

Agenda Report



MEETING DATE: Tuesday, January 16, 2024

TO: City Council

FROM: ADMINISTRATIVE SERVICES DIRECTOR DURAN
DEPUTY CITY MANAGER MANNING

SUBJECT: CONSIDERATION OF CITY COUNCIL HEALTHCARE BENEFITS

RECOMMENDED ACTION:

Adopt a resolution forming an elected coverage group to allow current and future City Councilmembers to participate in the City Health Care Plan, and directing the City Manager and City Attorney to take all actions necessary to effectuate such participation.

BACKGROUND:

The Charter amendment adopted by the voters on November 5, 2024 permits the City Council to receive health care benefits consistent with those received by City employees.

DISCUSSION:

The City of Watsonville was previously self-insured for health care, which allowed us to maintain a robust and benefit-rich plan. In 2013, the City transferred this plan to an insurance pool keeping the same plan and same requirements. While cost effective and offering the same robust health benefits, this approach has also limited our flexibility, as we can only offer one health plan.

In consultation with the City's health care broker and underwriter the Council may consider forming a unique "Elected Group" for the seven member of the Council which may allow them to elect to participate in the City's plan at the same cost offered to employees.

If the Council approves the provision of health care coverage, this is a one-time determination to establish an Elected group and cannot be changed in the future unless the City adopts a different health care model.

It is important to note that the City has a health committee which is comprised of a representative from every bargaining unit in the City. Any changes to the city offered health plan must be approved by this committee. While other health plan options have been explored on a periodic basis, to date the health committee has opted to continue with the City's health plan recognizing it greatly benefits the majority of employees. If formed, the Elected group will be subject to any changes and decisions made by the Health Committee to the unique health plan offered by the City.

In order to form an Elected group for health care coverage, all council members will be required to submit a Large Claimant Disclosure Statement for consideration by the underwriter prior to final approval. Due to the temporary nature of Council terms, unlike full time employees, Council members may individually opt out of the health coverage if proof of existing medical coverage is provided to the Human Resources Department.

If the “elected group” is created, then Council members who cannot provide proof of medical coverage will be required to participate in the health care plan at the same cost as employees which is currently \$442.50 per month and subject to annual cost increases. The cost for the City per employee is currently \$1,437.50 per month. This cost includes medical, dental, and vision coverage for the employee and any eligible dependents.

For informational purposes only we are providing, Table 1, which summarizes the costs of other available health plans in our geographical area. The City’s Anthem Blue Cross PPO plans most comparable to the PERS Platinum plan, and our rates are about half the cost of that plan. Our cost below includes dental, and vision and the other plans do not include those costs, they are in addition to these rates.

Table 1	
Basic Monthly Premiums Comparison	
	Tier 3
Plan Name	Monthly Rate
City of Watsonville	1,800
PERS Gold	2,636
PERS Platinum	3,838
Kaiser Permanente	2,894
Anthem Blue Cross Traditional HMO	3,901
Average Cost	3,014
City is 67% less than the average	

As previously mentioned, the trade off to having excellent coverage at a lower-than-average cost is the rigidity of the plan. Therefore, it must be emphasized that if the Council approves to participate in the health plan and an Elected group is formed, this group will be subject to City’s current health care structure and any future changes as may be determined by the Health Committee. The Council as a body will not have the ability to make any changes or alterations to health care coverage.

Elected officials participating in the health care plan will be subject to pay the annual rates equal to those paid by employees. When a council member leaves office, they may have the ability to purchase COBRA insurance at their own expense for a limited time as determined by law. If participation in the plan is approved, the Council accepts that the Elected group will be subject to all terms and conditions of the current plan as outlined by the underwriter and broker and any future changes as determined by the Health Committee.

STRATEGIC PLAN:

7-Efficient and Well-performing Government

FINANCIAL IMPACT:

This benefit is a new, ongoing expense to the General Fund. The cost for providing this benefit will range from \$17,250 - \$120,740 for calendar year 2025 depending on the number of participants. This annual cost may be subject to annual increases as determined by the City's health care broker.

ALTERNATIVE ACTION:

The Council could decide not to form an elected coverage group, in which case no Councilmember would be able to participate in the City's health care plan.

ATTACHMENTS AND/OR REFERENCES (If any):

None.