TO:            HONORABLE CITY COUNCIL
FROM:        CITY MANAGER           DEPARTMENT: HUMAN RESOURCES
DATE:       JANUARY 24, 2005                CMR: 124:05
SUBJECT:        APPROVAL OF RESOLUTIONS AMENDING PAPOA MEMORANDUM OF
                  AGREEMENT AND COMPENSATION PLAN TO EXTEND THE CITY OF
                  PALO ALTO PORAC MEDICAL INCENTIVE PLAN THROUGH JUNE 30,
                  2007

RECOMMENDATION

This report recommends that Council approve two resolutions implementing the attached side letter
agreement between the City and the Palo Alto Police Officer Association (PAPOA), which extends to
the end of the current PAPOA contract to fund the PAPOA Medical Incentive Plan.

BACKGROUND

In 2002, Police employees enrolled in the most expensive PERSCare Preferred Provider Organization
(PPO) option were offered the opportunity to elect the PERS Choice PPO in exchange for a cash
incentive, or to elect the Peace Officers Research Association (PORAC) Health Plan with the City
paying the difference in the out-of-pocket maximum co-payments between PORAC and PERSCare.
The cash incentive program was discontinued effective 12/31/03 but, in an effort to encourage the 19
employees still enrolled in PERS Care to shift to PORAC (which saved $73,428 in annual premiums),
staff recommended the City continue the self-funded maximum co-payment program. To date, no
eligible employee has requested reimbursement under this plan. In 2005, only 4 Police employees are
enrolled in PERSCare.

DISCUSSION

The PAPOA Medical Incentive Plan entitles active members of PAPOA, who are enrolled in the
PORAC health plan to receive reimbursement from the City once an employee’s out-of-pocket
expenses have exceeded the PERSCare annual maximum co-payment responsibility of $2,000 per plan
member, or $4,000 per family. PORAC’s maximum co-payment responsibility is $5,000 per person.
This medical incentive plan allows police employees and dependents enrolled in PORAC to submit
close expenses incurred that exceed $2,000 per member/$4,000 per family for covered services
received from a preferred provider to the Human Resources Department for reimbursement.
**RESOURCE IMPACT**

The resource impact is difficult to determine. During 2003 and 2004, there was no cost as no one submitted a request for reimbursement under this plan. If, in future years, four eligible employees submitted the maximum allowed, the cost could be as high as $12,000 per year.

**POLICY IMPLICATIONS**

This request does not represent any change to existing City policy.

**ENVIRONMENTAL REVIEW**

This is not a project under the California Environmental Quality Act (CEQA).

**ATTACHMENTS**

1. Resolution amending Merit Rules to incorporate side letter to PAPOA Memorandum of Agreement
2. Resolution amending PAPOA Compensation Plan

**DEPARTMENT HEAD:**

LESLIE LOOMIS
Director of Human Resources

**CITY MANAGER APPROVAL:**

EMILY HARRISON
Assistant City Manager