



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Employee Medical Stipend

1. Motion to approve a Medical Stipend for City of Glendale Employees, in the Aggregate Amount of \$2,347,295, to Cover Medical Premium Increases from June 2023 through June 2024
2. Resolution of appropriation

COUNCIL ACTION

Item Type: Action Item

Approved for August 8, 2023 **calendar**

EXECUTIVE SUMMARY

In June 2022, the City's health insurance premium for its Anthem Plan had a single year increase of 29.2%. Per the terms of the various Memorandum of Understandings for all City bargaining groups, this increase was to be shared between employees and the City on a 50/50 basis. As a result, employees experienced significant increases in their premiums that ranged from \$1,084 per year to \$3,935 per year, depending on the level of coverage (i.e., single, two-party, family). Given these unprecedented increases, and historic levels of inflation, in December 2022 the City Council authorized a one-time medical stipend payment of approximately \$1.7 million to make employees whole for these increases.

Since then, staff has started evaluating different options regarding its health benefits offered to employees. Suffice to say, health insurance coverage is a complex topic and depending on the decisions made in the upcoming months, it will have a lasting impact on all City of Glendale employees. As such, staff is performing their due diligence to determine the best path forward for employees of today, tomorrow, and the future.

Given the time needed to analyze this issue, the City worked with its current broker for the 2023 renewal rates. Fortunately, the Anthem rates increased a modest 2% while Kaiser's rates increased 13%. While the 2023 premium increases were better across the board, employees are still feeling the effect of the 2022 increases while staff continues to evaluate options. Therefore, we recommend one final medical stipend payment, totaling approximately \$2.3 million for all City of Glendale employees for the medical premium increases experienced since 2022. This will provide enough time for staff to complete its analysis while easing the burden of the premium increases for the

next 12 months (June 2023 through May 2024) until the next open enrollment period in the spring of 2024.

COUNCIL PRIORITIES

N/A

RECOMMENDATION

Approve the motion authorizing a medical stipend payment to City of Glendale Employees and the accompanying resolution of appropriation.

BACKGROUND

The City of Glendale offers health care to its full-time employees as part of its comprehensive benefit package. Approximately 1,200 City of Glendale employees currently receive coverage. The City utilizes the services of an insurance broker to negotiate the best rates possible for the City. The City offers its employees several plans via Anthem Blue Cross and Kaiser. Each year, the City's insurance broker negotiates with each carrier to arrive at the lowest cost possible for the level of coverage offered through the various plans. Generally, Glendale's premiums are affected by a) claims experience of its employees, and b) the general increase in medical costs.

From June 2016 through June 2021, the City's average annual increase for the Anthem PPO has been approximately 3% and for Kaiser is approximately 6%. In June of 2022, the City's premium for the Anthem PPO plan increased 29.2%, which is unusual given the average annual increases up until this point. While there are several factors that contributed to the increase, including record inflation, the City had an unusually high claims experience during the measurement period which caused the sharp increase. The monthly increases for the Anthem PPO single, two-party, and family is summarized in the table below.

**Anthem Blue Cross PPO
Monthly Premium**

	June 2021 Monthly Premium	June 2022 Monthly Premium	Monthly Increase	Employee Monthly Increase
Single	\$617.12	\$797.85	\$180.73	\$90.37
Two-Party	\$1,579.18	\$2,041.70	\$462.52	\$231.26
Family	\$2,239.49	\$2,895.39	\$655.90	\$327.95

Per the MOU's for all City bargaining groups, all yearly increases in medical premiums are shared equally between the City and employees. As such, employees covered under the Anthem PPO plan saw their medical premiums increase \$1,084 per year for single coverage, \$2,775 per year for two-party coverage, and \$3,935 per year for family coverage. Given the significant and unusual increase in medical premiums, in addition to record inflation during that year, the City Council authorized in December 2022 a

medical stipend payment which made all employees who were enrolled in an Anthem health plan whole for the increases. This was a one-time, non-persable payment that was distributed at the end of December 2022, totaling approximately \$1.7 million. It should be noted that those employees covered under Kaiser did not receive a medical stipend as those rates decreased 5%.

ANALYSIS

Given the unusually high increase in 2022, staff has begun the process of examining other alternatives to better manage healthcare costs over the long-term. These options include examining other insurance pools, issuing a request for proposal for a new insurance broker, and different options on how to structure the City's health benefits package. Health insurance coverage is a complex topic and depending on the choices and decision made in the upcoming months, it will have a lasting impact on all City of Glendale employees. As such, staff continues to perform their due diligence to determine the best path forward for employees of today, tomorrow, and the future.

Given the time needed to analyze this issue, the City worked with its current broker for the 2023 renewal rates. Fortunately, the Anthem rates increased a modest 2% while Kaiser's rates increased 13%. While 2023 was better across the board, City employees are still feeling the effect of the 2022 increases while City staff continues to evaluate options. Therefore, we recommend one final medical stipend payment, totaling approximately \$2.3 million for all City of Glendale employees for the medical premium increases experienced since 2022.

This stipend payment will make whole all employees for the medical premium increases for the next 12 months, from June 2023 through June 2024. This stipend also provides enough time for staff to complete its analysis and potentially restructure its health benefit offerings by the time the next open enrollment period begins in the spring of 2024.

STAKEHOLDERS/OUTREACH

Not Applicable.

FISCAL IMPACT

The Medical Stipend payment totaling to \$2,347,295 will be paid with unrestricted fund balance dollars from the various City funds in which employees are budgeted. The table below summarizes the medical stipend payment by fund type.

Fund Type	Medical Stipend
General Fund	\$1,616,346
Special Revenue Funds	10,596
Enterprise Funds	567,250
Internal Service Funds	153,103
Total	\$2,347,295

ENVIRONMENTAL REVIEW (CEQA/NEPA)

This item is considered a ministerial activity and therefore, not subject to CEQA review.

CAMPAIGN DISCLOSURE

This item is exempt from campaign disclosure requirements.

ALTERNATIVES

Alternative 1: Adopt the motion authorizing a medical stipend payment to City Employees and the accompanying resolution of appropriation.

Alternative 2: The City Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Prepared by:

John Takhtalian, Assistant City Manager

Paula Adams, Chief Human Resources Officer

Jason Bradford, Director of Finance & Information Technology

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

None.