And Retirement

Dept ID: 08001211

Attachments:

1-Description/Analysis

City Attorney Review

Approved as to Form
Sandra Talbott
9/22/2014 2:05:32 PM

Approvals/Acknowledgements

Department Director or Designee: Geri Hamby - 9/22/2014 9:48:35 AM

Description/Analysis

Issue Detail: Council approved Labor Agreements and the Affordable Care Act requires the City to provide health insurance to eligible employees. For more than 20 years, the City has contracted with Kaiser Permanente and Health Net to provide quality medical benefits to employees. In May 2014, in accordance with the City's procurement policy, a Request for Proposals (RFP) was issued seeking qualified health insurance carriers to provide medical benefit services that mirrored the current Health Net plan. After a thorough evaluation of the four proposals received, staff has determined it is in the City's best interest to contract with Western Health Advantage and Sutter Health Plus for active employees and non-Medicare retirees, and Health Net for Medicare retirees. As medical costs continue to rise, Western Health Advantage and Sutter Health Plus will provide lower premium rates with the same level of service for most employees.

Kaiser Permanente provides medical insurance for Kaiser medical facilities and services. As no other health insurance carrier is able to provide insurance for Kaiser Medical services, this insurance was not included in the aforementioned RFP. Kaiser Permanente is recognized as a sole source and staff recommends suspending competitive bidding to contract with Kaiser Permanente for medical benefit services.

In accordance with the Department of Managed Health Care (DMHC), the City is required to provide sufficient notice to employees of any changes in health carriers. Additionally, all health plans must be approved by the Department of Managed Health Care. Once the DMHC approves the plans, the City will be able to enter into the health carrier agreements. However, the agreements will not be executed until mid-October. With City Council's authorization for the City Manager to enter into health carrier agreements the City will be able to provide adequate notice to City employees of the intent to approve the new carriers.

Policy Considerations: Through the competitive bid process, a RFP was published and four proposals were received and evaluated. After a review of all proposals, it was determined that Western Health Advantage, Sutter Health, and Health Net have the experience and capability to provide the services necessary while maintaining a lower cost. Further, that Kaiser Permanente continues to provide quality medical benefits.

Economic Impacts: None

Environmental Considerations: Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability: There are no sustainability considerations applicable to this action.

Commission/Committee Action: None

Rationale for Recommendation: Council approved Labor Agreements and the Affordable Care Act requires the City to provide health insurance to eligible employees. It is in the City's best interest to contract with health carriers that are able to provide quality medical services at the lowest possible cost.

Financial Considerations: The City pays approximately \$55 million per year to the current health carriers. City contributions account for approximately \$40 million while employees and retirees contribute the remaining portion. City contributions are approved in the Labor Agreements and the Unrepresented Resolution. Funding for the City contributions is approved each year through the budget resolution.

Local Business Enterprise (LBE): Western Health Advantage and Sutter Health's headquarters are located in the City of Sacramento. Although, Health Net and Kaiser Permanente provide services in the City of Sacramento and Sacramento region their headquarters are located outside the region.