

**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: 5/05/04
Department Name: Human Resources
Department No.: 064
Agenda Date: 5/18/04
Placement: Departmental
Estimate Time: 30 minutes
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Scott Ullery, Deputy County Administrator & Interim Human Resources Director
Human Resources Department

STAFF CONTACT: Scott Turnbull
x2821

SUBJECT: 2004-05 Medical and Dental Insurance Plan Changes

Recommendation(s):

That the Board of Supervisors:

Approve the following health program recommendations for all regular employees, effective July 5, 2004 and for retirees, effective July 1, 2004:

1) County Self-Funded Dental Program

Accept the Annual Actuarial Report for the County Self-Funded Dental Program, dated March 17, 2004, which recommends a premium rate *decrease* of .7% for active employees and an increase of 5% for retirees for Fiscal Year 2004-2005; (Attachment A & B);

2) Blue Cross HMO Plan

Approve the renewal of the Blue Cross HMO Plans for active employees, effective July 5, 2004, and retirees, effective July 1, 2004, with premium rate *decreases* of 4% for both groups (Attachment A & C);

3) Addition of Blue Shield HMO, Point of Service and PPO Medical Plans

Approve the adoption of the following Blue Shield HMO, Point of Service and PPO plans to replace the existing agreements with Health Net, for active employees, effective July 5, 2004 and for retirees, effective July 1, 2004 at the premium rates specified in Attachment A and with plan designs described in Attachment D and authorize the Interim Human Resources Director to execute the Master Application shown in Attachment D and all other required documents;

1. **Blue Shield Low Option HMO Plan for Active Employees and Retirees** equivalent to the Blue Cross HMO plan and offered in addition to the Blue Cross HMO plan;
 2. **Blue Shield HMO \$0 Office Visit Co-Pay Plan for Active Employees and Retirees** replacing the existing Health Net HMO \$0 Office Visit Co-Pay plan for active employees and replacing the Health Net \$5 Office Visit Co-Pay plan for retirees and replacing the Exclusive Provider Organization (EPO) plan in San Luis Obispo County for both groups;
 3. **Blue Shield HMO \$10 Office Visit Co-Pay Plan for Active Employees and Retirees** replacing the existing Health Net HMO \$10 Office Visit Co-Pay plans and existing EPO plans in San Luis Obispo County for both groups;
 4. **Blue Shield Point-of-Service Plan for Active Employees and Retirees** replacing the existing Health Net HMO Point-of-Service plans for both groups;
 5. **Blue Shield PPO Plan for Active Employees and Retirees** replacing the existing Health Net PPO plans both in California for both groups and out-of-state for retirees and employee dependents;
 6. **Blue Shield Indemnity Plan for Retirees** replacing the existing Health Net Flex Net Indemnity Plan for out-of-area retirees;
- 4) **Golden West Pacesetter Dental HMO Plan** - Approve the renewal of the existing HMO dental plan design with a premium increase of 5% for employees and retirees (Attachments A & E);
 - 5) **MHN Employee Assistance Plan** - Approve the renewal of the existing plan design with premium rate increases of 9% for active employees and 4% for retirees; (Attachment F);
 - 6) **Healthcare Assistance Program** – Approve the continuation of the healthcare assistance services program for all covered employees with CareCounsel at no increase in premiums (Attachment G).

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:

1) **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 with a PPO panel of dentists. Claims administration is handled through a local business, Golden West, which 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 Self-Funded Dental Program by The Segal Company (Attachment B) reviewed the dental plan’s actual fiscal experience through December 31, 2003. This report includes an analysis of the prior year's actual revenues and expenses as of June 30, 2003. 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 .7% premium rate *decrease* for active employees and a 5% premium rate increase for retirees is necessary to meet anticipated expenses and maintain an adequate reserve. Plan operations at fiscal year end 2002-03 showed a net operating addition for employees and retirees of (\$14,491). For the current year through December 31, 2003, the plan shows a combined operating addition of \$241,613. The actuarial report has been distributed to all employee organizations and was reviewed at the February 19, 2004 meeting of the Health Oversight Committee. All committee members present voted in favor of accepting the premium rate increases for next year.

In addition, in July 2002, the plan's claims administrator, Golden West extended the monthly administration fee of \$3.50 per employee per month for an additional 3 years so there is no fee increase this year (included with Attachment B).

2 & 3) Blue Cross HMO & Blue Shield HMO, Point-of-Service and PPO Plans - In response to the rapidly escalating health insurance premiums and as part of Human Resources regular practice of periodically bidding out our insurance plans, the County engaged The Segal Company to issue an RFP for HMO, PPO and Point of Service health insurance coverage on our behalf in November 2003. All major insurance companies offering these plans in the tri-county area were solicited and issued an RFP. Some major carriers such as Aetna, Cigna and Pacificare declined to bid on our programs, the most common reason being that they did not feel that they could be competitive with other bidders. Bids were received from Health Net and Blue Cross, our current vendors, and from Blue Shield, who also serves the statewide PERS contracts for participating employees and retirees.

The bids were evaluated by The Segal Company and results were shared with the County's Health Oversight Committee which is comprised of representatives from all employee organizations, the retirees association and departments involved in County healthcare administration. Several Health Oversight meetings were conducted over several months evaluating the information received, obtaining additional information and refining the bids that were proposed to the County to replace the current medical programs. The committee concluded that the Blue Shield proposal offered the least cost to employees and the County, matched the current Health Net plans closely and improved the physician network in northern Santa Barbara and San Luis Obispo counties. The committee was also concerned about offering only one HMO provider and subsequently, both Blue Cross and Blue Shield agreed to be offered alongside each other's low option HMO plan. The benefit plan designs are shown in Attachment D. Some minor items like urgent and emergency room co-pay have already been reduced to match Health Net's current benefit and will be reflected in the final plan designs.

Another concern was with the network to be provided by Blue Shield since many employees may have to change their personal physicians. The Segal Company conducted a network match to determine the amount of overlap between the two sets of HMO and PPO networks. They concluded that the Blue Shield network matched the Health Net network with approximately 85% crossover. In addition, the Blue Shield program would once again offer an HMO network in San Luis Obispo County for employees and dependents living there. Also, Blue Shield contracts with individual physicians whereas Health Net only contracts with medical groups and has been limited in north county by the bankruptcy of multiple groups. Another network advantage is that Blue Shield has mutual agreements the Blue Cross / Blue Shield plans in other states. Through their Blue Card program, employees with dependents in other states with "Blue"

plans as well as retirees may be able to access HMO & PPO coverage in those areas. This is still being reviewed.

The committee recommended unanimously to the County Administrator and the Board of Supervisors that the County contract for the Blue Shield plans and retain the Blue Cross HMO plan for next fiscal year. In addition, the committee included a recommendation that the County maintain the current level of County contribution towards employee only coverage on each plan. That recommendation and the result of meeting and conferring with employee organizations are addressed in a companion board letter for this board meeting.

4) Golden West Pacesetter HMO Plan – Golden West’s increase of 5% for the dental HMO plan is a very competitive rate. No program changes are being made and their dental network has been very stable.

5) Employee Assistance Program – The initial proposed increase for this plan for active employees was 26% but after The Segal Company’s negotiation with them the premium increase was reduced to 4% for active employees and 9% for retirees.

6) CareCounsel Healthcare Assistance Program – CareCounsel has agreed to renew the County plan for active employees at *no* rate increase. Employee surveys continue to show a very high level of satisfaction with this program. In addition, the Santa Barbara County Employees Retirement System will be contracting with CareCounsel for the first time next fiscal year. That agreement will be presented to the Board of Retirement for approval.

Open Enrollment

The County’s annual open enrollment for employees is scheduled for May 24 through June 11 this year and all employees will have an opportunity to review all plans at employee meetings scheduled throughout the County with representatives from the insurance carriers.

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

Fiscal and Facilities Impacts:

Recommendation 1 – Self Funded Dental Plan – The premium *decrease* of .7% is anticipated to reduce the County’s cost for employees enrolled in the plan by \$7,500 next fiscal year. The total County cost for this plan is estimated at \$750,000 next fiscal year.

Recommendation 2 – Blue Cross HMO - The recommended premium *decrease* will save the County approximately \$66,000 in 2004-05. The total County cost for this plan is estimated at \$1.6 million next fiscal year.

Recommendation 3 - Blue Shield HMO, Point-of-Service and PPO Health Plans – As mentioned above, in a companion board letter, the Board has been asked to approve the continuation of the current level of County contribution towards employee health plan coverage. Assuming this approval, the replacement of the Health Net plans with the Blue Shield plans will save the County approximately \$172, 000 next fiscal year under current year’s rates. By agreeing to maintain the current level of County contribution, the

County is foregoing approximately \$1.3 million in County savings that the County would have achieved if the existing County contribution description in the Memorandums of Understanding with employee organizations were maintained. The total estimated annual County medical contribution cost is \$8.9 million.

Recommendation 4 – Golden West Pacesetter Dental HMO Plan - Assuming the same employee enrollment in the Golden West Pacesetter Dental HMO next year as currently exists, the total County contribution will increase by \$21,000 next fiscal year. The total estimated County cost for this plan is \$435,000.

Recommendation 5 – MHN Employee Assistance Plan – The recommended premium increase of 9% for active employees will increase the County’s cost by approximately \$11,000 in 2004-05 and is included in the County contribution. The total County cost for this plan is estimated at \$140,000 next fiscal year.

Recommendation 6 - Healthcare Assistance Program - This program, offered through CareCounsel, will have no increase in cost for next fiscal. The total County cost for the program is estimated at \$65,000 and is included in the County contribution.

The County contribution cost for each of the above programs is budgeted in each department through the salary model.

Special Instructions: None.

Concurrence: None

cc: Bernice James, Treasurer
Health Oversight Committee
All Employee Organizations
All Department Heads
Nancy Topping

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