



Board Agenda Item 40

DATE: September 26, 2017

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: County Health Plans for Plan Year 2018

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 (EmpiRx), dental insurance (Delta Dental) and vision insurance (Vision Service Plan) for employees and retirees, effective December 18, 2017 through December 31, 2018.**
2. **Authorize the Chairman to execute an Agreement with Kaiser Permanente for group medical services for the period January 1, 2018 through December 31, 2018, for retirees.**
3. **Authorize the Chairman to execute an Agreement with Hartford for group medical services for the period January 1, 2018 through December 31, 2018, for retirees.**
4. **Authorize the Chairman to execute an Agreement with Express Scripts for Part D Medicare prescription services for the period January 1, 2018 through December 31, 2018, for retirees.**
5. **Authorize the Chairman to execute Agreements with Hourglass Systems, Inc. and Administrative Solutions, Inc. for Medicare retiree eligibility, billing, and accounting services, effective January 1, 2018 through December 31, 2018.**
6. **Approve the biweekly premiums for active employees and dependents for Plan Year 2018, effective December 18, 2017 (Exhibit A).**
7. **Approve the monthly premiums for retirees and dependents for Plan Year 2018, effective January 1, 2018 (Exhibit B).**
8. **Authorize the Director of Human Resources, or designee, to execute related health plan documents, business associate agreements and other agreements, amendments, thereto, subject to review and approval by County Counsel and the Auditor-Controller/Treasurer-Tax Collector.**

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 2018 for employees, retirees, and their dependents.

ALTERNATIVE ACTION(S):

Your Board may choose to consider benefit modifications that would affect premiums, 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 May 16, 2017, 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 2018. 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 \$88.1 million has been included in the Risk Management Org. 8925 FY 2017-18 Adopted Budget for pass-through health insurance premiums of County employees, retirees, and dependent coverage. Of this amount, approximately \$79.3 million is for active employees and \$8.8 million is for retirees.

In accordance with Budget Instructions, County Departments included appropriations in their FY 2017-18 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 will offer the following plans to employees and their dependents:

- An EPO plan through Anthem Blue Cross that allows access to doctors and hospitals within its PPO network. This plan replaces the Anthem HMO plan, however, employees are not required to select a primary care physician. To receive services, employees must select a physician within the Anthem PPO network. More information will be communicated to employees during the open enrollment period.
- PPO health insurance plans provide 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 PPO plan with a \$1,000 deductible for employee or \$2,000 deductible for family.
 - A High Deductible PPO with a \$1,500 deductible for employee or \$3,000 for family.
 - A High Deductible PPO with a \$3,000 deductible for employee or \$6,000 deductible for family.
 - Participants in either HDPPPO 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. Although the first few years of the SJVIA provided for modest increases, the last few 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 new 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 replacing the Anthem HMO plan with a new Anthem EPO plan based on a recommendation from the SJVIA consultant who determined cost savings could be realized with this change. Based on the current Anthem HMO rate, the SJVIA Board approved a 0.00% change (rate pass) for the Anthem EPO plan for Plan Year 2018. The SJVIA Board also approved a rate increase of 12.4% for the Anthem PPO and HDPPPO plans for Plan Year 2018.

In addition, the SJVIA Board approved a new pharmacy benefit manager, EmpiRx Health, to provide prescription coverage to participants. The prescription coverage and mandated Patient-Centered Outcome Research Institute (PCORI) fees imposed by the Patient Protection & Affordable Care Act (PPACA) are included in the rates for Plan Year 2018. It is recommended that these plans be offered in Plan Year 2018.

- b. Kaiser (SJVIA): The Kaiser renewal for Plan Year 2018 was determined to be a 4.8% decrease. However, to maintain parity between the new Anthem EPO plan and Kaiser, and address concerns with adverse selection and migration, the SJVIA Board approved maintaining the 2017 rates for Kaiser for Plan Year 2018. The SJVIA Board also approved Kaiser's offer to allow the SJVIA to hold remaining funds in 2018.
- 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. These services were previously contracted through the SJVIA with Chimienti & Associates, who subcontracted the services to two different vendors, Hourglass Systems, Inc., and Administrative Solutions, Inc. The SJVIA Board approved terminating the agreement with Chimienti & Associates and contracting directly with Hourglass Systems, Inc. and Administrative Solutions, Inc., resulting in a 10.6% cost savings for these services. Recommended Action No. 5 would execute the Hourglass Systems, Inc. and Administrative Solutions, Inc. agreements 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 7.62% and two Medicare Advantage plans through Kaiser Senior Advantage with an increase to the Kaiser High plan of 2.81% and an increase to the Kaiser Low plan of 3.11%. 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. The SJVIA Board approved a 0.0% change (rate pass) for the Delta Dental DPPO plan, and a 5.4% increase for the Delta Dental DHMO plan for 2018. 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 No. 1 would authorize the Chair to execute a Participation Agreement with the SJVIA which would include Delta Dental DPPO and DHMO for Plan Year 2018.

4. Vision Plan (SJVIA):

Employees enrolled in the Anthem Blue Cross EPO, 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 SJVIA Board approved a 2.0% increase for Plan Year 2018 with a two-year rate guarantee.

Recommended Action No. 1 would authorize the Chair to execute a Participation Agreement with the SJVIA which would include VSP for Plan Year 2018.

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 Action Nos. 6 and 7.

REFERENCE MATERIAL:

BAI #35, May 16, 2017 - Solicitation of Health Benefits Plan Proposal for Plan Year 2018
BAI #21, October 18, 2016 - County Health Plans for Plan Year 2017
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

CAO ANALYST:

Sonia De La Rosa