

## COUNCIL ACTION FORM

**SUBJECT:** IUOE BLUE COLLAR CONTRACT MODIFICATION

**BACKGROUND:**

A current labor contract with the International Union of Operating Engineers (IUOE), Blue Collar Unit, took effect on July 1, 2011. One provision within that contract is scheduled to take effect on January 1, 2012, and would change the maximum annual out-of-pocket cost for prescription drugs from \$750 per covered member and \$1,500 per covered family unit to \$1,000 per covered member and \$2,000 per covered family unit.

Staff recently learned that this change to the out-of-pocket maximums would cause the health insurance plan for the Blue Collar Unit to lose its grandfathered status under the Patient Protection and Affordable Care Act of January 1, 2012. This unintended change would create a separate plan that is subject to certain Health Care Reform requirements that are not required of the other City plans, which do not contain this increase and will maintain their grandfathered status.

Bringing the blue collar health insurance plan under these terms was an unintended consequence of this negotiated change. On balance, the cost savings from this increase in the maximum annual out-of-pocket amounts is not worth the loss of the plan's grandfathered status, including the continuing uncertainty of how this aspect of the federal health care law will ultimately be implemented.

All health insurance plans will lose their grandfathered status on January 1, 2014 when the provisions of the Affordable Care Act take effect. Therefore, it seems appropriate to delay implementation of this blue collar contract provision until that date. The Blue Collar union has given its approval to this amendment.

**ALTERNATIVES:**

1. Authorize an amendment to the Blue Collar labor contract delaying implementation of this provision until January 1, 2014.
2. Do not approve the proposed change, thereby causing the Blue Collar health plan to lose its grandfathered status effective January 1, 2012.

**MANAGER'S RECOMMENDED ACTION:**

This delay will allow the Blue Collar Unit's health insurance plan to retain its grandfathered status and be subjected to the same requirements as the City's other health insurance plans. Retaining grandfathered status will eliminate increased responsibilities for staff in administering a separate plan with different requirements. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as shown above.