

# CITY OF OAKLAND

2010 JUL 15 PM 5:09

## AGENDA REPORT

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Department of Human Resources Management  
DATE: July 27, 2010

**RE: The Results of a Survey Distributed to City Employees Regarding the Medical Premium Waiver Benefit**

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### SUMMARY

At its April 13, 2010 meeting, the Finance and Management Committee directed staff to conduct a survey of benefit-eligible employees regarding the Medical Premium Waiver benefit (also referred to as the "cash in lieu" benefit). The committee requested that once a survey was conducted, staff return with the survey results and analysis of whether increasing the benefit amount would serve as incentive for an increased number of employees to opt out of the City's medical benefits plans and provide cost savings to the City. Staff conducted a survey of eligible employees during May 2010, the results of which are discussed below.

### FISCAL IMPACT

#### Current Fiscal Impact

The City offers employees the option to take cash in lieu of medical coverage if they have access to medical insurance through another source. The benefit is referred to as the "Medical Premium Waiver." The benefit amounts and participation are:

- \$160 per month for permanent full-time employees – 123 participants
- \$104 per month for permanent part-time employees – 33 participants\*

*\*Permanent part-time employees receive 65% of the total full-time employee benefit as provided in their respective Memoranda of Understanding.*

The total participants represent approximately five percent (5%) of employees enrolled in medical plans based on the January 2010 enrollment total of 3,265 employees. The cost for the Medical Premium Waiver benefit based on current participation is \$277,344 annually. If the existing 156 participants opted to enroll in Kaiser at single coverage (the least expensive health plan option), the annual cost would be \$923,140. The program, as currently designed, saves the City \$645,796 annually.

Item: \_\_\_\_\_  
Finance & Management Committee  
July 27, 2010

**Potential Fiscal Impacts With Increased Benefit**

Staff conducted a survey of eligible employees during May 2010 regarding their interest in participating in the Medical Premium Waiver benefit if the dollar value were raised. The survey provided employees with two increased dollar options to consider – \$320 per month, which is two times the current rate, and \$480 per month, which is three times the current rate. A total of 302 responses were received which represents approximately 8% of the 3,744 positions eligible for benefits based on May 2010 Position Control data. A response of 10% is generally considered a good response; the low level of response indicates a low level of interest.

The survey was designed and distributed in a way that would reveal an indication of the interest level among staff. Without a more complex design and implementation, the results are seen as representative of the people that completed the survey, rather than as representing all benefit-eligible employees. The calculations, therefore, are based on the response group rather than the entire population of eligible employees.

- If the benefit amount were increased to \$320 per month for full-time employees (twice the current rate) and \$208 per month for permanent part time employees (65% of the proposed full time rate), then the annual cost for current participation would increase to \$554,688 – a reduction of savings by \$277,344.
- If the benefit amount were increased to \$480 per month for full time employees and \$312 for permanent part time employees, the annual cost for current participation would increase to \$832,032 – a reduction of savings by \$554,688.

*Attachment A* illustrates what the savings would be if cash in lieu were paid at:

- (a) the current \$160/\$104 benefit level vs. the cost if employees opted to enroll in Kaiser single party coverage;
- (b) \$320/\$208 based on current participation plus the additional participants who indicated that they would accept a \$320 per month benefit vs. the cost if employees opted to enroll in Kaiser single party coverage; and
- (c) \$480/\$312 based on current participation levels plus the additional participants who indicated they would accept a \$480 per month benefit vs. the cost if employees opted to enroll in Kaiser single party coverage.

Note that the savings will be greater if employees who opt to take the cash in lieu are enrolled in more expensive plans or in Kaiser's two-party or family coverage.

If the benefit rate is raised to the \$320/\$208 rate, 92 more full time employees (or an additional 3% of benefitted employees) would have to participate to match the level of savings currently being achieved. If the benefit rate is raised to the \$480/\$312 rate, 749 more full time employees (or an additional 23% of benefitted employees) would have to participate to match the level of savings currently being achieved. *Given the low level of employee response, it appears unlikely that enough new participants would opt for the program to generate new cost savings.*

## BACKGROUND

The Medical Premium Waiver (cash in lieu) is a long standing negotiated benefit offered to employees across all bargaining units and unrepresented employees in the City. The current amount is \$160 for full time employees and \$104 for permanent part-time employees (65 percent of the full time amount). Employees who receive medical insurance coverage through their spouse or partner may elect not to receive City paid medical coverage and with satisfactory proof of insurance coverage, the employee may receive the \$160 in cash or may elect to have it deposited into his/her Medical Care Reimbursement Program (MCAP) or Dependent Care Reimbursement Program (DCAP) account. Since 2002, the amount has increased from \$125 per month to the current level of \$160 which was effective January 1, 2007.

## KEY ISSUES AND IMPACTS

### *Survey Results*

A total of 302 responses were received which represents approximately 8% of the 3,744 positions eligible for benefits based on May 2010 Position Control data. A response of 10% is generally considered a good response; the low level of response indicates a low level of interest.

The survey was designed to elicit responses from employees who do not currently participate in the cash in lieu program. The survey revealed the following:

- 66% of the respondents are enrolled in Kaiser.
- 45% are enrolled in family coverage (2 or more dependents).
- 43% have access to medical coverage through a spouse or domestic partner. (*This represents 130 of the 302 respondents and approximately 4% of the City's employees currently enrolled in health coverage.*)
- 170 of the 302 respondents answered the question regarding whether they would consider taking cash in lieu of medical coverage if the amounts were \$320 or \$480 per month with the following result:
  - 29% (50 respondents) would take cash in lieu if the amount was \$320 per month; 48% (82 respondents) would not.
  - 55% (94 respondents) would take cash in lieu if the amount was \$480 per month; 31% (52 respondents) would not.
- Respondents were given the opportunity to indicate a cash amount they would find satisfactory to take in lieu of medical coverage. The most popular amounts were \$480 per month and \$532.56 per month (which is the current Kaiser single party rate).

## SUSTAINABLE OPPORTUNITIES

No economic, environmental or social equity opportunities have been identified.

## DISABILITY AND SENIOR CITIZEN ACCESS

There are no direct disability or senior citizen access issues associated with this report.

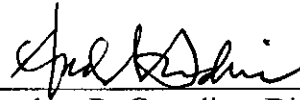
**RECOMMENDATION(S) AND RATIONALE**

Staff recommends that Council accept this informational report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council approve the informational report.

Respectfully submitted,




Andrea R. Gourdine, Director  
Department of Human Resources Management

Prepared by:  
Yvonne Hudson, Human Resource Manager  
Retirement and Benefits Division,, DHRM

Reviewed by:  
Kip Walsh, Administrative Services Manager II  
Department of Human Resources Management

APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMTE



Office of the City Administrator

## Attachment A

Cash in Lieu Level	Number of Participants	Annual Cost if Enrolled in Kaiser Single Party Coverage	Annual Cash in Lieu Cost (a)	Current or Potential Annual Savings
<b>\$160 per Month (Current)</b>	156 <sup>(a)</sup>	\$923,140	\$277,344	\$645,796
<b>\$320 per Month</b>	194 <sup>(b)</sup>	\$1,165,987	\$700,608	\$465,379
<b>\$480 per Month</b>	227 <sup>(c)</sup>	\$1,376,881	\$1,240,992	\$135,889

<sup>(a)</sup> Reflects the current Cash in Lieu participants of 123 Full-Time Employees (FTE) and 33 Permanent Part Time Employees (PPT).

<sup>(b)</sup> Includes 38 additional survey participants who are eligible to participate and have indicated that they would accept the \$320 benefit.

<sup>(c)</sup> Includes 71 additional survey participants who are eligible to participate and have indicated that they would accept the \$480 benefit.

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**NOTE:** Of the 302 survey respondents, 43% (130 respondents) have access to medical coverage through a spouse or domestic partner; 29% of the respondents indicated interest in the \$320/month benefit, 55% of respondents indicated interest in the \$480/month benefit. The number of anticipated new participants estimated in (b) and (c) above are calculated as 29% of 130 (38) and 55% of 130 (71) respectively.

<b>Cash in Lieu Level</b>	<b>Number of Participants</b>	<b>Annual Cost if Enrolled in Kaiser Single Party Coverage</b>	<b>Annual Cash in Lieu Cost (a)</b>	<b>Current or Potential Annual Savings</b>
<b>\$160 per Month (Current)</b>	123+33	$((123*532.56)+(33*532.56*0.65))*12$	$((123*160)+(33*104))*12$	+C13-D13
<b>\$320 per Month</b>	$(302*0.43*0.29)+B12$	$(38*532.56*12)+C13$	$((161*320)+(33*208))*12$	+C14-D14
<b>\$480 per Month</b>	$(302*0.43*0.55)+B12$	$(71*532.56*12)+C13$	$((194*480)+(33*312))*12$	+C15-D15