



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:** June 21, 2016  
**Placement:** Administrative  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Director: Lori Gentles, Human Resources Director, 568-2816  
Contact Info: Andreas Pyper, Assistant Director: Human Resources 568-2821  
**SUBJECT:** Renewal of Onsite Employee Clinic Program

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management:

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A. Approve and authorize the Chair to execute the attached management agreement between the County of Santa Barbara and HealthStat, Inc., to continue the operation of two onsite employee health clinics. The total contract amount, including cost reimbursements and one-time Health Risk Assessments (HRA) in 2016, is estimated, to be approximately \$1.1 million (\$995,663 contract and \$104,000 HRA) in the first year of the contract, with a maximum possible increase in subsequent contract renewal years limited to no more than 3% per contract year, and
- B. Determine that these activities are exempt from California Environmental Quality Act (CEQA) review per CEQA Guidelines Section 15378(b)(5) since the recommended actions are government administrative activities which do not involve commitment to any specific project which may result in potentially significant physical impact 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 made possible by the onsite employee health clinics.

The choice of the current vendor HealthStat, Inc., was the result of a competitive nationwide Request for Proposal (RFP) process in 2009 which several service providers submitted bids and were evaluated. Several factors have led staff to conclude that a new RFP at this time would not provide any significant tangible cost savings or service benefits to employees and their dependents. The current vendor, HealthStat, Inc., has exceeded all performance expectations, successfully managed its operating costs, and been impressively responsive to County requests, demands and concerns. Additional factors are, a) the requirement that ongoing critical treatment of employees, with very high risk factors, not be disrupted, b) the unique integration of HealthStat’s Electronic Health Records (EHR) system with the County’s insurance provider, allowing the County to track use of the clinics by health plan choice, c) successful management by HealthStat of medication compliance of employees on chronic conditions, a critical component to keeping catastrophic medical events from occurring, d) very high satisfaction ratings (90%+ rate HealthStat 5 out of 5) by employees and their dependents, and e) excellent cost and time management by HealthStat. A further important factor that ensures high utilization of onsite health clinics is the trust relationship that employees, and their dependents, have built up with clinic staff and HealthStat.

Reestablishing the contractual relationship with HealthStat will allow the County to maintain the continuity of the existing 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 decreased health plan use and result in lower 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.

**Table 1**  
**Summary of savings since contract renewal in June 2013**

Direct cost not passed on to Health Plan	\$ 3,200,000
Potential catastrophic medical event costs averted	\$ 847,230
Lost Time	\$ 606,040
Employee Co-pay and co-insurance out of pocket saved	\$ 439,379
Premium Increases averted	\$ 3,600,000
<b>Total</b>	<b>\$ 8,692,649</b>

**Background:**

On June 2, 2009, the Board of Supervisors authorized staff to enter into a contract with HealthStat Inc., 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. On June 2, 2013 the Board of Supervisors renewed the Onsite Employee Health Clinic program for a three year period.

The clinics currently provide health insurance eligible 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 an average of 7.9% over the last three years of this contract. 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 last contract renewal of the onsite health clinics in June 2013 there have been 15,151 clinic visits. Staff estimates that these visits have avoided approximately **\$3.2 million** in direct costs, and **\$847,230** of potential catastrophic medical event costs, being added to the health plan claims experience which is used as the basis for determining future healthcare plan premiums. Due to the convenient location, and short waiting times to obtain appointments, it is estimated that the clinics have saved approximately **\$606,040** in lost time over the last three years. In addition, County employees have realized an estimated **\$439,379** in savings from co-payments by visiting the clinics instead of their primary care physicians, specialists and diagnostic laboratories since 2013.

One of the key intangible savings of the clinic is the management of High Risk Patients. The risk level of patients is based upon results from a Health Risk Assessment and associated Health and Wellness Questionnaire. Based upon lab work, biometrics, and self-reported answers, there are eight categories that can relate to risk factors; Triglycerides, cholesterol, blood sugar, blood pressure, BMI, tobacco usage, diabetes status, and occurrence of someone's last physical exam. Specific levels of each risk factor determined if someone is at risk for the eight designated risk factors. An individual, who is designated as high risk, has 4+ risks or has an immediate need value, as identified with completing an HRA. Based on industry standards the average cost, if a High Risk patient actually has a catastrophic event due to their medical risk not being managed, is \$27,330 per person. Over the last three years the employee clinics have 316 such patients under active disease management (out of a total of 2258 new patients). Typically 10% of these 316 patients would have had a catastrophic medical if they had not been under active disease management.

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 2015 the County’s loss ratio has dropped and stabilized at around to 93%, which was the primary contributor to the average renewal rate of 7.9 % since the last onsite employee clinic contract renewal. By comparison, had the loss ratio remained at the 159% level, the County would have faced a 20% annual increase. Over the last three years the reduction in loss ratios resulted in approximately **\$3.6 million** savings in potential premium increases.

The recommended contract is for a two (2) year term. Thereafter the contract shall automatically renew for two (2) successive one (1) year terms unless either party gives sixty (60) days’ prior written notice of non-renewal to the other party prior to the expiration of the Initial Term or any subsequent Renewal Term.

**Performance Measure:**

None

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

The anticipated cost, based on on the current participation rate, projected participation growth of eligible employees and dependents, and a one-time Health Risk Assessment is \$1.1 million for the first year of the contract. Of that cost approximately 30% is paid from discretionary general funds and the balance is paid by special revenue funds or other departmental fund revenues. The County and HealthStat, Inc., have agreed to review clinic operations annually and to discuss the appropriateness of increasing program administrative fees, with a cap of 3% on increases in any given year.

	<b>Contract Year</b>	<b>Estimated</b>			
<b>Current</b>	06/2015-06/2016	\$957,369.00			
	<b>Contract Year</b>	<b>Estimated</b>	<b>1st Year Increase</b>	<b>One -time Health Risk Assessments (HRA)</b>	<b>1st Year estimated</b>
<b>Renewal</b>	06/2016-06/2017	\$995,663.00	4%	\$104,000.00	\$1,099,663.00
		<b>Maximum Contract Cost Per Year</b>	<b>Maximum allowable % Increase Per Year</b>	<b>No HRA</b>	
<b>Year 2</b>	06/2017-06/2018	\$1,025,533.00	3%	\$0.00	

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.

**Key Contract Risks:**

**Staffing Impacts:**

**Legal Positions:**

0

**FTEs:**

0

**Special Instructions:**

Please send two signed copies of the contract to Andreas Pyper in Human Resources.

**Attachments:**

- A. HealthStat Inc., Management Agreement
- B. Contract Summary

**Authored by:**

Andreas Pyper – Human Resources

**cc:**

County Counsel  
Risk Management  
Auditor-Controller