



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: July 14, 2020
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department: Maria Elena De Guevara, Human Resources Director, 568-2817
Contact Info: Katie Torres, Benefits & Wellness Division Chief, 568-2818
SUBJECT: Renewal of Onsite Employee Clinic Program

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve, ratify, and authorize the Chair to execute a management agreement between the County of Santa Barbara and HealthStat Wellness, Inc., for an initial two-year contract period effective June 2, 2020 through June 30, 2022 to continue the operation of two onsite employee health clinics, with a total contract amount not to exceed \$1.2 million including cost reimbursements in the first year of the contract and a maximum possible increase in subsequent automatic contract renewal years through June 30, 2025 limited to no more than 4% per contract year tied to annual CPI increases; and
- b) Determine that the above actions are government fiscal activities or funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and are therefore not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA guidelines.

Summary Text:

Renewing the contractual relationship with HealthStat will allow the County to maintain the continuity of the two existing onsite employee health clinics plus the new VirtualCare appointment option (started in March of 2020) provides employees with easy access to primary medical care, assists them with managing chronic medical conditions such as diabetes and heart disease, and reduces unnecessary emergency room visits, all of which contribute to decreased health plan use and results in lower health insurance costs for both the County and employees. Additionally, the onsite employee health clinic program is designed to reduce the lost time that occurs when employees access medical offices or urgent care during work hours.

HealthStat, Inc., has successfully managed its operating costs and has been responsive to County requests. For example in response to the restrictions imposed by the Covid-19 pandemic, HealthStat, Inc., was able to quickly and effectively implement a VirtualCare option within two days which allowed employees to continue to utilize clinic services from their office or home.

Approval of this management agreement will allow the clinics to:

- provide health care services to eligible County employees, and their dependents who are enrolled in one of the County's authorized health insurance plans,
- provide easy access to primary medical care reducing unnecessary doctor and emergency room visits,
- help employees identify and manage chronic medical conditions

Renewing the contact with the current vendor also allows for:

- Ongoing critical treatment of employees with high-risk factors,
- Successful management by HealthStat of medication compliance of employees with chronic conditions, preventing catastrophic medical events from occurring,
- High satisfaction ratings (91% of patients would recommend the onsite health clinic to a colleague),
- High utilization of onsite health clinics, due to the trusting relationship that employees, and their dependents, have built up with clinic staff and HealthStat Wellness, as demonstrated by a consistent level of participation with an average of 5,000 visits a year.

The overall benefit to employees and the County is the improved health of employees, reduced employee out of pocket health care costs, reduced health care claim expenses, and the resulting lower health premium increases. The onsite health clinics are one part of the ongoing Human Resources' and the Health Oversight Committee's efforts to mitigate health insurance premium increases. The onsite clinics have contributed to improved employee health, reduced healthcare claim expenses, and helped to lower County medical annual premium increases from a high of 15.2% in 2016 to a five year average of 6.4%. For the current 2020 plan year the County secured a health insurance premium increase of 2.5%. Renewing this contract for the onsite clinics will continue to improve the health of employees, reduce healthcare claim expenses, and mitigate increases in medical premiums.

Background:

On June 2, 2009, the Board of Supervisors authorized staff to enter into a contract with HealthStat Wellness Inc., a nationwide provider of onsite primary health care, to establish onsite employee healthcare clinics as recommended by the County’s Health Oversight Committee (HOC) that would manage, and contribute to a reduction in the rate of increase to County and employee health insurance premiums. The initial choice of the current vendor HealthStat Wellness, Inc., was the result of a competitive nationwide Request for Proposal (RFP) process in 2009, during which several service providers submitted bids and were evaluated.

On January 24, 2012, the Board of Supervisors approved expanding the capacity of existing onsite employee health clinics to allow qualifying dependents of County employees enrolled in County medical plans to use the clinics. This agreement was subsequently renewed by the Board of Supervisors in 2016 due to continued satisfaction with HealthStat’s performance.

As illustrated in Table 1, HealthStat’s onsite clinics have been beneficial to the County in managing the rising cost of healthcare benefits and have been well-received by employees and their eligible dependents. Over the last three years there have been 15,481 clinic visits, which have allowed the County to avoid approximately \$3.87 million in indirect costs and approximately \$461,000 of potential catastrophic medical event costs due to diabetes, being added to the County’s claims experience which is a component for determining future healthcare premium increases. Due to the onsite locations, short waiting times, and the ability to offer same day appointments, it is estimated that over the same time period the clinics have saved the County approximately \$1.02 million in lost time. In addition, County employees have realized an estimated \$697,000 in savings from co-payments by visiting the clinics instead of their primary care physicians and diagnostic laboratories. Over the last two years the reduction in loss ratios resulted in approximately \$3.4 million savings in potential premium increases.

Table 1 – Summary of 3-years of estimated savings from onsite health clinics

Direct cost not passed on to Health Plan	\$3,870,000
Potential catastrophic medical event costs averted (diabetes only)	\$ 461,000
Lost Time	\$1,022,000
Employee Co-pay and co-insurance out of pocket saved	\$ 697,000
Premium Increases averted last two years – 30% of total	\$3,402,000
Total	\$9,452,000

Decreased claims experience through programs such as the onsite employee healthcare clinics helped the County achieve lower medical premium increases than the medical trend indicator. Prior to the implementation of the clinics, the County’s loss ratio was 159%, which means that for every dollar of premiums paid, County employees and dependents were incurring \$1.59 in healthcare claims. It was this loss ratio that resulted in high renewal rates from insurers. By 2015 the County’s loss ratio had dropped and stabilized at around 93%, which was the primary contributor to the lower renewal rate the County has experienced since the last onsite employee clinic contract renewal. By comparison, had the loss ratio remained at the 159% level, the County would have faced a significantly higher annual premium increases.

Fiscal Analysis:

<u>Funding Sources</u>	2019/2020 Fiscal Year Adopted Budget	2020/2021 Fiscal Year Contract Year One
General Fund	\$ 501,218.00	\$ 552,000.00
Non-General Fund	\$ 580,794.00	\$ 648,000.00
Total	\$ 1,082,012.00	\$ 1,200,000.00

Pending Board approval, the term of this Agreement would be for a period of two (2) years. Thereafter, this Agreement would automatically renew for up to three (3) successive one (1) year terms (“Renewal Term”) unless earlier terminated in accordance with the terms of the Agreement, or unless either party gives sixty (60) days’ prior written notice of non-renewal to the other party prior to the expiration of the initial two (2) year term or any subsequent Renewal Term.

The anticipated cost, based on the current participation rate, and the projected participation growth of eligible employees and dependents, is \$1.2 million for the first year of the contract. Of that cost approximately 46% is budgeted from the General Fund and 54% is budgeted from non-General Fund revenues. While the contract term is for multiple years, the contract amount listed in the Fiscal Analysis Table is for year one of the contract, Fiscal Year 2020-21. This amount is not intended to be the total contract amount for the entire two (2) year term or subsequent Renewal Term, but rather the annual contract limit. Any increases in subsequent years shall be tied to the December CPI-U index for the Los Angeles-Long Beach-Anaheim area, to be effective July 1 of the subsequent contract year. This annual adjustment amount shall be not less than zero percent (0%) and not more than three percent (4%).

This program is budgeted in the departments through a per capita rate applied in the County Salary Modeling Budget System. Departments have budgeted and allocated these expenditures for the FY 2020-2021 budget.

Special Instructions:

Please send two signed copies of the contract to Katie Torres in the Human Resources Department.

Attachments:

HealthStat Wellness, Inc, Management Agreement

Authored by:

Katie Torres, Benefits & Wellness Division Chief
Don Nguyen, Business Manager

cc: Mona Miyasato, County Executive Officer
Michael C. Ghizzoni, County Counsel
Betsy Schaffer, Auditor Controller
Ray Aromatorio, Risk Manager