



**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: October 3, 2017

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

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: 2018 Employee Benefit Insurance Program Renewal

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: Select_Other
As to form: N/A

Recommended Actions:

a) In the matter of setting health plan rates for 2018, 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 3.7%, effective January 1, 2018, 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 3.7% increase in premiums, effective January 1, 2018, and for all Medicare eligible retirees, with an increase between 7.3 to 7.7% 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 zero increase for active employees and retirees, for a twelve-month period, effective January 1, 2018, 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 zero premium increase for a twelve-month period, effective January 1, 2018, 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 a zero premium increase, for a twelve-month period, effective January 1, 2018, 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, 2018, 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 7%, for a twelve-month period, effective January 1, 2018, 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 (i) through (vi) above; and

viii. County Contribution to Employees' Health Savings Account

Set the County contribution to the Health Savings Account (HSA) for those employees enrolled in the Blue Shield High Deductible Health Plan (HDHP), Employee Only coverage at \$1,200 per year, and for those employees enrolled in Employee Plus Dependents, at \$1,800 per year. The schedule and nature of the contributions for first time HDHP/HSA enrollees, and continuing HDHP/HSA enrollees, are shown in Attachment I; and

- b) Determine that these activities are exempt from California Environmental Quality Act (CEQA) review per CEQA Guidelines Section 15378(b)(4) since the recommended actions are government funding mechanisms or fiscal activities which do not involve any

commitment to any specific project which may result in a potentially significant physical impact on the environment.

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.

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 2018 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 3.7%.

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 in 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 88.6% in 2016. 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 88.6%, for every \$1.00 of premiums paid, County employees and dependents incurred \$0.88 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 2018 rates, staff convened the Health Oversight Committee (HOC) to review and discuss options. Attachment J lists the members of the HOC. As a result of meeting and reviewing options, the HOC recommends that the 2018 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 A4 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 B 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, we were able to bring down an 18% increase by 8% by utilizing funds in the reserve account, leaving a 10% increase to premiums. There is no rate increase 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 2018 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.

viii. Health Savings Account

A Health Savings Account (HSA) is a tax-advantaged account created for individuals and their dependents who are covered under high-deductible health plans (HDHPs) to save for medical expenses that HDHPs do not cover. Contributions are made into the account by the individual or the individual's employer and are limited to a maximum amount each year. The contributions are invested over time and can be used to pay for qualified medical expenses, which include most medical care such as dental, vision and over-the-counter drugs.

The loss ratios on the Blue Shield HDHP have historically been the lowest of County's health plans. As the County would like to encourage enrollment in the Blue Shield HDHP, approval of the new contribution levels to employees' HSA should encourage more employees to enroll in these plans. The contributions are shown in Attachment I.

Open Enrollment for 2018 Benefits Plan Year

Upon the Board's action on the recommendations in this item, an open enrollment period for the 2018 Benefits Plan year will be held from October 16, 2017 through November 5, 2017.

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 12% rate increase was budgeted to occur in January 2018; however, the actual increase will only be 3.7%. The resulting increased

cost for the County's contribution to medical insurance premiums is \$679,278.58 which is approximately \$1,523,787.09 less than previously budgeted in Fiscal Year 2017-2018.

- b) The estimated total cost for the County's contribution to dental insurance premiums is \$1,360,000 for Fiscal Year 2017-2018 which is within the overall budget.
- c) Based on the current enrollment levels in the Blue Shield HDHP and HSA it is projected that the changes in the HSA contribution levels would result in an increased cost of approximately \$136,800, which can be paid from the savings produced by the lower than budgeted increase mentioned in (a) above.

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 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 Savings Account Contribution
Attachment J:	Health Oversight Committee Member List

Authored by:

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