

Merced County Times

PR SRT STD
U.S. POSTAGE
PAID
PERMIT NO. 379
Merced, CA 95340

Volume 38 Issue 5

midvalleypub@aol.com

December 18, 2003

P.O. Box 772, Merced CA 95341

City could face 43 percent in increase health care costs

·Increase could amount to over \$2 million more than previous year

BY JOHN M. DERBY
TIMES PUBLISHER

At the eleventh hour of last Monday night's City Council Meeting; it looked like there was an impasse over the proposed 43 percent increase in health care costs. The city couldn't afford the over \$2 million increase and the employees felt their Employee Benefits Committee had not had enough time to evaluate the al-

ternatives.

Almost 30 city employees showed up to discuss the pros and the cons of the health care proposal. They complained of being "robbed of the right" of checking out the alternatives of paying a \$250 deductible for each person who needed to use name brand prescription drugs in addition to increased co-pay fees

Apparently the city management had been aware that a major increase in the health care rates was coming since last August. The Employee

Benefits Committee did not hold their first meeting to evaluation how the increases would effect their payments until ten days ago.

During the ten days, two meetings were held and there was talk of finding another provider, however the timing was so short nothing could be done and the insurance policy is due to run out the first of the year.

The city's current policy holder is Blue Shield and the broker for the policy is Chuck Meyer.

Meyer told the Council had he tried to alternate bids from two other providers, Blue

Cross and Health Net, the only other providers who offered HMO's in the local area. Both other providers declined to submit bids. Health Net said had it made an offer it would have been about \$30 an employee more than the new rates.

One of the problems is that the city experienced major medical losses in the past year. It was noted that the actual cost of providing health care for city employees was \$3/4 million more than the premium payment.

Meyer said the city's experience rating was a major factor in the increase of premi-

ums. He also reminded the city that the previous year, there was actually a rate reduction for the health care insurance.

That savings was put in reserve and would be paid to help offset the increase in health care insurance for this year.

The problem was amplified by the fact that the Teamsters had already agreed on a contract with the city which included a health care package, however there were stipulations in the agreement which stated the employees would pick up the added costs over a 12.5 percent cap.

Both the police and the fire-

men did not make recommendations citing that there was insufficient time to examine the alternatives, however neither group of city employees felt they could afford to pay the \$250 per person deductible for name brand proscrition drugs. Although this would not effect generic drugs, they contended many prescriptions did not offer a generic drug as an alternative.

It looked like a stalemate as the meeting drew to a close, however Meyer had invited the representative of Blue Shield

**PLEASE SEE "PENALTY"
PAGE 3**

·Continued from front page Health care costs rising for City of Merced

to the meeting and he stepped up to the podium. He said the city could get a better rate on a six-month policy and this would align the new policy with the city's fiscal budget which starts in July.

He felt the rate of increase might be lowered to 30 percent for the same package as the city presently had in effect. Then if the city's experience rate went down in the next six

months, the city might find itself in a better position when a new rate was proposed.

The City Council said it would need to know the specific rate for the next six months and would have to set a meeting on Monday, Dec. 29 at 5:30 p.m. to vote on the new proposal before the old policy ran out. A motion was made to approval a delay of the decision until Dec. 29.