

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



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

**Agenda Number:**

**Prepared on:** 5/10/05  
**Department Name:** Human Resources  
**Department No.:** 064  
**Agenda Date:** 5/17/05  
**Placement:** Administrative  
**Estimate Time:** n/a  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

**FROM:** Susan Paul, Human Resources Director  
Human Resources Department

**STAFF CONTACT:** Scott Turnbull  
x2821

**SUBJECT:** 2005-06 Medical and Dental Insurance Premium Changes

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**Recommendation(s):**

That the Board of Supervisors:

Adopt the following recommendations for medical and dental plan renewals for active employees, early retirees (pre-65) and Medicare retirees effective July 1, 2005 for a one year term:

**A) HMO's, Point-of-Service, PPO and Related Medical Programs**

- 1) Blue Cross HMO Low Option Plan - Approve the renewal of the existing low option HMO plan with premium rate increases as shown in Attachments A & B;
- 2) Blue Cross Senior Secure HMO - Approve the renewal of the existing Senior Secure HMO plan for retirees with premium rate increases as shown in Attachments A & B;
- 3) Blue Shield Low Option HMO Plan - Approve the renewal of the existing HMO low option plan with premium rate increases as shown on Attachments A & C;
- 4) Blue Shield Mid Option HMO Plan - Approve the renewal of the existing HMO mid-option plan with premium rate increases as shown on Attachments A & C;
- 5) Blue Shield High Option HMO Plan - Approve the renewal of the existing HMO high option plan with premium rate increases as shown on Attachments A & C;
- 6) Blue Shield Point-of-Service (POS) Plan - Approve the renewal of the existing POS plan with premium rate increases as shown on Attachments A & C;

- 7) Blue Shield PPO Plan - Approve the renewal of the existing PPO plan with premium rate increases as shown on Attachments A & C;
- 8) Blue Shield Indemnity Plan - Approve the renewal of the existing plan for out-of-area early retirees and Medicare retirees with premium rate increase as shown on Attachments A & C;
- 9) MHN Employee Assistance Plan - Approve the renewal of the existing plan for a 12 month period with no premium rate increase for active employees or retirees as shown in Attachments A & D;
- 10) Healthcare Assistance Program – Approve the continuation of the healthcare assistance services for all covered employees with CareCounsel with a premium rate increase from \$1.35 per employee per month to \$1.50 per employee per month which is included in the County contribution for medical insurance as shown in Attachments A & D.

## **B. PPO and DMO Dental Programs**

- 1) County Self-Funded Dental Program – Accept the Annual Actuarial Report for the County Self-Funded Dental Program, dated April 1, 2005, which recommends average premium rate increases of 10.1% for active employees and average increase of 17.6% for retirees as shown in Attachments A & E (Table 5);
- 2) Golden West Pacesetter DMO - Approve the renewal of the existing Pacesetter DMO (dental HMO) dental plan design with a premium increase of 6% for employees and retirees as shown in Attachments A & F.

### **Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

### **Executive Summary and Discussion:**

#### **A) HMO's, Point-of-Service and PPO Medical Programs**

Last year, the County went out to bid on our medical plans and received proposals from Health Net, Blue Cross (both existing County insurers) and Blue Shield. Blue Shield proposed replacement programs for all of Health Net's programs at a substantial reduction in premiums compared with comparable plans under Health Net and Blue Cross. Changing our primary carrier to Blue Shield saved the County and employees an estimated \$1.4 million in fiscal year 2004-05.

Currently, health plan renewals are handled on an annual basis. The rate increases typically take effect in July. For this renewal period Blue Cross and Blue Shield submitted premium rate increases for current plans. Because of the County's enrollment size, plan increases are based on the claims experience of our plan participants and are not combined with any other groups. The claims experience then has a medical trend amount added to estimate the future costs during the term of the contract as well as administrative costs and commissions to The Segal Company. Since the Blue Shield plans started only last July, there is limited data upon which to project next year's premium needs.

The Health Oversight Committee (HOC) has reviewed rate increases and recommends that your Board renew all medical plans as proposed. In addition, the Committee recommends that the County accept an

alternative, slightly reduced rate structure that carries over a 2% deficit to the 2006 and 2007 Blue Shield renewals. The result would be a combined HMO rate increase of 22%.

### **Additional Rate Adjustment**

In addition to the carryover reduction recommended by the HOC, staff has identified an additional mechanism by which the proposed rates could be further reduced. The proposed Blue Shield rates include a 2% commission that is paid to our insurance broker, The Segal Company. Those commissions are used to offset the County's costs for Segal's regular services and all special projects. Unspent commissions are carried over to the next year and retained by Segal.

Staff anticipates that sufficient funds exist to pay for all of Segal's services next fiscal year. Staff recommends that the commissions to the broker be suspended for the 2005-06 plan year, thereby reducing the premiums by an additional 2%. The resulting combined HMO rate increase would be 20%. The Point-of-Service plan is increasing by 16.4% and the PPO plan by 6.8%.

Staff also recommends that the Blue Cross low option HMO plan be renewed with the same plan design at an increase of 21.7%. The overall claim cost per Blue Cross plan member increased significantly this year. Blue Shield estimated that if they transferred all of the Blue Cross plan participants to Blue Shield plans; it would raise the cost of the similar Blue Shield plan by 6%.

## **B. Dental PPO and DMO Dental Programs**

Self-Funded Dental Plan - Through the County's Self-Funded Dental Program, the County offers its own fee-for-service plan to employees and retirees that includes reduced fee arrangements through a PPO panel of dentists. Claims administration is handled through a local business, Golden West, who also contracts for the PPO provider network. The Human Resources Director, as plan administrator, oversees administration of the plan; reviews benefit levels, confers with employee organizations through the Labor/Management Health Oversight Committee and recommends premium rate changes annually.

The annual actuarial review of the County Self-Funded Dental Program by The Segal Company (Attachment E) reviewed the dental plan's actual fiscal experience through January 31, 2005. This report includes an analysis of the prior year's actual revenues and expenses as of June 30, 2004. Premium rates are reviewed annually to ensure adequate funds for claim payments and administration expenses. Using recent claims experience, prior history and projected expenses and dental industry trends, our actuary has indicated that a 10.1% premium rate increase for active employees and a 17.6% average increase for retirees are necessary to meet anticipated expenses and maintain an adequate reserve. For the current year through January 31, 2004, the plan shows a combined operating addition of \$174,342 which leaves the fund with a contingency reserve level at \$1,192,272. The actuarial report has been distributed to all employee organizations and was reviewed at the April 5, 2005 meeting of the Health Oversight Committee. The committee voted to accept the recommended premium increase for next year.

Golden West Pacesetter DMO (Dental HMO) Plan - The Pacesetter plan complements the Self-Funded PPO plan and provides a lower cost of coverage with comprehensive benefits. No plan design changes are being proposed. The proposed renewal rate for this plan is 6%.

## **Open Enrollment**

The County's annual open enrollment for employees is scheduled for May31 through June 17 this year and all employees will have an opportunity to review the plan choices and meet with representative of the health insurance carriers at meetings throughout the County before selecting their medical plan.

**Mandates and Service Levels:** No change in programs or service level.

### **Fiscal and Facilities Impacts:**

Recommendation A – HMO's Point-of-Service and PPO Medical Programs – The County contribution for all medical plans except the Blue Shield low option HMO plan will remain at the same level next fiscal year. The County contribution for the Blue Shield low option HMO will increase by \$16.36 biweekly resulting in an estimated County cost increase of approximately \$320,000 2005-06.

Recommendation B.1 – Self Funded Dental Plan – There is no additional cost to the County for the Self-Funded Dental Plan in 2005-06.

Recommendation B.2 - Golden West Pacesetter Dental HMO Plan – The additional cost to the County for the Pacesetter plan is estimated at \$26,000 in 2005-06.

**Special Instructions:** None.

**Concurrence:** None

**cc:** Oscar Peters, Retirement Administrator  
Health Oversight Committee  
All Employee Organizations  
All Department Heads  
Nancy Topping, The Segal Company  
Barry Miller, The Segal Company

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**2005-06 SANTA BARBARA COUNTY HEALTH INSURANCE PREMIUMS**  
**ACTIVE EMPLOYEES, Effective July 1, 2005**

Medical Plans	2004-05 Monthly Cost	2005-06 Proposed Monthly Cost	Monthly Increase
<b>BLUE CROSS HMO Low Option</b> \$10 OV, \$250/20% Hospital Co-pay, Group # 56Y44A			
Employee Only	214.91	261.58	46.67
Employee + 1 Dependent	430.69	524.25	93.56
Employee + 2 or More Dependents	573.08	697.57	124.49
<b>BLUE SHIELD HMO Low Option</b> \$10 OV, \$250 Hospital Co-pay, Group # H53907			
Employee Only	186.20	221.51	35.31
Employee + 1 Dependent	346.48	412.18	65.70
Employee + 2 or More Dependents	540.01	642.41	102.40
<b>BLUE SHIELD HMO Mid Option</b> \$10 OV, \$10 Hospital Co-pay Group # H53905			
Employee Only	290.86	345.42	54.56
Employee + 1 Dependent	540.86	642.16	101.30
Employee + 2 or More Dependents	843.48	1,002.09	158.61
<b>BLUE SHIELD HMO High Option</b> \$0 OV, \$0 Hospital Co-pay Group # H53906			
Employee Only	300.62	356.10	55.48
Employee + 1 Dependent	559.01	662.01	103.00
Employee + 2 or More Dependents	871.78	1,033.11	161.33
<b>BLUE SHIELD POS Option</b> Group # ZH5743			
Employee Only	517.87	590.06	72.19
Employee + 1 Dependent	963.01	1,097.13	134.12
Employee + 2 or More Dependents	1,501.89	1,711.53	209.64
<b>BLUE SHIELD PPO Option</b> Group # 977737			
Employee Only	251.32	263.15	11.83
Employee + 1 Dependent	467.36	489.35	21.99
Employee + 2 or More Dependents	728.31	762.58	34.27
<b>MHN Employee Assistance Program, Group #5986</b> Per Covered Employee	2.93	2.93	0.00
<b>Healthcare Assistance Plan (CareCounsel)</b> Per Covered Employee	1.35	1.50	0.15

Dental Plans	2004-05 Monthly Cost	2005-06 Proposed Monthly Cost	Monthly Increase
<b>COUNTY DENTAL PLAN, GROUP # NP 8059</b>			
Employee Only	38.72	42.63	3.91
Employee + 1 Dependent	74.40	81.91	7.51
Employee + 2 or More Dependents	114.53	126.10	11.57
<b>GOLDEN WEST DENTAL HMO, GROUP # 561901</b>			
Employee Only	23.96	25.40	1.44
Employee + 1 Dependent	39.39	41.75	2.36
Employee + 2 or More Dependents	59.79	63.38	3.59



**2005-06 HEALTH INSURANCE PREMIUMS**  
**ACTIVE EMPLOYEES, effective July 1, 2005**  
**Without 2% Blue Shield Commissions**

Biweekly premiums include \$2.05 for Employee Assistance and Healthcare Assistance Plans

<b>BLUE CROSS HMO Low Option, Group 56Y44A</b> <b>\$10 OV, \$250 &amp; 20% Hospital Co-pay</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	122.78	(105.19)	17.59
with 1 Dependent	244.01	(105.19)	138.82
Two + Dependents	324.01	(105.19)	218.82

<b>BLUE SHIELD HMO Low Option&lt; Group # H53907</b> <b>\$10 OV, \$250 Hospital Co-pay</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	104.28	(104.28)	0.00
with 1 Dependent	192.29	(104.28)	88.01
Two + Dependents	298.55	(104.28)	194.27

<b>BLUE SHIELD HMO Mid Option, Group #H53905</b> <b>\$10 OV, \$10 Hospital Co-pay</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	161.47	(105.19)	56.28
with 1 Dependent	298.43	(105.19)	193.24
Two + Dependents	464.55	(105.19)	359.36

<b>BLUE SHIELD HMO High Option, Group # H53906</b> <b>\$0 OV, \$0 Hospital Co-pay</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	166.40	(105.19)	61.21
with 1 Dependent	307.59	(105.19)	202.40
Two + Dependents	478.87	(105.19)	373.68

<b>BLUE SHIELD POS Option, Group # ZH5743</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	274.38	(105.19)	169.19
with 1 Dependent	508.42	(105.19)	403.23
Two + Dependents	791.99	(105.19)	686.80

<b>BLUE SHIELD PPO Option, Group # 977737</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	123.50	(105.19)	18.31
with 1 Dependent	227.91	(105.19)	122.72
Two + Dependents	354.01	(105.19)	248.82

**DENTAL INSURANCE PREMIUMS**

County Contribution may vary by bargaining unit

<b>COUNTY DENTAL PLAN, GROUP # NP 8059</b>	<b>Biweekly</b> <b>Premium</b>	<b>County</b> <b>Contribution</b>	<b>Net Employee</b> <b>Pre-Tax Deduction</b>
Employee Only	19.68	(12.02)	7.66
with 1 Dependent	37.80	(12.02)	25.78
Two + Dependents	58.20	(12.02)	46.18

<b>GOLDEN WEST DENTAL HMO, GROUP # 561901</b>	<b>Biweekly</b>	<b>County</b>	<b>Net Employee</b>
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	Premium	Contribution	Pre-Tax Deduction
Employee Only	11.72	(11.72)	0.00
with 1 Dependent	19.27	(11.72)	7.55
Two + Dependents	29.25	(11.72)	17.53



**2005-06 SANTA BARBARA COUNTY MONTHLY HEALTH INSURANCE PREMIUMS  
RETIREES, Effective July 1, 2005**

Medical Plans	2004-05 Monthly Cost	2005-06 Proposed Monthly Cost	Monthly Increase
<b>BLUE CROSS HMO Low Option, Group # 56Y44A</b> <b>\$10 OV, \$250/20% Hospital Co-pay</b>			
Early Retiree, Single	214.91	404.23	189.32
Early Retiree, 2-Party	430.69	810.12	379.43
Early Retiree, Family	573.08	1,077.96	504.88
Medicare Retiree, Single	205.29	327.44	122.15
Medicare Retiree, 2-Party	410.58	656.23	245.65
<b>BLUE SHIELD HMO Low Option, Group # H53907</b> <b>\$10 OV, \$250 Hospital Co-pay</b>			
Early Retiree, Single	186.20	235.20	49.00
Early Retiree, 2-Party	346.48	437.67	91.19
Early Retiree, Family	540.01	682.13	142.12
Medicare Retiree, Single	173.91	208.01	34.10
Medicare Retiree, 2-Party	323.52	386.96	63.44
<b>BLUE SHIELD HMO Mid Option, Group # H53905</b> <b>\$10 OV, \$10 Hospital Co-pay</b>			
Early Retiree, Single	290.86	377.66	86.80
Early Retiree, 2-Party	540.86	702.03	161.17
Early Retiree, Family	843.48	1,095.83	252.35
Medicare Retiree, Single	n/a		
Medicare Retiree, 2-Party	n/a		
<b>BLUE SHIELD HMO High Option, Group # H53906</b> <b>\$0 OV, \$0 Hospital Co-pay</b>			
Early Retiree, Single	300.62	375.68	75.06
Early Retiree, 2-Party	559.01	700.23	141.22
Early Retiree, Family	871.78	1,092.97	221.19
Medicare Retiree, Single	280.01	333.56	53.55
Medicare Retiree, 2-Party	520.69	620.09	99.40
Employee + 1 Dependent	963.01	1,097.13	134.12
Employee + 2 or More Dependents	1,501.89	1,711.53	209.64
<b>BLUE SHIELD Point-of-Service Plan, Group # ZH5743</b>			
Early Retiree, Single	517.87	590.06	72.19
Early Retiree, 2-Party	963.01	1,097.13	134.12
Early Retiree, Family	1,501.89	1,711.53	209.64
Medicare Retiree, Single	483.69	551.05	67.36
Medicare Retiree, 2-Party	899.45	1,024.61	125.16
<b>BLUE SHIELD Out-of-Area PPO Option, Group #977736</b>			
Early Retiree, Single	778.13	814.75	36.62
Early Retiree, 2-Party	1,509.41	1,580.44	71.03
Early Retiree, Family	2,188.78	2,291.78	103.00
Medicare Retiree, Single	370.09	387.51	17.42
Medicare Retiree, 2-Party	740.19	775.02	34.83
<b>BLUE SHIELD In-State PPO Option, Group #977737</b>			
Early Retiree, Single	251.32	263.15	11.83
Early Retiree, 2-Party	467.36	489.35	21.99
Early Retiree, Family	728.31	762.58	34.27
Medicare Retiree, Single	234.73	245.78	11.05
Medicare Retiree, 2-Party	436.51	457.05	20.54

<b>MHN Employee Assistance Program, Group #5986</b>			
Per covered retiree	2.85	2.85	0.00
<b>Healthcare Assistance Plan (CareCounsel)</b>			
Per covered retiree	1.35	1.50	0.15

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