



# INFORMER

# 8, May 2007

Professional Engineers in California Government

## Outsourcing Pop Quiz



Last fall, the voters of California approved \$20 billion of bonds to improve transportation, plus locking up another \$1.8 billion per year of the sales tax on gasoline for transportation. The federal government recently increased its transportation funding for California by more than \$1 billion per year.

The Legislative Analyst said Caltrans needs to add 4800 positions to handle the increased workload from the bond. Caltrans can't hire that many engineers at once, she said, so some outsourcing would be needed. Caltrans believed that it only needed 800 additional positions to do the work, but made no effort to begin hiring.

How much does a position, that is, a person-year, cost the taxpayer? The latest data provided to the Legislature shows that **a Caltrans engineer costs the taxpayers \$103,000 per year.**

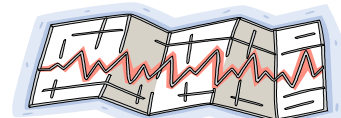
Caltrans reports that a consultant person-year costs \$212,000, although their funding request totals \$245,000 each, up from \$193,000 the previous year! Oversight adds another 15% to that, bringing the total to \$282,000 per year. Inspectors, survey crews, materials testers, etc. – they all cost the taxpayers **\$282,000 per year per consultant!**

With that factual background, here's the pop quiz. To best serve the interests of the public and the taxpayer, which approach should the Schwarzenegger Administration and the Legislature use in adopting its budget for the next fiscal year?

- A. **Initiate an aggressive hiring program** for engineers and related professionals to achieve the expanded program on time. Outsource only for urgent or specialty work which existing or new staff will not be able to deliver in the time required for project delivery.
- B. **Reduce staff and add 600 consultants** at \$245,000 each, plus oversight, contrary to the recommendation of the Legislative Analyst and basic economics.
- C. Outsource virtually all of the work on the bond-funded projects. **Allow contractors to inspect and approve the work of other contractors**, even though this approach has consistently resulted in high-profile disasters throughout the nation. Just to ensure that the State pays much more than the work is worth, award all of the contracts without competitive bidding or even a comparison of costs between potential contractors.
- D. **None of the above.**

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## Health Plan Changes



**Raise health plan premiums or employee co-payments?** This is an annual question facing the PERS Board of Administration, which contracts with health plan providers for coverage for state and many local agency employees.

Typically, if health plan costs are increasing, employee organizations support premium increases, which are mostly paid by employers, rather than co-pay increases for doctor's visits, prescriptions, etc., which are fully paid by employees. For the same reasons, employers (public agencies) urged the Board to increase co-pays rather than premiums. The Board is a mix of representatives elected by employees and retirees, Constitutional Officers, and appointees by the Governor and others.

In mid-May, the PERS staff recommended that HMO office visit co-payments increase from \$10 to \$15; co-payments for preventive care (health exams, maternity care, well baby visits, allergy testing, etc.) be waived; emergency room co-payments be increased; the urgent care co-payment be standardized; the employee out-of-pocket annual maximums be standardized; and pharmacy co-payments (drug prescriptions) be increased. Premiums would still be increased next year, but by a lesser amount if those recommendations were all adopted.



The PERS Health Benefit Committee considered the staff recommendations and agreed with them, except for increasing the co-payment for emergency room visits.

The next day, the full PERS Board considered the proposal and adopted it, except that the increase in the prescription drug co-pay was rejected.



Thus, the only significant change in HMO co-pays was an **increase for doctor visits from \$10 to \$15**, which is the standard in many private sector plans. The standardization of urgent care co-pays was an average of the various plans; the annual out-of-pocket maximum for employees is new for Blue Shield members. This is the first time co-pays have increased in five years, while premiums for some plans have doubled during that time.

The Board also allowed Blue Shield to withdraw its HMO from Lake, Napa, Plumas, and part of El Dorado Counties next year

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## OUTSOURCING POP QUIZ

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In the May Revision of its January State budget proposal for the fiscal year beginning in July, the Schwarzenegger Administration has asked the Legislature to approve alternatives **B** and **C**.

PECG and the Administration have opposite views on how the additional voter-approved funding for transportation should be expended in the best interests of the taxpayers and the traveling public. Caltrans' project delivery and public image is higher than ever, the most recent example being the astounding speed in replacing the collapsed I-580 structure in Oakland.

It is hard to understand why the Administration (or anyone except for private engineers seeking huge profits) would want to have work on State Highway projects performed by a process which costs twice as much and has failed so often in the past. Recent examples include the Big Dig ceiling collapse in Boston, the "drains to nowhere" disaster in Connecticut, and a number of California projects where faulty private inspection resulted in defective welds, falling chunks of concrete, disintegrating pavement, tunnel walls one-third the design thickness, and an endless list of other construction failures by private engineers.

These issues will be the subject of legislative budget hearings in the coming month. This will truly be a battle between those fighting for the public interest versus private profit.

## HEALTH PLAN CHANGES

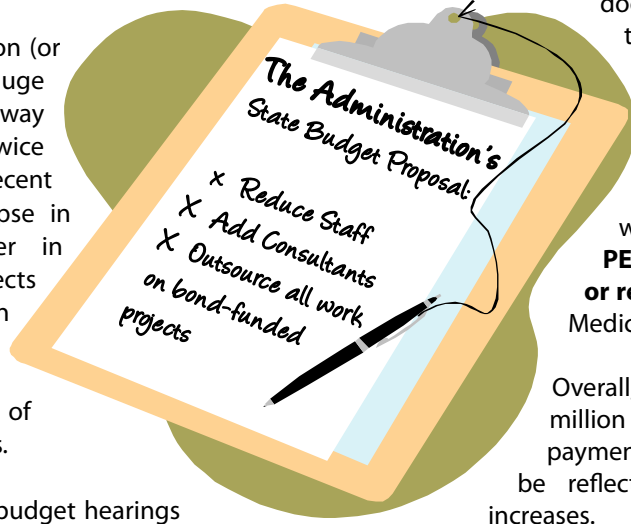
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because their costs are so high. Other HMO or PPO plans will remain available to employees in those areas.

The Board also approved a Blue Shield "High Performance Networks" (HPN) program which will provide the same coverage in the 17 counties in which the plans are currently available, but will have fewer participating doctors and will cost less than the other plans. More details on those plans are not currently available.

In the final result, there were **no increases for PERSChoice participants or retirees** who participate in Medicare.

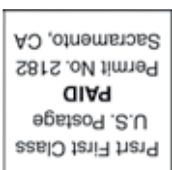
Overall, PERS expects to save \$30 million next year from the co-payment changes, which should be reflected in lower premium increases. The PERS Board will establish the **premium rates** at its June meeting. Plan and premium changes will **take effect next January**. In the meantime, there will be an **open enrollment period** available to members.



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