



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: CEO  
Department No.: 012  
For Agenda Of: 09/04/2012  
Placement: Administrative  
Estimated Tme: n/a  
Continued Item: n/a  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Jeri Muth, Human Resources Director, 568-2816  
Director(s): *J. Muth*  
Contact Info: Andreas Pyper, Employee Benefits Manager, 568-2821  
**SUBJECT:** 2013 Health Insurance Program Renewal

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**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:**

That the Board of Supervisors

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 4%, effective January 1, 2013, for all active employees and retirees as shown in **Attachments A1 through 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 (negative) - 2.8% to 5.7%, effective January 1, 2013, 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 in **Attachment C**, and continue the existing program benefits at the current premium level, with **no** increase for active employees and retirees for a twelve month period effective January 1, 2013 (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 for active employees and retirees, at the current premium level, with **no** increase, for a twelve-month period, effective January 1, 2013, 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 for active employees and retirees, at the current premium level, with **no** increase, for a twelve-month period, effective January 1, 2013, as shown in **Attachment F**;

6. **CareCounsel Healthcare Assistance Program**

Approve the renewal of the CareCounsel Healthcare Assistance Program with **no** increase for all covered active employees and an 1.2% increase to the current fee level for retirees, for a twelve-month period effective January 1, 2013, 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, and a premium increase of 2% for a twelve-month period, effective January 1, 2013, as shown in **Attachment H**. Further authorize the Human Resources Director or her designee to execute any necessary third-party administrative agreements and documents required to manage plans listed in recommendations 1 through 7 above;

8. **Authorize** the Human Resources Director to explore the possibility of expanding the On-site Employee Health Clinic Program and implementing an Employee Wellness and Productivity Program through using a portion of the savings generated by the lower than planned health rate increase.

**Summary Text:** \*

The recommended actions will continue the County's existing ancillary health programs, maintain current dental plan coverage for employees and retirees, and assist the County and its workforce in further managing and stabilizing costs related to health benefits.

**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, second and third year of the County's participation, as the CSAC-EIA Health Program outperformed the 2010, 2011 and 2012 marketplace, which is in keeping with its performance over the last eleven years. Medical trend, also known as medical inflation, was approximately 15% in 2010, 13% in 2011 and 10% in 2012. With this trend and the impact of healthcare reform, many employers are seeing renewal increases ranging from 11% 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 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. Therefore upon renewing in January 2011 and January 2012, the County of Santa Barbara received the same rate increase applied to the entire pool which was 11.8% for 2011 and 7.1% for 2012. In the third year of participation, an employer's actual experience over the previous period is used to establish rates. Rates are based on the loss ratio. The County of Santa Barbara loss ratio was 90% which was slightly higher than the overall pool. Therefore, the pool increase was 3.9% and the County of Santa Barbara received a 4% increase. 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% three years in a row. In large part improvement to the loss ratio over the last three years is a result of employees obtaining health care services from the Employee Health Clinics, and other health benefit cost-cutting strategies have resulted in a loss ratio that is much more comparable to other employers..

After the County was notified of the 2013 rates, staff convened the HOC to review and discuss. As a result the HOC recommends that no plan changes be made to any of the employee benefit plans and the rates be accepted. Further the HOC requested that staff continue to work with the HOC to better educate employees in effectively and cost-efficiently using their benefit plans.

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 plans described below.

**1. 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 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 plan utilization, 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 2013 plan year for active employees and a very small increase of 1.2% for

retirees, which was primarily driven by the higher than average utilization by retirees of the CareCounsel program. Rates shown in **Attachment G**.

**7. 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 retiree 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 the 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 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. The monthly premium rates are shown in **Attachment H**.

**Open Enrollment for 2013 Benefits Plan Year**

Upon the Board's action on the recommendations in this item, an open enrollment period, for the 2013 Benefits Plan year, will be held from October 9, 2012 through October 26, 2012. The Santa Barbara County Employees' Retirement System will conduct its own plan enrollment with retirees with the assistance of the County's consultant.

**Fiscal and Facilities Impacts: \***

Budgeted: Yes

**Fiscal Analysis: \***

The impact of the actual increase of insurance premiums versus the budgeted cost is approximately \$20 less per employee per pay period. Based on the Adopted FTEs the estimated County contribution for the Fiscal Year 2012-2013 health insurance will be approximately \$22,582,000. County Dental Plan contributions, which are capped at the current contribution and adopted FTE number of employees are estimated to be approximately \$1,204,000 for Fiscal Year 2012-2013. The impact of the new health insurance rates, using budgeted staffing levels, will result in a reduction of approximately \$2.0 million from the adopted budget for these benefits across all Funds.

**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