



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: 08/26/2014
Placement: Administrative
Estimated Tme: N/A
Continued Item: N/A
If Yes, date from:
Vote Required: Majority

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: 2015 Employee Benefit Insurance Program Renewal

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 approve:

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

- (a) 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 of 15.3%, effective January 1, 2015, for all active employees and retirees as shown in **Attachments A1 through A3**;
- (b) The addition of an Employer Group Waiver Plan (EGWP) Medicare Part D Prescription Drug Plan (PDP) choice for Medicare eligible retirees for the Blue Shield EPO and PPO plans, while still maintaining all the current prescription drug plan options offered to Medicare eligible retirees. This will result in lower premiums for those retirees who select the optional EGWP PDP (see **Attachment A4**).

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 15% increase in premiums, effective January 1, 2015, as shown in **Attachment B1**; and for all Medicare eligible retirees, a 2.9 % increase 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 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 no increase for active employees and retirees for a twelve-month period effective January 1, 2015, 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 **no** increase, for a twelve-month period, effective January 1, 2015, 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 a 4% premium increase, for a twelve-month period, effective January 1, 2015, 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, 2015, 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 6% for a twelve-month period, effective January 1, 2015, 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; and

8. The determination under CEQA Guidelines Section 15061(b)(3) that this activity is exempt from review on the basis that it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

Summary Text: *

The recommended actions will 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.

Background:

Health Insurance

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 2015, 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 15.3%.

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 96.7%. Although this is a great improvement over 159%, it is still 10% above the risk pool's loss ratio of 86.7%. As the County's loss ratio is above the risk pool's loss ratio the County received an increase of 15.3%, of which 13.9% is based on claims experience and 1.4% is a result of Affordable Care Act (ACA) related fees and costs.

After the County was notified of the 2015 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 2015 rates be accepted without any additional health insurance plan changes. 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.

Dental Insurance

Due to continued deterioration in customer service, a decline in dental procedures covered, and reduced availability of contracted dentists in the Goldenwest networks; in 2013 the Board approved replacing Goldenwest Dental PPO and HMO with the CSAC-EIA Delta Dental PPO and Delta Dental's DeltaCare USA HMO dental insurance plans in 2014. This decision has yielded positive results with no premium increase recommended for the 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

- (a) The proposed premiums for active employees and retirees shown in **Attachments A1 through A3** are for a twelve-month, calendar year period; and
- (b) Add an additional optional choice of the EGWP Medicare Part D PDP to the Blue Shield PPO and EPO plans for all Medicare eligible retirees, resulting in lower premiums as shown in **Attachment A4**.

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 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 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. Dental HMO Plan – DeltaCare USA

The DeltaCare USA DHMO 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 2015. 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. After several years with no increase in premiums and with effective negotiations on behalf of the County by its insurance broker, the increase was kept to 4% for all participants 2015. 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 2015 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 2015 Benefits Plan Year

Upon the Board’s action on the recommendations in this item, an open enrollment period for the 2015 Benefits Plan year will be held from October 13, 2015 through October 30, 2015.

The Santa Barbara County Employees’ Retirement System will conduct its own plan enrollment with retirees with the assistance of the County’s benefit broker.

Fiscal and Facilities Impacts: * _

Budgeted: Yes *_

Fiscal Analysis: *

The impact of the actual increase of insurance premiums versus the budgeted cost is approximately \$495,000 more than budgeted costs of \$30.6 million for the Fiscal Year 2014 – 2015; of which the General Fund incurred costs could be up to \$200,000.

County Dental Plan contributions, which are capped at the current contribution rate of \$26.06 per employee per month, multiplied by the adopted FTE number of employees, are estimated to be approximately \$1,200,000 for Fiscal Year 2014-2015.

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

Authored by:

Andreas Pyper, Employee Benefits Manager

cc: Health Oversight Committee
All Department Heads