



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:** September 20, 2016  
Set Hearing for 10/04/2016  
Second Reading 10/18/2016  
**Placement:** Administrative  
**Estimated Tme:** 15 min on 10/04  
**Continued Item:** N/A  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Lori Gentles, Human Resources Director, 568-2816  
Director(s):  
Contact Info: Andreas Pyper, Assistant Director: Human Resources, 568-2812  
**SUBJECT: 2017 Employee Benefit Insurance Program Renewal and Ordinance  
Amendment setting the non-cash out County Contributions to Board of  
Supervisors Health Insurance premiums to the exact same amount which  
all County employees receive.**

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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:** Select\_Other

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

a) In the matter of setting health plan rates for 2017, that the Board of Supervisors approve the following:

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

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 period, at the existing benefit levels with premium increase of 7.4%, effective January 1, 2017, for all active employees and retirees as shown in Attachments A1 through A4;

ii. **Kaiser Permanente HMO Health Plans**

The renewal of the active employees' and early retirees Kaiser Permanente High and Low Health Maintenance Organization (HMO) for a twelve-month period, at the existing benefit levels, with a 6.4% increase in premiums, effective January 1,

- 2017, and for all Medicare eligible retirees, with an increase between 5.7% to 6.3% in premiums, depending on the plan type within the Senior Advantage Plan, at the existing benefit levels, as shown in Attachment B.
- iii. County Self-Funded Delta Dental PPO Plan
- The annual Actuarial Underwriting Report for the County Self-Funded Dental Plan shown in Attachment C, and continue the existing program benefits at the current premium level, with a 10% increase for active employees and retirees, for a twelve-month period, effective January 1, 2017, shown in Attachment D.
- iv. Dental HMO Plan - DeltaCare USA
- The renewal of the existing DeltaCare USA Dental Health Maintenance Organization (DHMO) plan, and continue the existing benefit levels for active employees and retirees, with a premium decrease of -4.5%, for a twelve-month period, effective January 1, 2017, as shown in Attachment E;
- v. Vision Service Provider Plan
- The renewal of the existing Vision Service Provider Plan, and continue the existing benefit levels for active employees and retirees, with 5.8% premium increase, for a twelve-month period, effective January 1, 2017, as shown in Attachment F;
- vi. CareCounsel Healthcare Assistance Program
- The renewal of the CareCounsel Healthcare Assistance Program with *no* increase for all covered active employees and retirees, for a twelve-month period effective January 1, 2017, as shown in Attachment G;
- vii. United Healthcare Medicare Risk HMO Health Plans
- The renewal of the United Healthcare Medicare Risk HMO Health Plans for County of Santa Barbara retirees, at existing benefit levels, and a premium increase of 3%, for a twelve-month period, effective January 1, 2017, as shown in Attachment H. Further, authorize the Human Resources Director or designee to execute any necessary third-party administrative agreements and documents required to manage plans listed in recommendations 1 through 7 above; and
- b) In the matter of providing Board of Supervisors' members with the same County contribution rate as all other County employees, that the Board of Supervisors:
- i. Set a hearing for October 4, 2016 to consider the introduction (first reading) of the attached amendment (Attachment J) to Ordinance 4938 to provide Board of Supervisor members with a 7.4% increase, reflective of the change in County contribution to health insurance, which is made for all employees enrolled in health insurance, is a non-cash out contribution, and is only applied if an

- individual Board of Supervisor member actually enrolls in County sponsored health insurance effective January 1, 2017. This action is being singled out as it requires a change to the ordinance which sets the Board's compensation and all other non-cash benefits.
- ii. Set a hearing for October 18, 2016 on the Administrative Agenda to consider recommendations as follows:
- 1) Consider the adoption (second reading) of an amendment to Ordinance 4938; and
  - 2) Read the title of the Ordinance and waive the reading of the Ordinance in full.
  - 3) Determine that the above actions are government fiscal activities or funding mechanisms which do not involve any commitment to any specific project which may result in potentially physical impacts on the environment, and are therefore not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA guidelines.

**Summary Text:** \*

The recommended actions will:

- a) Continue the County's employee benefits programs itemized above, and assist the County and its workforce in further managing and stabilizing costs related to employee benefits; and
- b) Result in Board of Supervisors' members receiving an equivalent 7.4% increase as County employees, in the County contribution to the health insurance premiums effective the first pay period of 2017. This increase is exactly the same as that which is provided to all County employees enrolled in County sponsored health insurance, and is a non-cash out benefit. If all five individual members of the Board of Supervisors enroll in County sponsored health insurance in 2017 the total combined increase will not exceed \$1,537 for the Fiscal Year 2016-2017. The change may not go into effect less than sixty (60) days after Board approval. January 1, 2017 exceeds the required 60 days. This action is being singled out as it requires a change to the ordinance which sets the Board's compensation and all other non-cash benefits.

**Background:**

Since 2010 the County has participated in the CSAC-EIA Health pooled risk insurance program. Participating in the pooled risk program has yielded positive results and continues to help the County manage costs. Even with the higher cost for 2017 and with the impact of healthcare reform, many employers are seeing renewal increases ranging from 10% to 19% this year, the County's pooled insurance increase is 7.4%.

In the CSAC-EIA program each participating employer maintains autonomy for its own benefit decisions, plan design, retiree benefits and rules, and administrative choice. The benefit of the pool is that all administrative, reinsurance and excessive claims cost are shared, and the reserves of the pool are available to buy down rate increases for the pool, which in turn assist in lowering the increase for individual members. For the first two years of participation an employer group increase is equivalent to that of the pool, regardless of their performance. In subsequent years an employer's actual experience over the previous period is used to establish rates.

With the Board of Supervisor's approving the move to the CSAC-EIA Health Insurance pool and establishing the County's Employee Health Clinic Program in 2010, implementing the domestic surgical travel model through Carrum Health in 2016, and introducing a Prescription Clinical Management Program 2016, (available to CSAC-EIA Health Risk Pool members only), the County of Santa Barbara has been able to lower its medical loss ratio from 159% in 2010 to around 93% in 2015. The medical loss of 159% means that for every \$1.00 of premiums paid, County employees and dependents incurred \$1.59 in healthcare claims. With the current medical loss ratio at around 93%, for every \$1.00 of premiums paid, County employees and dependents incurred \$0.93 in healthcare claims. By comparison, had the loss ratio remained at the 159% level, the County would have faced a 20% annual increase every year since 2010. In just the first 6 months of 2016 the Carrum Health program has contributed \$250,453 in surgical procedure savings, and the Prescription Clinical Management Program has resulted \$496,981 of savings.

After the County was notified of the 2017 rates, staff convened the Health Oversight Committee (HOC) to review and discuss options. Attachment I lists the members of the HOC. As a result of meeting and reviewing options, the HOC recommends that the 2017 rates be approved.

In order to offer benefit plans that both mitigate the out-of-pocket expenses of employees and are within the amount budgeted by the County, it is recommended that the Board approve the rates described below.

**i. CSAC EIA Blue Shield Health Plans**

The proposed premiums for active employees and retirees shown in Attachments A1 through A3 are for a twelve-month, calendar year period.

**ii. 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 B1 and B2 are for a twelve-month, calendar year period.

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

Annually, an underwriter's evaluation is made in order to review the status of the Delta 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 supported all claims and administrative expenses. The reserves in this fund currently exceed the target level and are sufficient to absorb claims fluctuations during the coming fiscal year; therefore, only a 10% 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.

iv. **Dental HMO Plan – DeltaCare USA**

The DeltaCare USA DHMO Plan remains a cost-effective option for employees and retirees. There is no change to the current benefit level. The proposed reduced premiums are shown in Attachment E are for a twelve-month period.

v. **Vision Service Provider (VSP) Plan**

The VSP Plan remains a cost-effective option for employees and retirees. There is no change to the current benefit level with the proposed new premiums shown in Attachment F.

vi. **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 2017 plan year for active employees and retirees. Rates are shown in Attachment G.

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

In addition to the other County health plan options available to Medicare-eligible (Post-65) retirees residing in California, these retirees may also choose from two United Healthcare Medicare Risk HMOs.

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. In addition to a retiree's premium payment, United Healthcare also receives Medicare reimbursement for each enrollee, and for this reason Medicare Risk HMOs are less expensive.

Approval of the United Healthcare Medicare HMO Risk plan by the Board allows retirees to use their retiree medical contribution toward the payment of the premium for these plans. The plan year is January 1 through December 31 which coincides with the Medicare plan year. The monthly premium rates are shown in Attachment H.

**Open Enrollment for 2017 Benefits Plan Year**

Upon the Board's action on the recommendations in this item, an open enrollment period for the 2017 Benefits Plan year will be held from October 10, 2016 through November 4, 2016.

The Santa Barbara County Employees' Retirement System will conduct its own plan enrollment with retirees.

**Fiscal and Facilities Impacts: \***

Budgeted: Yes

**Fiscal Analysis: \***

- a) Changes to medical insurance premiums occur in January; thus, when preparing the next fiscal year's budget, the rate is known for the first half of the fiscal year, but estimated for the second half of the year. A 15% rate increase was budgeted to occur in January 2017; however, the actual increase will only be 7.4%. The resulting increased cost for the County's contribution to medical insurance premiums is \$1,331,000 which is approximately \$1,351,000 **less** than previously budgeted in Fiscal Year 2016-2017.
- b) The estimated total cost for the County's contribution to dental insurance premiums is \$1,360,000 for Fiscal Year 2016-2017 which is within the overall budget.
- c) If all five individual members of Board of Supervisors enroll in County sponsored health insurance in 2017, then the 7.4% increase, in the non-cash out County Contribution to the health insurance premiums, will not exceed \$1,537 for all Board members combined for the Fiscal Year 2016-2017, and is part of the Adopted Budget of Fiscal Year 2016-2017. This is the same increase that all County employees enrolled in County sponsored health insurance will receive and is being singled out as it requires a change to the ordinance which sets the Board's compensation and all other non-cash benefits.

**Special Instructions:**

Direct Clerk of the Board to complete all legal noticing for this item.

**Attachments: \***

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|----------------|---|
| 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 (no EGWP)  |
| Attachment A4: | Post 65 Blue Shield Health Plans Monthly Premium (with EGWP)  |
| Attachment B:  | Kaiser HMO Premium Rates for Active Employee, Early Retirees and Medicare Retirees Advantage Plan Rates |
| Attachment C:  | County Self-Funded Dental Actuarial Report  |
| Attachment D:  | County Self-Funded Delta Dental PPO Plan Rates for Active Employees and Retirees                        |

- Attachment E: Delta Dental DentalCare USA DMO Plan 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
- Attachment J: Ordinance 4938 - Amended

**Authored by:** Maya Barraza, Employee Benefits Manager