



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/Human  
Resources  
Department No.: 064  
For Agenda Of: November 10, 2009  
Placement: Administrative  
Estimated Tme: n/a  
Continued Item: n/a  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Susan Paul, Assistant CEO/HR Director, 568-2817  
Director(s)  
Contact Info: Andreas Pyper, CEO/HR, 568-2821  
**SUBJECT:** 2010 Medical and Dental Insurance Program Renewal

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**County Counsel Concurrence**

As to form: Select\_Concurrence

**Auditor-Controller Concurrence**

As to form: Select\_Concurrence

**Other Concurrence:** Select\_Other

As to form: Select\_Concurrence

**Recommended Actions:**

1. **CSAC-EIA Health Risk Pool**

Approve entering the California State Association of Counties Excess Insurance Authority (CSAC-EIA) Health risk sharing pool and the selection of Blue Shield of California Health Insurance offered through CSAC-EIA Health, as the County's primary health insurance carrier to replace Aetna Inc. of California, and replace all existing Aetna medical plans for active employees and retirees, effective January 1, 2010, with premium rates fixed for the calendar year 2010, shown in Attachments A-1 through A-4 and with the plan designs shown in Attachments A-5 through A-8; and authorize the Assistant CEO/Human Resources Director to execute any necessary documents with CSAC-EIA Health;

2. **Kaiser Permanente HMO Health Plans**

Approve the renewal of the Kaiser Permanente High and Low HMO plans at existing benefit levels at a premium increase of 12.7% effective January 1, 2010 for all active employees and retirees for a twelve-month term as shown on Attachment B;

3. **County Self-Funded Dental PPO Plan**

Accept the annual Actuarial Report for the County Self-Funded Dental Plan shown as Attachment C and continue the existing program benefits at the current premium levels effective January 1, 2010;

4. **Golden West Pacesetter Dental HMO Plan**

Approve the renewal of the existing Golden West Dental HMO plan and existing benefits at a premium increase of 8.5% for active employees and retirees for a twelve-month period effective January 1, 2010 as shown on Attachment D;

5. **CareCounsel Healthcare Assistance Program**

Approve the renewal of the CareCounsel Healthcare Assistance Program for all covered active employees at the current premium rate of \$1.80 per month and covered retirees at the current premium rate of \$2.90 per month, for a twelve-month period effective January 1, 2010 as shown on Attachment E; and

6. **United Healthcare Secure Horizons Medicare Risk HMO Health Plans**

Approve the renewal of the United Healthcare Secure Horizons Medicare Risk HMO Health Plans for County of Santa Barbara retirees, effective January 1, 2010, for a one-year term and authorize Assistant CEO/Human Resources Director to execute any necessary documents. (See Attachment H-1 and H-2.)

**Summary Text:**

These actions are recommended in order to implement more cost-effective medical programs, continue existing ancillary health programs, maintain current dental plan coverage for employees and retirees, and to assist the County and its workforce in stabilizing future health benefit costs.

**Background:**

Since July 2008, the County's health plans have been insured by Aetna Inc. In approximately June 2009, the County received informal notice from Aetna that the proposed overall renewal rate would be at least 48% which was substantially more than the amount budgeted for health insurance increases. The initial proposal represented an unplanned cost of approximately \$3,558,533. Aetna confirmed the 48% increase in August 2009. The County continued to challenge Aetna's proposed renewal rate increase and achieved some reduction; however, Aetna's final proposal was an overall increase of 43%, which well-exceeded the amount planned for and budgeted by the County.

The rate increase was based on several driving factors:

- A high loss ratio (i.e., claims costs far exceeded premiums paid);
- Limited hospital/medical group options which resulted in higher-than-trend treatment/hospitalization costs;
- High dollar claims particularly in hospitalization and emergency room costs; and
- Underfunding of the plans as a result of Aetna's overly optimistic underwriting assumptions in the spring of 2008.

In an effort to bring health benefit costs within the amount budgeted by the County and to help employees manage their health benefit expenses, staff met weekly with the County's labor-management Health Oversight Committee (HOC) and the County's benefits consultants to consider options for potentially reducing and stabilizing health premium costs – not only in Calendar Year 2010 – but into the future. As part of this process, the County's health plans were priced by other carriers who subsequently projected the same as or higher rates than proposed by Aetna. (See Attachment F for the membership roster of the HOC.)

The HOC also looked at two self-funded "pooled risk" systems, CalPERS and CSAC-EIA Health. In reviewing the CalPERS plans, the Committee found that entering the CalPERS program would have resulted in an overall rate increase of 33% and would not provide the County with any ability to make plan modifications to reduce health benefit costs now or in the future.

CSAC-EIA Health is a self-funded medical program in which all participating members are rated individually and combine claims experience for a "pooled" renewal increase. This arrangement benefits the participating organizations by lowering fixed-cost plan components and mitigating the risk associated with claims volatility. CSAC-EIA Health has a risk-sharing agreement with Self-Insured Schools of California (SISC), creating a total pool of over 80,000 employees and over 200,000 insured members. This combined membership represents one of the largest purchasing programs in the country. Many schools in the Santa Barbara area are already participating in SISC and have benefited from the program, which has assisted them in mitigating the impact of health benefit cost trends. (See Attachment G for a partial list of participating organizations).

In CSAC-EIA Health each participating employer maintains autonomy for its own benefit decisions, plan design, retiree benefits and rules, and administrative choice. New members are brought into the plan and assigned rates based on their own claims experience and demographics; however, beginning with the first renewal, rates are calculated by combining the claims of all members and spreading the risk over the entire pool. This means that, upon entry, Santa Barbara County's rates are being set based on its current claims experience; however, upon renewing in January 2011, Santa Barbara County would receive the same rate increase applied to the entire pool. It is very likely that this would mean a manageable and competitive rate increase for the County. The seven-year average renewal increase for the CSAC-EIA Health is 6%, as compared to the County's 16.56% average increase over that

same period of time. The following chart compares the seven-year renewal for Santa Barbara County with CSAC-EIA Health rate increases and the PPO Trend in the Santa Barbara region:

Santa Barbara County Region			
	County Renewals	EIA Renewal	CA PPO Trend
2004	-4.00%	10.00%	12.00%
2005	15.32%	7.20%	11.00%
2006	12.46%	8.82%	10.00%
2007	18.27%	0.00%	11.00%
2008	9.10%	8.50%	10.00%
2009	-	4.35%	11.00%
2010	48.20%	3.10%	10.00%
<b>7 Yr. Average</b>	<b>16.56%</b>	<b>6.00%</b>	<b>10.71%</b>

Note: 2008 County Renewal was for 18 months.

Ultimately, the HOC identified the best opportunities for managing/reducing the cost of health care as:

- Moving into the CSAC-EIA Health "pooled risk" system, which would expand the County's health provider network, provide greater flexibility for employees, and pool the County's claims experience with that of other public employers such as cities, counties, special districts, and schools; and
- Making plan design changes to achieve a rate increase that is within the amount budgeted by the County and minimizes the cost impact on employees and retirees.

By selecting the CSAC-EIA Health "pooled risk" plan options, the County will be able to continue to offer competitive health care plans to its employees and retirees and will also be able to ensure that the rate renewal for 2010 plan year is within the budgeted amount. CSAC-EIA Health's risk pool also has a better track record of sustainable premium rate increases.

The majority of the CSAC-EIA Health plan options will provide County employees with lower rate increases than those proposed by Aetna in its final renewal offer. The CSAC-EIA Health plan options will also provide the majority of Early Retirees and Post-65 Retirees with lower rate increases than those provided by Aetna as shown on Attachments A-9 and A-10.

**1. Selection of Blue Shield as the County's Health Insurance Carrier offered through the CSAC-EIA Health Risk Pool**

Based on its review of the available options, the HOC concluded that the CSAC-EIA Health Blue Shield proposal offered the best possibility for the stabilization of rates in the future,

the most competitive rates of the options available to the County at this time, and a greatly improved physician network.

In order to offer medical plans that both mitigate the out-of-pocket expenses of employees and is within the amount budgeted by the County, the HOC agreed to make plan design changes that included the following:

- Increased co-pays for office, specialist, urgent care, and prescriptions;
- Increased co-insurance amounts and deductibles;
- New co-insurance and deductibles in some plans; and
- In an effort to improve the health and wellness of employees, implementing a “no co-pay” benefit for preventative healthcare visits.

Under the CSAC-EIA Health program, the Point of Service (POS) plan will be eliminated and the following Blue Shield medical plans will be offered to County employees and retirees:

**A. *Blue Shield EPO (Exclusive Provider Organization) Plan for Active Employees and Retirees***

The EPO plan will replace the current Low and High HMO plan options with Low and High EPO plans as shown in Attachments A-5 and A-6.

An EPO is designed just like an HMO but it has certain key benefits not available in an HMO plan including:

- Greater and easier access to the larger network of physicians, specialists, and urgent care specialists available through the Blue Shield PPO network;
- No primary physician referral is required to visit a specialist in the EPO – employees can self-refer and go to a specialist immediately if he/she so chooses;
- Retirees, employees who travel, and dependents who live out of state will have access to the full Blue Shield network nationwide whereas in a traditional HMO, only emergency coverage is available out of state; and
- Greatly increases the number of available health providers in North County, which had been an issue in the coverage offered through Aetna’s network.

**B. *Blue Shield PPO Plan for Active Employees and Retirees***

Replace the existing Aetna PPO plan with the CSAC-EIA Health Blue Shield PPO including certain plan design changes as shown on Attachment A-7.

**C. *Blue Shield PPO High Deductible Health Plan (HDHP) for active employees and retirees***

Replace the existing Aetna PPO plan with the CSAC-EIA Health Blue Shield PPO with certain plan design changes as shown on Attachment A-8. The County will continue to contribute the same amount to a members Health Saving account for the calendar year 2010. The contribution amount is \$34.62 bi-weekly, which equals a \$900 contribution over the course of 26 pay periods.

**2. Kaiser Permanente Health HMO Plans**

The Kaiser Permanent HMO Plan remains a cost-effective option for employees and retirees and the premium increases are well within planned and budgeted amounts. Although there is no change to the current benefit level, Kaiser has opened enrollment in their plans to all active employees of the County of Santa Barbara residing in Kaiser Permanente's Southern California zip code service area, and to Retirees residing in both the Southern and Northern California Kaiser Permanente service areas. (Last year the plan was only available to those living in Ventura County zip codes.) The proposed premiums shown in Attachment B are for a twelve-month period.

**3. County Self-Funded Dental PPO Plan**

Annually, an actuarial evaluation is made in order to review the status of the Dental PPO Plan fund and to project required premium changes to maintain the stability of the fund (see Attachment C). While this actuarial evaluation recommends a rate increase of 7%, this recommendation was based primarily on the level of current dental trend and not the plan's recent claims experience. Last fiscal year, and to date in the current fiscal year, the plan's premiums have fully supported all claims and administrative expenses. The reserves in this fund currently exceed the target level and are sufficient to absorb any claims fluctuations during the coming fiscal year; therefore, no rate increase is recommended for the County Self-Funded Dental PPO Plan.

**4. Golden West Pacesetter Dental HMO Plan**

The Golden West Pacesetter Dental HMO Plan remains a cost-effective option for employees and retirees and the premium increases are minimal. There is no change to the current benefit level. The proposed premiums shown in Attachment D are for a twelve-month period.

**5. CareCounsel Healthcare Assistance Program**

The CareCounsel Healthcare Assistance Program is available to all covered employees and retirees and provides valuable assistance with questions about benefits coverage, plan selection, and claims and eligibility issues. The Program also provides consumer education. The current rates for the plan year January 1, 2010 to December 31, 2010 will

remain unchanged and are shown on Attachment E.

**6. United Healthcare Secure Horizons Medicare Risk HMO Health Plans**

In addition to the other County health plan options, Medicare-eligible (Post-65) retirees residing in California may also choose from two Secure Horizon Medicare Risk HMOs. Approval of the Secure Horizons Medicare HMO Risk plan by the Board allows retirees to use their retiree medical contribution of \$15 per month/per year of service received from the County towards the payment of the premium for these plans. The plan year is January 1 through December 31 which coincides with the Medicare plan year. Medicare Risk HMOs differ from other HMOs in that retirees are required to be enrolled in Medicare Parts A and B and must forego the use of their Medicare Card outside the Secure Horizons network. With the other HMOs offered by Kaiser and the EPOs offered by Blue Shield, retirees may either obtain services through their EPO network or use their Medicare Card outside of the EPO network. For this reason, the cost of a Medicare Risk HMO is less expensive. In addition to the retiree's payment Secure Horizons also receives Medicare reimbursement for each enrollee. The monthly premium increases are shown below:  
(See attachments H-1 and H-2):

<u>Plan Code</u>	<u>2009 Premium Per Enrollee</u>	<u>2010 Premium Per Enrollee</u>	<u>% increase</u>
Plan OGU (High Option)	\$322.14	\$364.02	13%
Plan OGX (Low Option)	\$205.34	\$232.03	13%

**Open Enrollment for 2010 Benefits Plan Year**

Upon the Board's action on these recommendations in this item an open enrollment period will be opened. Open enrollment for the 2010 Benefits Plan year will be from November 16, 2009 through December 7, 2009. There will be 15 open enrollment meetings held at various locations across the County at which staff, consultants and vendors will be provide information to employees, answer questions regarding 2010 plans, and assist them in enrollment in new plans. SBCERS will conduct its own plan enrollment with retirees with the assistance of the County's consultant.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

The budgeted amount for the medical plan premiums for the 2009-2010 Fiscal Year is \$16,151,800. Based on the premium increases achieved through plan design changes and the current enrollment in plans, the estimated expenditure for medical premiums for the 2009-2010 Fiscal Year will be \$15,606,794. This represents an estimated savings of \$545,014 over the 2009-2010 Fiscal Year budgeted amount. County Dental Plan contributions, which are

capped at the current contribution levels, are estimated to remain at \$1,121,000 for the Fiscal Year 2009-2010. The cost to fund the Retiree Medical Program is paid by the County at an annual cost of approximately \$5.8M.

**Staffing Impacts:**

**Legal Positions:**

**FTEs:**

**Special Instructions:**

**Attachments:**

Attachment A-1: Active Employees Monthly Medical Premium Rates  
Attachment A-2: Active Employees Twice-monthly Premium Rates  
Attachment A-3: Early Retiree (Under 65) Premium Rates  
Attachment A-4: Retirees Over 65 Premium Rates  
Attachment A-5: Blue Shield EPO Low Plan design  
Attachment A-6: Blue Shield EPO High Plan design  
Attachment A-7: Blue Shield PPO Plan design  
Attachment A-8: Blue Shield PPO HDHP Plan design  
Attachment A-9: Rate Summary Comparison – Early Retirees  
Attachment A-10: Rate Summary Comparison – Post 65 Retirees  
Attachment B: Kaiser HMO Premium Rates for Active and Retirees  
Attachment C: County Self-Funded Dental PPO Plan  
Attachment D: Golden West Pacesetter DMO Plan Renewal Letter  
Attachment E: CareCounsel Healthcare Assistance Plan Renewal Letter  
Attachment: F Health Oversight Committee Member list  
Attachment: G CSAC-EIA Health participating organizations  
Attachment: H-1 United Healthcare Secure Horizons Medicare Risk HMO renewal letter  
Attachment: H-2 United Healthcare Secure Horizons Medicare Risk HMO premiums and Health Plan summary

**Authored by:**

Andreas Pyper, Employee Benefits Manager

**cc:** Health Oversight Committee  
All Employee Organizations  
All Department Heads  
Michael Menzia, Alliant Insurance Services