



# Board Agenda Item 6

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DATE: October 11, 2016

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: County Health Plans for Plan Year 2017

RECOMMENDED ACTION(S):

1. **Authorize the Chairman to execute Participation Agreement with the San Joaquin Valley Insurance Authority (SJVIA), for the purpose of participating in the SJVIA health insurance (Anthem Blue Cross and Kaiser), pharmacy program (US Script), dental insurance (Delta Dental) and vision insurance (Vision Service Plan) for employees and retirees, effective December 19, 2016 through December 31, 2017.**
2. **Authorize the Chairman to execute an Agreement with Kaiser Permanente for group medical services for the period January 1, 2017 through December 31, 2017, for retirees.**
3. **Authorize the Chairman to execute an Agreement with Hartford for group medical services for the period January 1, 2017 through December 31, 2017, for retirees.**
4. **Authorize the Chairman to execute an Agreement with Express Scripts for Part D Medicare prescription services for the period January 1, 2017 through December 31, 2017, for retirees.**
5. **Authorize the Chairman to execute an Agreement with Chimienti & Associates Insurance Services for Medicare retiree eligibility, billing, and accounting services, effective January 1, 2017 through December 31, 2017.**
6. **Approve the biweekly premiums for active employees and dependents for Plan Year 2017, effective December 19, 2016 (Exhibit A).**
7. **Approve the monthly premiums for retirees and dependents for Plan Year 2017, effective January 1, 2017 (Exhibit B).**
8. **Authorize the Director of Human Resources, or designee, to execute related health plan documents, agreements, amendments, thereto, subject to review and approval by County Counsel and the Auditor-Controller/Treasurer-Tax Collector.**
9. **Receive verbal report regarding contribution rates.**

Approval of the recommended actions will authorize the Chairman to execute agreements with health insurance carriers and approve biweekly and monthly rates for Plan Year 2017 for employees, retirees, and their dependents.

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ALTERNATIVE ACTION(S):

Your Board may choose to consider benefit modifications that would reduce premiums but increase copayments or deductibles. However, benefit modifications for plans through the SJVIA would require approval by the SJVIA board.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

On June 21, 2016, your Board made a finding that it was in the best interest of the County to waive the competitive bidding process consistent with Administrative Policy No. 34 under the “unusual or extraordinary circumstances” exception for the solicitation of health benefits plan proposals for Plan Year 2017. This allowed the County the flexibility needed to negotiate directly with health insurance providers and maximize cost effective alternatives that best meet the needs of the County, its active employees, retirees, and their dependents.

FISCAL IMPACT:

Appropriations and related projected revenue of \$80.5 million has been included in the Risk Management Org. 8925 FY 2016-17 Adopted Budget for pass-through health insurance premiums of County employees, retirees, and dependent coverage. Of this amount, approximately \$71.7 million is for active employees and \$8.8 million is for retirees.

In accordance with Budget Instructions, County Departments included appropriations in their FY 2016-17 Adopted Budgets for the County-portion of active employee premiums. However, the Net County Cost (NCC) for this contract period is subject to the County contribution applied toward the total premium rate as well as the funding source(s) for each County department/Org (i.e. NCC vs. grant/state/federal funded departments/Orgs). The County contribution is subject to the meet and confer process and staff will return to your Board to approve that amount at its conclusion.

DISCUSSION:

The County has traditionally offered multiple plans to allow employees the choice of the doctor, hospital or delivery system that meets their needs. The current plans allow access to all local hospitals depending on the plan selected. The County offers the following current plans to employees and their dependents:

- An HMO plan through Anthem Blue Cross allows access to certain doctors and hospitals within its network and requires selecting a Primary Care Physician.
- PPO Health Insurance Plans provide more flexibility when picking a doctor or hospital. They also feature a network of providers, but there are fewer restrictions on seeing non-network providers. The County currently offers the following Anthem Blue Cross plans:
  - A PPO plan with a \$250 deductible for employee or \$500 deductible for family.
  - A High Deductible PPO with a \$3,000 deductible for employee or \$6,000 deductible for family. Participants in the Anthem Blue Cross HDPPO (\$3,000/\$6,000) plan may contribute to a “Health Savings Account” (HSA). HSAs are tax-favored savings accounts that are combined with a qualifying high deductible health insurance plan.
- An HMO option through Kaiser is offered as an integrated, pre-paid health delivery system. The entire range of care for members is provided and coordinated through their system, including doctors, hospitals, and pharmacies.

Current plan options are summarized in the attached Exhibit D.

Beginning in 2010, the County began participating in the San Joaquin Valley Insurance Authority with the County of Tulare to contribute to lower fixed costs and additional value-added services. Additionally, the plans offered through Anthem Blue Cross are self-insured with the SJVIA with risk sharing among entities. Although the first few years of the SJVIA provided for modest increases, the last two years have provided double-digit increases.

With these challenges, County staff considered options with input from the Health Benefits Advisory Committee (HBAC), which is a partnership between labor, retirees, and management representatives working together to identify, discuss, and evaluate issues concerning health benefits. This year, this process included a focus on additional options for County employees.

Below is a summary of the options considered and recommended actions by category that were formed with input from the HBAC:

1. Health Plans - Active & Pre-65 Retirees:

- a. Anthem Blue Cross (SJVIA): The SJVIA Board approved rate increases of 15.65% for the Anthem Blue Cross HMO and 11.80% for the Anthem Blue Cross PPO and HDPPO (active employees and pre-65 retirees) for Plan Year 2017. This includes prescription coverage through US Script and mandated Patient-Centered Outcome Research Institute (PCORI) fees imposed by the Patient Protection & Affordable Care Act (PPACA). It is recommended that these plans be offered in Plan Year 2017.

In addition, it is recommended that the County add two health plan options to provide more selection of plans, thus allowing employees to find a plan that better fits their financial and health care needs. These options include Anthem Blue Cross PPO \$1,000, and Anthem Blue Cross High Deductible PPO \$1,500. Plan design and medical rates for these two plans are detailed in Exhibit E. The Anthem Blue Cross PPO \$1,000 was recommended by HBAC, whereas, the Anthem Blue Cross HDPPO \$1,500 plan was not recommended by HBAC, but is still being presented as a recommendation to your Board.

- b. Kaiser (SJVIA): To address concerns with adverse selection and migration, the SJVIA Board approved a rate increase that would be consistent with preserving the current pricing difference that exists between Kaiser and Anthem HMO. As a result, the Kaiser rate increased: 15.06% for employee only; 15.58% for employee plus spouse; 15.47% for employee plus child(ren); and 15.72% for employee plus family. The SJVIA Board also approved a \$10 per employee per month risk surcharge for all Kaiser membership.

In addition, the Kaiser Pre-65 Retiree plan will not be renewed for Plan Year 2017, as there is one member currently enrolled in this plan.

- c. Administrative Services (SJVIA): The SJVIA continues to offer additional services as part of the total rate structure, including Consolidated Omnibus Budget Reconciliation Act (COBRA) Administration and Billing, Family Medical Leave Act (FMLA) Billing and Consolidated Eligibility/Billing Services. Recommended Action 5 would execute the Chimienti & Associates contract which is in the last year of a three-year rate guarantee to match pricing and services offered through the SJVIA, ensuring consistency and efficiency in services offered with the health plans.

Recommended rates for the Anthem Blue Cross and Kaiser plans are detailed in Exhibits A and B and summarized in Exhibit C. The Health Rate Change reflects the rate increase for only the health plans; the Overall Rate Change is the aggregate and includes the following components in addition to the health rates: vision, mental health, dental coverage, life insurance and health administration.

2. Health Plans - Post-65 / Medicare Retirees:

The County offers two types of plans to Medicare eligible retirees called Medicare Supplemental (Hartford/Express Scripts) and Medicare Advantage (Kaiser Senior Advantage High/Low). After evaluating options available and with valuable input from retirees participating in the HBAC, the following recommendation is being made:

- a. That the County maintain and continue to offer a Medicare Supplemental plan through Hartford/Express Scripts with an increase of 6.47% and two Medicare Advantage plans through Kaiser Senior Advantage with an increase to the Kaiser High plan of 3.3% and an increase to the Kaiser Low plan of 3.6%. The County has received positive feedback from retirees enrolled in the plans.

Recommended rates for Hartford/Express Scripts and Kaiser are included in Exhibit B and summarized in Exhibit C. The Overall Rate Change includes the following components in addition to the health rates: vision, dental coverage and health administration.

3. Dental Plans (SJVIA):

The SJVIA has contracts in place with Delta Dental for both PPO and HMO dental plans, and is in the last year of a two-year rate guarantee with no increase for 2017. The DHMO offers a limited network of providers in exchange for enhanced coverage, whereas the DPPO offers access to an expanded network of providers and specialists in exchange for higher deductibles. The dental renewal rate change is summarized in Exhibit C.

Recommended Action 1 would authorize the Chair to execute a Participation Agreement with the SJVIA which would include Delta Dental PPO and DHMO for Plan Year 2017.

4. Vision Plan (SJVIA):

Employees enrolled in the Anthem Blue Cross HMO, PPO, and HDPPO, pre-65 retirees enrolled in the Anthem Blue Cross HDPPO, and post-65 retirees enrolled in the Hartford/Express Scripts plan all receive vision coverage through the SJVIA in an agreement with Vision Services Plan (VSP). The contract with VSP is under a two-year pricing guarantee, and is in the last year of the pricing guarantee with no increase in 2017.

Recommended Action 1 would authorize the Chair to execute a Participation Agreement with the SJVIA which would include VSP for Plan Year 2017.

OTHER REVIEWING AGENCIES:

HBAC has reviewed the recommendations contained in this item. The Auditor-Controller/Treasurer-Tax Collector has reviewed and approved the health administration rates included in Recommended Actions 7 and 8.

REFERENCE MATERIAL:

BAI #33, June 21, 2016 - Solicitation of Health Benefits Plan Proposal for Plan Year 2017  
BAI #44, October 27, 2015 - County Health Plans for Plan Year 2016  
BAI #35, July 9, 2013 - Amended & Restated SJVIA Agreement  
BAI #9, October 6, 2009 - SJVIA Agreement jointly purchasing health insurance

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - Active Employee and Dependent Premiums - Biweekly  
Exhibit B - Retiree and Dependent Premiums - Monthly  
Exhibit C - Medical Renewal Rate Change Summary - Active & Pre-65 Retirees  
Exhibit D - Current Health Plan Options  
Exhibit E - PPO Health Plan Options - Plan Design and Biweekly Medical Rates  
Exhibit F - County Health Plans 2017 PowerPoint

CAO ANALYST:

Sonia De La Rosa