



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:** September 8, 2015  
**Placement:** Set Hearing  
(Administrative)  
Departmental  
September 22, 2015  
**Estimated Tme:** 5 min  
**Continued Item:** No  
**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):  
Contact Info: Andreas Pyper, Employee Benefits Manager, 568-2821  
**SUBJECT: 2016 Employee Benefit Insurance Program Renewal and Ordinance  
Amendment setting County Contributions to Board of Supervisors health  
Insurance premiums**

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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:**

A. In the matter of setting health plan rates for 2016, that the Board of Supervisors approve the following:

1. **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, and premium increases ranging between 13.7% - 15.2%, effective January 1, 2016, for all active employees and retirees as shown in Attachments A1 through A3;

**2. 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 -4.8% decrease in premiums, effective January 1, 2016, as shown in Attachment B1; and for all Medicare eligible retirees, with a -4.8% decrease in the Senior Advantage Plan premiums, at the existing benefit levels, as shown in Attachment B2;

**3. County Self-Funded Delta Dental PPO Plan**

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, 2016, shown in Attachment D.

**4. 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, at the current premium level, with a premium increase of 20%, for a twelve-month period, effective January 1, 2016, as shown in Attachment E;

**5. Vision Service Provider Plan**

The renewal of the existing Vision Provider Plan and continue the existing benefit levels for active employees and retirees, with *no* premium increase, for a twelve-month period, effective January 1, 2016, as shown in Attachment F;

**6. 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, 2016, as shown in Attachment G;

**7. 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 5% for a twelve-month period, effective January 1, 2016, 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 other employees, that the Board of Supervisors:
1. Set a hearing for September 22, 2015 to consider the introduction (first reading) of the attached amendment (Attachment J) to Ordinance 4905 to provide Board of Supervisor members with a 13.8% increase in the County contribution to Health Insurance, effective January 1, 2016;
  2. Set a hearing for October 6, 2015 on the Administrative Agenda to consider recommendations as follows:
    - a) Consider the adoption (second reading) of an amendment to Ordinance 4905; and
    - b) Read the title of the Ordinance and waive the reading of the Ordinance in full.
- C. Determine that these actions are exempt from California Environmental Quality Act (CEQA) review as they are not a project pursuant to CEQA Guidelines section 15061 (b) (3).

**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 a 13.8% increase in the County Contribution to the Health Insurance premium effective the first pay period of 2016 or, \$2,490 for all five Board members. The change may not go into effect less than sixty (60) days after Board approval. January 1, 2016 exceeds the required 60 days. This allows the Board to receive the same increase as all employees; for Board members, however, this action requires a change to the ordinance which sets the Board's compensation.

**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 outcomes over the first five years of the County's participation and continues to help the County manage costs. Even with the higher cost for 2016, with the impact of healthcare reform, many employers are seeing renewal increases ranging from 10% to 19% this year. The County's overall increase is 13.8%.

In the CSAC-EIA program 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.

In the subsequent years of participation, an employer's actual experience over the previous period is used to establish rates, which are based on the loss ratio, a measure of premiums to benefits paid. In 2009 the County's loss ratio was 159%, which means that for every \$1.00 of premiums paid, County employees and dependents incurred \$1.59 in healthcare claims.

Since moving to CSAC-EIA Health, implementing the County's Employee Health Clinic Program, and introducing other health-benefit cost cutting strategies, the County's health plan's loss ratio has continued to decrease and now stands at a five-year average of 99.9%. Although this is a great improvement over 159%, it is still 11% above the risk pool's loss ratio of 88.6%. As the County's loss ratio is above the risk pool's loss ratio the County received an overall increase of 15.2%, of which 13.8% is based on claims experience and 1.4% is a result of Affordable Care Act (ACA) related fees and costs. Actual individual plan increases range between 13.7% and 15.2 %, with the plan on which County Contributions are based increasing 13.8%

After the County was notified of the 2016 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 2016 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. As part of this effort to increase cost efficiency by reducing in-patient hospitalization costs the HOC reviewed and recommends offering a new voluntary medical travel benefits to employees that participate in the Blue Shield Health Plans effective January 1 2016. For international medical travel, Satori World Medical Network will be responsible to facilitate this benefit and for domestic medical travel Carrum Health Inc., will facilitate the benefit.

Based on a review of actual in-patient claims paid for by the County's Self-funded Blue Shield plans in the last 12 months, using domestic medical travel would have saved \$148,000 and for procedures done internationally a savings of \$386,393 would have been realized; these savings are after all costs such as travel, travel partner accommodation, hospitalization, medication and physicians' fees are paid. Using this benefit is completely voluntary and employees and plan members are under no obligation to use and still have full access to any local hospitals and physicians currently in our Blue Shield Plan network.

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.

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

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

Annually, an actuarial evaluation is made in order to review the status of the County self-funded 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 fully supported all claims and administrative expenses. The reserves in this fund currently exceed the actuarial recommended 95% confidence 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. 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 premiums shown in Attachment E are for a twelve-month period.

**5. 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 premiums shown in Attachment F.

**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 2016 plan year for active employees and retirees. Rates are 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 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 2016 Benefits Plan Year**

Upon the Board’s action on the recommendations in this item, an open enrollment period for the 2016 Benefits Plan year will be held from October 12, 2015 through October 30, 2015.

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

**Fiscal and Facilities Impacts: \***

Budgeted: Yes \*

**Fiscal Analysis: \***

- A. The estimated total cost for the County’s contribution to medical insurance premiums for the period of January 1, 2016 – June 30, 2016 is \$17,572,000 which is approximately \$772,000 **less** the than budgeted costs of \$18,344,000, for the second half of Fiscal Year 2015-2016. While less than the budgeted amount, the annualized impact of the ongoing increase (13.8%) is approximately \$4.2 million going forward.
- B. The estimated total cost for the County’s contribution to dental insurance premiums is not changing and is estimated at \$1,336,565 for Fiscal Year 2015-2016 which is within the overall budget.
- C. For all five member of the Board of Supervisors the 13.8% increase in the County Contribution to the Health Insurance premiums is \$2,490 for the Fiscal Year 2015-2016 and is part of the Adopted Budget of Fiscal Year 2015-2016. The annualized ongoing cost is \$4,980.

**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 (no EGWP)
- Attachment A4: Post 65 Blue Shield Health Plans Monthly Premium (with EGWP)
- Attachment B1: Kaiser HMO Premium Rates for Active Employee and Early Retirees
- Attachment B2: Kaiser HMO Medicare Retirees Advantage Plan and Unassigned Rates
- Attachment C: County Self-Funded Dental Actuarial and Underwriting 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 4905 - Amended

**Authored by:**

Andreas Pyper, Employee Benefits Manager

**cc:** Health Oversight Committee  
All Department Heads