

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**

**Prepared on:** 5/16/02  
**Department Name:** Human Resources  
**Department No.:** 064  
**Agenda Date:** 5/28/02  
**Placement:** Administrative  
**Estimate Time:** N/A  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors  
**FROM:** Ann Goodrich, Personnel Director  
Human Resources Department  
**STAFF CONTACT:** Scott Turnbull  
x2821  
**SUBJECT:** 2002-03 Medical and Dental Insurance Premium Changes

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**Recommendation(s):**

That the Board of Supervisors:

- 1) **County Self-Funded Dental Program**
  - a) Accept the Annual Actuarial Report for the County Self-Funded Dental Program, dated April 12, 2002, which recommends no premium rate change for fiscal year 2002-2003 (Attachment B);
- 2) **HMOs, Point-of-Service and PPO Medical Programs**
  - a) Health Net HMO Plan - Approve the attached active employee premium rates with increases of 26.5% for renewal of the current HMO benefit plan design for active employees and 45.1% for early retirees and .7% for Medicare retirees including attached benefit plan changes; (Attachments A, C & D);
  - b) Health Net Select Point of Service Plan - Approve the attached active employee premium rates with increases of 40.2% for renewal of the current point-of-service benefit plan design and 41.7% for early retirees and 18.1% for Medicare retirees including attached benefit plan changes; (Attachments A, D & E);
  - c) Health Net Retiree Out-of-Area PPO Plan - Approve the attached premium rates with increases of 30.1% for retirees on the Out-of-Area PPO plan living outside the Health Net service area, effective July 1, 2002 (Attachment A & F);

- d) Health Net Retiree Out-of-Area Flex Net Plan - Approve the attached premium rates with increases of 25.6% for early retirees and 52.7% for Medicare retirees enrolled in the Flex Net RF plan living outside the Health Net service area, effective July 1, 2002 (Attachments A & F);
- e) Health Net Retiree Seniority Plus Medicare Risk Plan - Approve the selection of the optional benefit plan design as shown on Attachment G and approve the associated premium rates with increases 7.3% for retirees on Medicare enrolled in the Seniority Plus Plan, effective July 1, 2002 (Attachments A & G);
- f) Health Net PPO Plan - Approve the addition of a preferred provider organization plan (PPO) for active employees and retirees living in California and approve the attached premium rate schedule and proposed benefit schedule (Attachments A & H);
- g) Blue Cross Medical HMO - Approve the attached active employee premium rates with increases of 19.9% for renewal of the current HMO benefit plan design for active employees effective June 24, 2002 and 20% for early retirees and Medicare retirees effective July 1, 2002; (Attachments A & I);
- h) MHN Employee Assistance Plan - Approve the selection of Option 1 and approve the premium increase of \$.07 biweekly for employees effective June 24, 2002 and \$.10 for retirees effective July 1, 2002 in the employee assistance program (Attachment A & J);
- i) Healthcare Assistance Program – Approve the continuation of the services of the current healthcare assistance vendor, Care Counsel, at the existing premium rates of \$1.25 per employee per month, and approve the inclusion of this fee in the County contribution for all employees enrolled on County medical plans.

3) **Dental HMO Plan**

Golden West Pacesetter Dental HMO - Approve the renewal of the Golden West Pacesetter Dental Plan with premium increases of 8% for employees, effective June 24, 2002 and retirees, effective July 1, 2001 (Attachments A & K).

**Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

**Executive Summary and Discussion:**

1) Self-Funded Dental Plan - Through the County’s Self-Funded Dental Program, the County offers its own fee-for-service plan to employees and retirees that include reduced fee arrangements with a PPO panel of dentists. Claims administration is handled through a local business, Golden West, who also contracts for the PPO provider network. The Human Resources Director, as plan administrator, oversees

administration of the plan, reviews benefit levels, confers with employee organizations through the Labor/Management Health Oversight Committee and recommends premium rate changes annually.

The annual actuarial review of the Self-Funded Medical/Dental Program by The Segal Company (Attachment B) reviewed the dental plan's actual fiscal experience through February 28, 2002. This report also includes an analysis of the prior year's actual revenues and expenses as of June 30, 2002. Premium rates are reviewed annually to ensure adequate funds for claim payments and administration expenses. Using recent claims experience, prior history and projected expenses and dental trend increases, our actuary has indicated that no premium rate increase is necessary to meet anticipated expense requirements and maintain an adequate reserve. Plan operations during fiscal 2001-02 (through February 28) resulted in an operating addition of \$178,534. The actuarial report has been distributed to all employee organizations and was reviewed at the April 29, 2002 meeting of the Health Oversight Committee.

In addition, our employee benefits consultant has obtained an additional 3-year term with the plan's claims administrator, Golden West, that extends the current \$3.50 per employee per month administration fee.

2a -f) Health Net HMO, POS, Flex Net, Seniority Plus and PPO Plans - We have received our rate renewals from Health Net (Attachments A – G) on all their medical plans as follows. (Unless otherwise stated the percent increase: applies to employees/retirees & their dependents).

|                             |                  |       |
|-----------------------------|------------------|-------|
| Health Net HMO              | Active Employee  | 26.5% |
|                             | Early Retiree    | 45.1% |
|                             | Medicare Retiree | 0.7%  |
| Health Net Point-of-Service | Active Employee  | 40.2% |
|                             | Early Retiree    | 41.7% |
|                             | Medicare Retiree | 18.1% |
| Health Net PPO Out-of-Area  | Early Retiree    | 30.1% |
| Health Net Flex Net         | Early Retiree    | 25.6% |
|                             | Medicare Retiree | 52.7% |
| Health Net Seniority Plus   | Retiree only     | 7.3%  |

HMO premium rates have risen significantly throughout the insurance industry this year due to many reasons including, but not limited to, rapidly increasing prescription drug prices, increased pressure from physicians and hospitals for greater reimbursement, medical technology, increased County utilization and poor recent claims experience, reduction in the number of hospital owners in Santa Barbara, reduced competition between HMOs and other reasons. The Human Resources Department requested that Health Net, as part of their renewal proposal, offer different office visit and prescription drug co-payment options in order to lower the overall premium rate increases. (Our current HMO plan design with a \$0 office visit co-pay is almost non-existent in the insurance industry). Health Net quoted options which included a \$5 or \$10 office visit co-pay and an increase in the Rx co-pay from \$5 generic, \$10 brand and \$25 non-formulary to a \$10 generic, \$20 brand and \$35 formulary with reduced premiums. These premium option alternatives resulted in 5 additional HMO options and 3 additional Point-of-Service options.

The Health Oversight Committee, which includes representatives from all of the employee organizations, and the Retiree Association reviewed the above options and premiums at the April 29<sup>th</sup> meeting. All attending employee organizations wanted to check with their executive boards and return back to the committee with their recommendation on which, if any, alternative options to choose. At the following committee meeting on May 13 the majority of organizations were in favor of retaining the current Health Net HMO \$0 office visit co-pay design and the current Rx co-pay level. The majority also approved no change in the Health Net Select Point-of-Service plan design.

The Retiree Association chose to increase the office visit co-pay to \$5 on the Health Net HMO and also to increase the Rx co-pay to \$10/\$20/\$35 for both their early retirees and their Medicare members. For the Select Point-of-Service plan, they chose no increase in the current office visit co-pays but did recommend increasing the Rx co-pay to \$10/\$20/\$35. A letter from the Retiree Association representative George Bobolia confirmed their selection in the letter in Attachment L. Per the judgment of the Court in the case of George Bobolia et. al. vs. County of Santa Barbara et. al. on June 24, 1988 the County has continued to offer the retirees the same medical and dental benefit options as required. Since the Retiree Association is now requesting a different co-payment schedule and thus a different benefit plan design than the active employees' on the HMO and Point of Service Plans, County Counsel was requested to review the issue of conformity to the requirements of the judgment. Since the same basic HMO and Point-of-Service plans are being offered to the retirees but for two different co-payment options and at the request of the Retiree Association, it was felt that there was no violation of the judgment.

Blue Cross Medical HMO Plan – At the current time there are approximately 100 enrollees in the Blue Cross plan. Despite claims experience that would require a much higher premium renewal, because of our small enrollment our premium rate increase is only 20% based on community rating of our plan with other employers.

Employee Assistance Program – The initial proposed increase for this plan is 21%. MHN has provided an alternative option that would allow for a telephonic counseling option for employees in addition to the traditional face-to-face counseling. Professional licensed counselors at MHN would provide these services. Employees would not be required to choose the telephone counseling. It is anticipated that many employees would choose the more immediate opportunity to address their issues. This recommended plan change would reduce the premium increase to only 6.3%.

Golden West Pacesetter Dental HMO Plan – The Pacesetter plan will begin the second year of a 2 year contract with the County in July. The cap on their rate increase was 9% and Golden West has requested an 8% increase. Recruiting efforts to improve the north county dental network are ongoing.

### Open Enrollment

The County's annual open enrollment for employees and retirees is scheduled for May 28 through June 17 this year and they will have an opportunity to review the plans including the new PPO plan with the health plan carriers at meetings throughout the County.

**Mandates and Service Levels:** No change in programs or service level.

**Fiscal and Facilities Impacts:**

Recommendation 1 – Self Funded Dental Plan – There is no additional cost being proposed.

Recommendation 2 – Health Net HMO, Health Net “Select”, PPO and Blue Cross HMO Medical Plans – This the first year that all the medical plans are above the existing County medical contribution cap. Per the provisions of its MOU’s with employee organizations , the County is required to increase the County contribution up to the level of the lowest cost HMO plan. In this case, the Blue Cross HMO plan remains the lowest cost option. With the Blue Cross premium increase and the approval of including the healthcare assistance plan premium in the County contribution, the estimated additional cost to the County for 2002-03 will be \$750,000. It is anticipated that the existing departmental insurance allocations will be sufficient to absorb this increase. Due to the large increase in employee contribution rates under the most expensive health plan, Health Net Select, it is expected that many employees will choose another health plan. This change in enrollment would serve to reduce this estimated County contribution cost.

Recommendation 3 – Golden West Pacesetter Dental HMO Plan - Assuming the same employee enrollment in the Golden West Pacesetter Dental HMO next year as currently exists, the total County contribution will increase by \$30,000 in Fiscal Year 2002-03.

**Special Instructions:** None.

**Concurrence:** None

**cc:** Gary Feramisco, Treasurer  
Health Oversight Committee  
All Employee Organizations  
All Department Heads  
Nancy Topping

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**2002 - 2003 COUNTY MEDICAL & DENTAL PLAN PREMIUM RATES**  
**Effective June 24, 2002**

**COUNTY SELF-FUNDED DENTAL PLAN**  
**(Biweekly)**

|                        | Current | Recommended |
|------------------------|---------|-------------|
| Employee Only          | \$17.38 | \$17.38     |
| Employee +1 Dependent  | \$33.40 | \$33.40     |
| Employee +2 Dependents | \$51.42 | \$51.42     |

**2002-2003 EMPLOYEE HMO MEDICAL PLAN PREMIUMS**  
**(Including EAP and Healthcare Assistance Plan Premiums, effective June 24, 2002)**

**HEALTH NET HMO PLAN**  
**(Biweekly)**

|                        | Current  | Recommended |
|------------------------|----------|-------------|
| Employee Only          | \$90.52  | \$114.88    |
| Employee +1 Dependent  | \$79.92  | \$228.00    |
| Employee +2 Dependents | \$246.66 | \$312.45    |

**HEALTH NET POINT OF SERVICE PLAN**  
**(Biweekly)**

|                        |          |          |
|------------------------|----------|----------|
| Employee Only          | \$128.10 | \$179.79 |
| Employee +1 Dependent  | \$217.40 | \$305.00 |
| Employee +2 Dependents | \$298.28 | \$418.39 |

**BLUE CROSS HMO PLAN**  
**(Biweekly)**

|                        |          |          |
|------------------------|----------|----------|
| Employee Only          | \$81.58  | \$97.95  |
| Employee +1 Dependent  | \$161.98 | \$194.55 |
| Employee +2 Dependents | \$215.32 | \$258.39 |

**HEALTH NET PPO PLAN**  
**(Biweekly)**

|                        |     |          |
|------------------------|-----|----------|
| Employee Only          | n/a | \$103.27 |
| Employee +1 Dependent  | n/a | \$204.78 |
| Employee +2 Dependents | n/a | \$280.56 |

**2002-2003 EMPLOYEE HMO DENTAL PLAN PREMIUMS**

**GOLDEN WEST PACESETTER PLAN**  
**(Biweekly)**

|                        | Current | Recommended |
|------------------------|---------|-------------|
| Employee Only          | \$9.03  | \$9.75      |
| Employee +1 Dependent  | \$14.84 | \$16.03     |
| Employee +2 Dependents | \$22.53 | \$24.33     |

**2002-2003 RETIREE MEDICAL & DENTAL MONTHLY PREMIUMS**  
**(Not Including EAP Premium (\$1.71), effective July 1, 2002)**

**HEALTH NET HMO MEDICAL PREMIUMS**

| <b>Retirees Without Medicare</b> | <b>HMO</b> | <b>POS</b> | <b>FlexNet</b> | <b>Non-CA<br/>PPO<br/>2YA</b> | <b>CA<br/>PPO<br/>2SA</b> | <b>Seniority +</b> |
|----------------------------------|------------|------------|----------------|-------------------------------|---------------------------|--------------------|
| Retiree Only                     | \$419.49   | \$409.33   | \$661.05       | \$552.56                      | \$395.62                  | n/a                |
| Retiree +1 Dependent             | \$714.57   | \$818.77   | \$1,322.08     | \$1,188.00                    | \$673.91                  | n/a                |
| Retiree +2 Dependents            | \$981.76   | \$1,187.22 | \$1,917.02     | \$1,630.05                    | \$925.89                  |                    |

**Retirees With Medicare**

|                      |          |          |          |     |          |          |
|----------------------|----------|----------|----------|-----|----------|----------|
| Retiree Only         | \$209.74 | \$263.79 | \$344.48 | n/a | \$258.15 | \$216.20 |
| Retiree +1 Dependent | \$419.48 | \$527.58 | \$688.96 | n/a | \$516.30 | \$434.40 |

**BLUE CROSS HMO MEDICAL PREMIUMS****Retirees Without Medicare**

|                       |          |
|-----------------------|----------|
| Retiree Only          | \$208.39 |
| Retiree +1 Dependent  | \$417.69 |
| Retiree +2 Dependents | \$556.01 |

**Retiree With Medicare – Medicare Coordination of Benefits**

|                        | <b>HMO</b> | <b>Senior Secure</b> |
|------------------------|------------|----------------------|
| Retiree Only           | \$217.21   | \$189.00             |
| Retiree + 1 Dependent  | \$434.30   | \$378.00             |
| Retiree + 2 Dependents | \$578.83   |                      |

**RETIREE GOLDEN WEST PACESETTER HMO DENTAL PLAN RATES****Dental HMO Premiums**

|                       |          |
|-----------------------|----------|
| Retiree Only          | \$45.78  |
| Retiree +1 Dependent  | \$75.25  |
| Retiree +2 Dependents | \$114.23 |

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