



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Schembri

**SUBJECT: ACTIONS RELATED TO THE
CITY HEALTHCARE PROGRAM**

DATE: November 15, 2022

Approved

Date

11/21/22

RECOMMENDATION

Adopt a resolution to:

- a) Approve the terms of a Side Letter Agreement that is related to the lump sum healthcare incentive program between the City of San José and the bargaining units listed below, and authorize the City Manager to execute the Side Letter Agreement:
 1. Association of Building, Mechanical and Electrical Inspectors (ABMEI)
 2. Association of Engineers and Architects, IFPTE Local 21 (AEA)
 3. Association of Legal Professionals (ALP)
 4. Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP)
 5. City Association of Management Personnel, IFPTE Local 21 (CAMP)
 6. San José Fire Fighters, IAFF Local 230 (IAFF)
 7. International Brotherhood of Electrical Workers, Local No. 332 (IBEW)
 8. Municipal Employees' Federation, AFSCME Local No. 101 (MEF)
 9. International Union of Operating Engineers, Local No. 3 (OE#3)
 10. San José Police Officers' Association (POA)
 11. Park Ranger Peace Officer Association (POPRA)
 12. San José Police Dispatchers' Association (SJPDA)
- b) Approve the lump sum healthcare incentive program for executive management and professional employees in Unit 99 and other unrepresented employees consistent with the terms of the Side Letter Agreement with the City's bargaining units.

OUTCOME

Adoption of the resolution provides for the retroactive continuation of the lump sum healthcare incentive program for new full-time employees, and current employees who are newly eligible for healthcare on or after January 1, 2022 through December 31, 2024, when choosing the healthcare provider with the second highest employee enrollment. It would also allow for employees, who change to the healthcare provider with the second highest employee enrollment during the City's open enrollment periods in 2023 and 2024, to participate in the lump sum healthcare incentive program.

BACKGROUND

The City provides the following healthcare medical plans to eligible employees:

- Kaiser \$3,000 Deductible HMO
- Kaiser \$1,500 Deductible HMO (Not available to members of POA and IAFF)
- Kaiser \$25 Co-Pay Plan
- Anthem \$20 Co-Pay Select HMO
- Anthem \$20 Co-Pay Traditional HMO
- Anthem \$1,500 Deductible Select HMO
- Anthem \$2,500 Deductible Classic PPO with HSA
- Anthem \$100 Deductible Classic PPO
- Anthem \$100 Deductible Select PPO

Based on the enrollment numbers for the 2023 open enrollment period and information obtained during the calendar year, Kaiser remains the medical insurance provider with the highest enrollment population.

Periodically since 2018, the City has offered the lump sum healthcare incentive program to new benefited employees and employees not previously eligible for healthcare benefits, who enroll in the healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment, which currently is an Anthem Healthcare Plan. The lump sum healthcare incentive program provides eligible employees with a non-pensionable, taxable payment. This lump sum incentive payment is intended to help diversify the City's enrollment populations across all the available healthcare plans. Diverse enrollment in each of the medical plans would improve the City's ability to attract potential medical plan providers and ultimately serve to enhance the options available to both eligible active employees as well as eligible retirees.

In December of 2020, the City agreed with its bargaining units to increase the lump sum incentive payment from \$500 to \$750 and offer it to new benefited employees, and current full-time employees not previously eligible for benefits who were hired on or after December 8, 2020 through December 31, 2021, who enrolled in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment. Although this resulted

in diversifying medical plan enrollment, the City population enrolled in a Kaiser plan is currently approximately 79%.

ANALYSIS

In reviewing its options of how to further diversify enrollment in medical plans, the City consulted with its benefits consultant, Alliant. Alliant estimated that the City may see an additional estimated enrollment increase of up to 100 employees, if in addition to the new hires, the lump sum incentive payment is offered to all employees during open enrollment.

The lump sum incentive payment will be issued in the paychecks for the two pay periods after an employee's enrollment in the eligible healthcare plan. The City can end this lump sum healthcare program at any time and at its own discretion. This offering is intended to incentivize employees to enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment.

A complete copy of the Side Letter Agreement is attached to this memorandum. As noted above, the provisions of the Side Letter Agreement will also apply to executive management and professional employees in Unit 99 and other unrepresented employees, where applicable.

EVALUATION AND FOLLOW-UP

The City will continue to offer the \$750 lump sum retroactively to new full-time employees, and current employees not previously eligible to receive benefits who are hired into a full-time position eligible for benefits on or after January 1, 2022 through December 31, 2024, who enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment. The City may choose to also extend the lump sum incentive payment to current employees who move from a healthcare plan provided by the medical insurance provider with the highest overall employee enrollment to a healthcare plan provided by the medical insurance provider with the second highest enrollment through the City's open enrollment events in 2023, or 2024, but before December 31, 2024. The City will determine at least two months before the Open Enrollment events if the City will exercise this option based on the overall enrollment in the healthcare plans.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 6, 2022 City Council meeting.

COORDINATION

This memorandum has been coordinated with the Office of the City Attorney and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

A lump sum non-pensionable, taxable payment of \$750 would be made to each new employee hired between January 1, 2022, and December 31, 2024, that selects a healthcare plan offered by the medical insurance provider with the second highest overall employee enrollment and to those employees who switch from a healthcare plan offered by the medical insurance provider with the highest overall employee enrollment to a healthcare plan offered by the medical insurance provider with the second highest overall employee enrollment during the City's open enrollment periods in 2023 and 2024. There is \$200,000 set aside in the Wellness Program appropriation in the Benefit Fund, which reflects funding received from employee benefit provider performance guarantees, to fund this program; no additional City funds will be required at this time. If additional funding is necessary, staff will bring forward budget actions for City Council approval as part of a future budget process, as appropriate. As noted above, this program can end any time at the City's discretion.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the incentive program recommended as part of this memorandum.

Fund #	Appn. #	Appn. Name	Total Appn	Amt. for Program	2022-2023 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
160	2112	Wellness Program	\$530,000	\$200,000	954	06/21/22, Ord. No. 30790

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment.



JENNIFER SCHEMBRI

Director of Human Resources and the Office
of Employee Relations

For questions, please contact Emily Hendon, Benefits Division Manager, at
Emily.Hendon@sanjoseca.gov.

Attachment: Side Letter Agreement – City Healthcare Program

SIDE LETTER AGREEMENT

BETWEEN

THE CITY OF SAN JOSE

AND

THE ASSOCIATION OF BUILDING, MECHANICAL AND ELECTRICAL INSPECTORS (ABMEI)

THE ASSOCIATION OF ENGINEERS AND ARCHITECTS, IFPTE LOCAL 21 (AEA)

THE ASSOCIATION OF LEGAL PROFESSIONALS (ALP)

THE ASSOCIATION OF MAINTENANCE SUPERVISORY PERSONNEL, IFPTE LOCAL 21 (AMSP)

THE CITY ASSOCIATION OF MANAGEMENT PERSONNEL, IFPTE LOCAL 21 (CAMP)

THE CONFIDENTIAL EMPLOYEES' ORGANIZATION, AFSCME LOCAL NO. 101 (CEO)

THE SAN JOSE FIRE FIGHTERS, IAFF LOCAL 230 (IAFF)

THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL NO. 332 (IBEW)

THE MUNICIPAL EMPLOYEES' FEDERATION, AFSCME LOCAL NO. 101 (MEF)

THE INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL NO. 3 (OE#3)

THE SAN JOSE POLICE DISPATCHERS' ASSOCIATION (SJPDA)

THE SAN JOSE POLICE OFFICERS' ASSOCIATION (POA)

PEACE OFFICER PARK RANGER ASSOCIATION (POPRA)

City Healthcare Program

1. New Full-Time Employees and Current Employees Not Previously Eligible for Benefits

- a. The parties agree that, retroactively effective to January 1, 2022, new full-time employees and current employees not previously eligible to receive benefits who are hired into a full-time position eligible for benefits, and hired on or after January 1, 2022 through December 31, 2024, and who enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment on or after the date of this Agreement, shall receive a one-time non-pensionable lump sum payment of seven hundred fifty dollars (\$750).
 - (i) To be eligible for the one-time non-pensionable lump sum payment of seven hundred fifty dollars (\$750), the employee must be enrolled for medical plan year 2022, 2023 or 2024 in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment, and the employee must be an active City employee on the date the lump sum payment is made.
 - (ii) This one-time non-pensionable lump sum payment of seven hundred fifty dollars (\$750) shall be made in the paycheck issued two pay periods after the employee enrolls in the eligible healthcare plan.
 - (iii) New full-time employees who do not sign up for a healthcare plan within thirty (30) calendar days from their hire date are not eligible for this one-time non-pensionable lump sum payment.
 - (iv) The parties agree that the City retains the ability to end the one-time non-pensionable lump sum payment program at any time upon the City's sole

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November 4, 2022

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discretion. The City will meet and discuss with the bargaining units before ending the program.

2. Current Employees

- a. The parties also agree that the City may choose to offer all current employees who, through the City's Open Enrollment events in 2023 for medical plan year 2024 or 2024 for medical plan year 2025, move from the healthcare plan provided by the medical insurance provider with the highest overall employee enrollment to the healthcare plan provided by the medical insurance provider with the second highest overall enrollment, shall also receive a one-time non-pensionable lump sum payment of seven hundred fifty dollars (\$750). The City will determine at least two months before the Open Enrollment events if the City will exercise this option based on the overall enrollment in the healthcare plans.
 - i. To be eligible for the one-time non-pensionable lump sum payment of seven hundred fifty dollars (\$750), the employee must make a change to be enrolled for medical plan year 2024 or 2025 in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment, and the employee must be an active City employee on the date the lump sum payment is made.
 - ii. This one-time non-pensionable lump sum payment of seven hundred fifty dollars (\$750) shall be made in the paycheck issued two pay periods after the beginning of the new medical plan year.
 - iii. Employees are not eligible for this lump sum payment if they are already enrolled in the healthcare plan with the second highest overall enrollment.
 - iv. The parties agree that the City retains the ability to end the one-time non-pensionable lump sum payment program at any time upon the City's sole discretion. The City will meet and discuss with the bargaining units before ending the program.

The terms of this Side Letter Agreement shall become effective when signed by all parties below and shall be incorporated into the current or successor MOAs of the bargaining units.

FOR THE CITY:



Jennifer Schembri
Director of Employee Relations/
Director of Human Resources

11/17/2022

Date



Cheryl Parkman
Assistant to the City Manager

11/14/2022

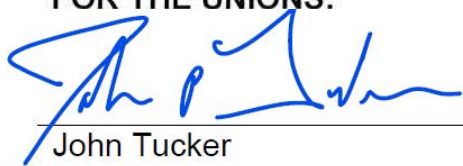
Date

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FOR THE UNIONS:



John Tucker
AFSCME Local 101

11/15/22

Date

/s/ Jeremy Cabaccang

11/17/2022

Jeremy Cabaccang
OE#3/POPRA

Date



Julie Jennings
President, CAMP

11/14/2022

Date



11/17/22

Terra Chaffee
President, ALP

Date

Jesse Perez
President, AMSP

11/15/22

Date



11-16-22

Frank Crusco
Chief Steward, IBEW

Date



Mary Reed
President, ABMEI

11/17/2022

Date



11/15/22

Florin Lapustea
President, AEA

Date

/s/ Matt Tuttle

11/17/2022

Matt Tuttle
President, IAFF

Date

/s/ Sean Pritchard

11/17/2022

Sean Pritchard
President, POA

Date


Elizabeth Kamya
IFPTE Local 21

11/15/22

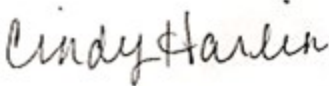
Date



11/16/22

Long Vu
IBEW

Date



Cindy Harlin
President, MEF

11/15/2022

Date



11/15/22

Amber Ospina
President, SJPDA

Date