



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: Human Resources
Department No.: 064
For Agenda Of: 09/06/2011
Placement: Administrative
Estimated Tme: n/a
Continued Item: n/a
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Jeri Muth, Interim Human Resources Director, 568-2816
Director(s):
Contact Info: Andreas Pyper, Employee Benefits Manager, 568-2821
SUBJECT: **2012 Health Insurance Program Renewal**

County Counsel Concurrence

As to form: N/A

Other Concurrence: Select_Other

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

1. **CSAC-EIA Blue Shield Health Plans**

Approve the renewal of the California State Association of Counties - Excess Insurance Authority (CSAC-EIA) Blue Shield Exclusive Provider Organization (EPO) High, Blue Shield EPO Low, Preferred Provider Organization (PPO), and High Deductible Health Plan (HDHP) plans for a twelve-month term, at the existing benefit levels, and premium increases of 7.1%, effective January 1, 2012, for all active employees and retirees as shown in **Attachment A1 – A3**;

2. **Kaiser Permanente HMO Health Plans**

Approve the renewal of the Kaiser Permanente High and Low Health Maintenance Organization (HMO) and Senior Advantage Plans, at existing benefit levels, with premium increases ranging between 8.1% - 11.4%, effective January 1, 2012, for all active employees and retirees for a twelve-month term, as shown in **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, with **no** increase, effective January 1, 2012 for active employees and retirees for a twelve month period (see **Attachment D**);

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

Approve the renewal of the existing Golden West Dental Maintenance Organization (DMO) plan, and continue the existing benefit levels, at the current premium levels, with **no** increase, for active employees and retirees for a twelve-month period, effective January 1, 2012, as shown in **Attachment E**;

5. **Vision Service Provider Plan**

Approve the renewal of the existing Vision Provider Plan and continue the existing benefit levels, at the current premium levels, with **no** increase, for active employees and retirees for a twelve-month period, effective January 1, 2012, as shown in **Attachment F**;

6. **CareCounsel Healthcare Assistance Program**

Approve the renewal of the CareCounsel Healthcare Assistance Program for all covered active employees and retirees with **no** increase to the current fee level, for a twelve-month period effective January 1, 2012, as shown in **Attachment G**;

7. **United Healthcare Medicare Risk HMO Health Plans**

Approve the renewal of the United Healthcare Medicare Risk HMO Health Plans for County of Santa Barbara retirees, at existing benefit levels, with a premium increase of 7.5% for a twelve-month period, effective January 1, 2012, as shown in **Attachment H**; and authorize the Interim Human Resources Director to execute any necessary administrative agreements and documents required to manage plans listed in 1 through 7 above;

8. Authorize the Interim Human Resources Director to explore the possibility of extending the use of the On-site Employee Health Clinics, at no additional cost to the County, to spouses and/or dependents over the age of 16 years, of active employees who have a spouse and/or dependents over the age of 16 years, covered by any of the County sponsored Health Plans.

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:

In 2009 the County faced a 48% increase in premiums from its medical carrier, Aetna. The County and its insurance consultant, Alliant Insurance Services (Alliant), worked with the Health Oversight Committee (HOC) to stabilize medical insurance increases and to mitigate the 48% increase faced by the County. (**Attachment I** lists all members of the HOC.) The HOC recommended, and the Board approved, participation in the CSAC-EIA Health pooled risk insurance program. That decision yielded positive outcomes in the first and second year of the County's participation as the CSAC-EIA Health Program outperformed the 2010 and 2011 marketplace, which is in keeping with its performance over the last ten years. Medical trend, also known as medical inflation, was approximately 15% in 2010 and 13% in 2011. With this trend level and the impact of healthcare reform, many employers are seeing renewal increases ranging from 13% to 18% this year.

In CSAC-EIA Health each participating employer maintains autonomy for its own benefit decisions, plan design, retiree benefits and rules, and administrative choice. As a new member brought into the plan in 2010, the County was assigned rates based on the County's own claims experience and demographics. For the first two years that an employer participates in the risk pool the renewal rate is calculated by combining the claims of all members and spreading the risk over the entire pool. Upon renewing in January 2011 and January 2012, Santa Barbara County received the same rate increase applied to the entire pool which for 2011 was 11.8% and for 2012 is 7.1%. Being part of the CSAC-EIA Health risk pool has resulted in a manageable and competitive rate increase for the County for 2011 and 2012.

After CSAC-EIA Health notified the County of 7.1% increase for the Blue Shield Plans, and Alliant notified the County of the changes in all the other attendant employee benefit plans, staff met the members of HOC. Agreement was reached that no changes would be made to any of the employee benefit plans and that staff would work with the HOC to better educate employees in how to use their benefit plans effectively.

Since moving to CSAC-EIA Health and implementing the County's Employee Health Clinic Program, the County's health plan loss ratio has for the first time dropped to less than 100% two years in a row. In large part improvement to the loss ratio over the last two years is a result of employees obtaining health care services from the Employee Health Clinics, which are operating at near full capacity and employees are asking for increased services, hours, and clinics. For the 2013 plan year renewal it is important that the County maintain or improve

the loss ratio as it is in the third year of participation that this experience is compared with the risk pool's experience, to determine the County's 2013 premiums.

1. CSAC EIA Blue Shield Health Plans

The proposed premiums for active employees and retirees as shown in **Attachment A1 – A3** are for a twelve-month period.

2. Kaiser Permanente Health HMO Plans

The Kaiser Permanente HMO Plan remains a cost-effective option for employees and retirees. 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**). 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. **Attachment D** provides rate information for active employee and retiree plans for a twelve month period.

4. Golden West Pacesetter DMO Plan

The Golden West Pacesetter DMO Plan remains a cost-effective option for employees and retirees. With aggressive negotiations on behalf of the County by its insurance broker, and lower-than anticipated plan utilization, the County and its employees will receive **no** rate increase for 2012. There is no change to the current benefit level. The proposed premiums shown in **Attachment E** are for a twelve-month period.

5. Vision Service Provider Plan

As a result of good claims management and usage of this plan, there is **no** rate increase for this plan. The proposed premiums shown in **Attachment F** are for a twelve-month period..

6. 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, and has been very successful in resolving challenging medical plan issues for active employees and retirees. Since its inception, employee and retiree feedback

continues to show a very high level of satisfaction with this program. There is **no** rate increase for the 2012 plan year and the rates shown in **Attachment G** remain unchanged.

7. United Healthcare 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 United Healthcare Medicare Risk HMOs. Approval of the United Healthcare 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 United Healthcare 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 the EPO network. For this reason, the cost of a Medicare Risk HMO is less expensive. In addition to the retiree’s payment, United Healthcare also receives Medicare reimbursement for each enrollee. The monthly premium increases are shown in **Attachment H**.

Open Enrollment for 2012 Benefits Plan Year

Upon the Board’s action on the recommendations in this item, an open enrollment period, for the 2012 Benefits Plan year, will be held from October 10, 2011 through October 31, 2011. 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: * _

Based on the current number of eligible employees enrolled in health insurance plans the estimated County cost for the Fiscal Year 2011-2012 health insurance will be \$18,482,879. This cost is will come in under the Fiscal Year 2011-2012 budgeted amount. County Dental Plan contributions, which are capped at the current contribution and enrollment levels, are estimated to remain at \$1,044,211 for Fiscal Year 2011-2012.

Staffing Impacts: * _

Legal Positions: **FTEs:**

None

Special Instructions: *

None

Attachments: *

- Attachment A1: Active Employees Blue Shield Health Plans Monthly Premium Rates
- Attachment A2: Early Retiree Blue Shield Health Plans Monthly Premium Rates
- Attachment A3: Post 65 Blue Shield Health Plans Monthly Premium
- Attachment B: Kaiser HMO Premium Rates for Active Employee and Retirees
- Attachment C: County Self-Funded Dental Actuarial Report
- Attachment D: County Self-Funded Dental PPO Plan Rates for Active Employees and Retirees
- Attachment E: Golden West Pacesetter DMO Plan Renewal Rates for Active Employee and Retirees
- Attachment F: Vision Service Plan and Rates for Active Employees and Retirees
- Attachment G: CareCounsel Healthcare Assistance Renewal
- Attachment H: United Healthcare Medicare Risk HMO rate
- Attachment I: Health Oversight Committee Member list

Authored by:

Andreas Pyper, Employee Benefits Manager

- cc:** Health Oversight Committee
All Department Heads
Michael Menerey, Alliant Insurance Services