



**BOARD OF SUPERVISORS
AGENDA LETTER**

**Agenda
Number:**

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: June 4, 2013
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Jeri Muth, Human Resources Director, 568-2816
Director(s):
Contact Info: Andreas Pyper. Employee Benefits Manager, 568-2823
SUBJECT: Renewal of Onsite Employee Health Clinic Program

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence:

As to form: Risk Management

Recommended Actions:

That the Board of Supervisors:

- 1) Approve and authorize the Chair to execute the attached contract, not to exceed \$868,000 per contract year, between the County of Santa Barbara and HealthStat, Inc., to continue the operation of two onsite employee health clinics; and
- 2) Determine under CEQA Guidelines Section 15061(b)(3) that this activity is exempt from review on the basis that it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

Summary Text:

The establishment of an onsite employee health clinic program was approved by the Board of Supervisors on June 2, 2009, and came as a result of the Health Oversight Committee's recommendations to implement a program that would help better manage, and ideally reduce, the rising cost of health care for both the County and its workforce. The program is funded from continued savings the County is realizing from the reduction of its annual medical insurance premiums.

Renewal of this contract will allow the County to continue the two onsite employee health clinics that provide employees with easy access to primary medical care, assist them with managing chronic medical conditions such as diabetes and heart disease, and reduce unnecessary emergency room visits, all of which contribute to increased health plan use and result in higher health insurance costs. Additionally, the onsite employee health clinic program is designed to reduce the lost time that occurs when employees access medical offices/urgent care during work hours. The overall benefit to employees and the County is the improved health of employees, reduced health care claim expenses, and the resulting lower health premium increases.

Background:

On June 2, 2009, the Board of Supervisors authorized staff to enter into a contract with HealthStat Inc. (HealthStat), a nationwide provider of on-site primary health care, to establish an on-site employee healthcare clinic program as recommended by the County's Health Oversight Committee (HOC). On January 24, 2012, the Board of Supervisors approved expanding the capacity of existing on-site employee health clinics to allow qualifying dependents of County employees enrolled in County medical plans to use the clinics.

The clinics currently provide County employees, and their dependents 16 and older that are enrolled in one of the County's authorized health insurance plans, easy access to primary medical care, help identify and manage chronic medical conditions, and reduce unnecessary doctor and emergency room visits. The program has improved the health of employees, reduced healthcare claim expenses, and lowered CSAC-EIA Health pooled risk plan increases in medical premiums from a high of 23% in 2009 to 4% in 2013. (Prior to entering the CSAC-EIA Health plan, the County was facing a 43% increase.). The clinics have been beneficial to the County in managing the rising cost of healthcare benefits and have been well-received by employees and their eligible dependents.

Since the establishment of the onsite health clinics in October 2009 staff estimates that there have been savings of approximately **\$3,430,000** in costs; not passed on to the health plan claims experience that is used as the basis for determining future healthcare plan premiums. Decreasing claims experience through programs such as the on-site employee healthcare clinics helps the County achieve lower future medical premium increases than the medical trend indicator. Prior to the implementation of the clinics, the County's loss ratio was 159%, which means that for every dollar of premiums paid, County employees and dependents were incurring \$1.59 in healthcare claims. It was this loss ratio that resulted in high renewal rates from insurers. By 2012 the County's loss ratio had dropped to 90%, which was the primary contributor to the 2013 renewal rate of 4%. By comparison, had the loss ratio remained at the 159% level, the County would have faced a 16%-17% increase. By reducing the loss ratio, the

County saved approximately **\$2,400,000** for the 2013 plan year alone. The current savings for the 2013 plan year are a direct result of the County's premium renewals coming in significantly below medical trend. In addition, County employees have realized an estimated **\$446,214** in savings from co-payments by visiting the clinics instead of their primary care physicians, specialists and diagnostic laboratories.

The recommended renewal contract period is for a three-year term.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

The anticipated "not to exceed cost," based on the current participation rate and projected participation growth of eligible employees and dependents, is \$868,000 per contract year, an increase of approximately \$42,000 or 4% from the current amount previously approved by the Board. The County and HealthStat have agreed to review clinic operations annually and to discuss the appropriateness of increasing program administrative fees, with a cap of 4% on increases in any given year.

Funding Sources	Current FY Cost	Annualized ongoing cost
General Fund	\$826,000	\$868,000

Funding is obtained from ongoing savings departments achieve due to continued reduction in health insurance increases, and is proportionally allocated through payroll, based on the number of employees eligible for health insurance in each department. This is budgeted for annually through the County Salary Model.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

Special Instructions:

Return one signed contract to Human Resources, Andreas Pyper, Employee Benefits Manager

Attachments:

- A. HealthStat Management Agreement
- B. Contract Summary

Authored by:

Andreas Pyper – Employee Benefits

cc:

County Counsel
Risk Management