



Bend City Council
July 2, 2007 Council Meeting

Issue Summary

Department: Human Resources

Staff Member: Janice Grady

Authorize the City Manager to enter into a contract for employee medical insurance with PacificSource.

Staff Review and Recommendation to Council: Authorize the City Manager to enter into a contract for employee medical insurance with PacificSource.

Background: The City of Bend group medical insurance policy will expire July 31, 2007. The City has purchased group medical insurance from PacificSource for the past seven years; previously, the City of Bend was insured through LifeWise (name change from Pacific Health & Life) for six years.

The City is required by conditions of labor contracts with the bargaining units to provide "current benefit level" for medical insurance coverage. This means that the City must provide insurance comparable to the existing plan coverage unless the bargaining units agree to changes.

Discussion of the Issue: The City routinely requests proposals for medical insurance each year. This year, PacificSource was the only company to submit a proposal. Only a few insurers have adequate provider panels in central Oregon and can match the City's existing coverage. Tom Spear of Johnson Benefit Planning, the City's agent of record for medical insurance, has reviewed the proposal. Mr. Spear and his associates believe the PacificSource proposal is properly priced based on an analysis of the claim experience and recommends the City accept the PacificSource proposal of a rate **increase of 10.13%**. This increase is in line with national trends in medical insurance costs.

Committee Review and Recommendation to Council: The City of Bend Employee Insurance Committee membership has been advised of the current situation. No objections were made.

Budgetary Considerations: When considered in conjunction with the decrease in the cost of dental insurance coverage, the combined increase to dental and medical insurance premiums is 8.99%. This is less than the 9.57% combined increase for medical and dental premiums in the 2007-08 budget. The 10.13% increase proposed by PacificSource is slightly over the 10% increase for medical insurance included in the 2007-08 budget.

Staff Review and Recommendation to Council: Request the City Council authorize the City Manager to enter into a contract for employee medical insurance with PacificSource.