



**CITY OF SALINAS  
FINANCE COMMITTEE**

---

**DATE: SEPTEMBER 6, 2022**

**DEPARTMENT: HUMAN RESOURCES DEPARTMENT**

**FROM: MARINA HORTA-GALLEGOS, HUMAN RESOURCES DIRECTOR**

**TITLE: SALINAS PLAN – HEALTH CARE COST CONTAINMENT**

RECOMMENDED MOTION:

No motion is required for this item. Comments and feedback from the Finance Committee on the ongoing implementation of this Salinas Plan initiative is requested.

DISCUSSION:

The Salinas Plan has 32 recommendations, four of which are categorized as “Workforce” strategies. Healthcare Cost Containment is one of four workforce recommendations that aims at achieving flat healthcare cost growth while still maintaining competitive benefits in the labor market. The Salinas Plan recommends an approach to health care cost containment that involves creativity and collaboration between the City and employee units to achieve sharing in benefits funding and promoting increased costs awareness. Consistent with this recommendation, over the past couple years, the City negotiated modest employee contributions with all employee units.

The City contracts with the California Public Employees’ Retirement System (CalPERS) for health care benefits. Health plan availability, covered benefits, premiums, and co-payments are determined by CalPERS, not the City. Last year, CalPERS transitioned from three Preferred Provider Organization (PPO) plans in our region to two PPO plans by combining PERS Care and PERS Choice into PERS Platinum and the PERS Select plan into PERS Gold.

Historically, health care costs have been one of the primary cost drivers of the general funds budget with an expected cost of approximately \$12.8M in FY 22-23, inclusive of the increase in premiums. Currently, the City pays 95% of the premium for the level and type of coverage selected by an employee, up to the CalPERS Platinum plan premium with some minor variations. Approximately 43% of the City’s workforce is covered under the PPO plans and a majority of the public safety members, approximately 41% of the City’s workforce, are in the Peace Officers Research Association of California (PORAC) plan with 16% of the workforce in various other plans.

On July 12, 2022, the CalPERS Board of Administration approved the rates for calendar year 2023, attached. The final rates provide an overall increase of 15.76% for Preferred Provider Organization (PPO) Basic plans. Monterey County is in Region 1 which will include a 13.54% increase in the

Platinum Plan and 17.74% increase in the Gold Plan. PORAC plan premiums (41% of participants) will increase by 3.25%. CalPERS attributes the increase in rates to medical inflation, pharmaceutical inflation, and buydown adjustments made to 2022 premiums.

FISCAL AND SUSTAINABILITY IMPACT:

The increase in premiums approved by CalPERS will amount to approximately \$538,644 in additional costs not currently budgeted and a total of \$12.8M in health care costs in FY 22-23. With employee contributions of 5% in place, it is anticipated that approximately \$554,014 of savings will be achieved in contributions in FY 22-23.

ATTACHMENTS:

1. CalPERS 2023 Regional Health Premiums