



Board Agenda Item 40

DATE: September 25, 2018

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: County Health Premiums for Plan Year 2019

RECOMMENDED ACTION(S):

- 1. Approve the biweekly premiums for active employees and dependents for Plan Year 2019, effective December 17, 2018 (Exhibit A).**
- 2. Approve the monthly premiums for retirees and dependents for Plan Year 2019, effective January 1, 2019 (Exhibit B).**

Approval of the recommended actions will approve the health and life insurance biweekly and monthly rates for Plan Year 2019 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 1, 2018, 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 2019. 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. Additionally, your Board waived the competitive bidding process for ancillary benefits including life and disability insurance. A new agreement for life insurance benefits will be brought to your Board for approval at a future Board meeting.

FISCAL IMPACT:

Appropriations and related projected revenue of \$89.8 million has been included in the Risk Management Org. 8925 FY 2018-19 Recommended Budget for pass-through health insurance premiums of County employees, retirees, and dependent coverage. Of this amount, approximately \$81 million is for active employees and \$8.8 million is for retirees.

In accordance with Budget Instructions, County Departments included appropriations in their FY 2018-19 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 for the remaining bargaining units 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.
- 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 HDPPO 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 (SJVIA) 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.

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

1. Health Plans - Active & Pre-65 Retirees:
 - a. Anthem Blue Cross (SJVIA): Based on the current rate, the SJVIA Board approved a rate increase of 5.5% for the Anthem Blue Cross EPO, PPO and HDPPO (active employees) and Anthem Blue Cross HDPPO (pre-65 retirees) for Plan Year 2019. This includes prescription coverage through EmpiRx Health. The Patient-Centered Outcome Research Institute (PCORI) fee that was previously mandated by the Patient Protection & Affordable Care Act has expired. It is recommended that these plans be offered in Plan Year 2019.
 - b. Kaiser (SJVIA): The Kaiser renewal for Plan Year 2019 was determined to be a 3.07% increase. However, to maintain parity between the Anthem EPO plan and Kaiser, and address concerns with adverse selection and migration, the SJVIA Board approved a rate increase of 5.5% for Kaiser for Plan Year 2019.
 - 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. The County currently contracts with Hourglass Systems, Inc. (Hourglass) and Administrative Solutions, Inc. (ASi) to match pricing and services offered through the SJVIA, ensuring consistency and efficiency in services offered with the health plans. The Hourglass and ASi agreements will be brought to your Board for approval at a future Board meeting.

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 using the employee only tier; 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. If approved, the premium rates will be incorporated into the annual Open Enrollment materials. Open Enrollment for the 2019 Plan Year is scheduled for October 15 - November 9, 2018, and is the one time each year that employees may make health plan changes and add or delete eligible dependents without a qualifying event.

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, it is recommended that the County:

- a. Maintain and continue to offer a Medicare Supplemental plan through Hartford/Express Scripts with a decrease of 2.00%;
- b. Maintain and continue to offer the Kaiser Senior Advantage High plan with an increase of 2.90%;
- c. Modify the existing Kaiser Senior Advantage Low plan with changes made to certain copays that result in a rate decrease of 12.36% from the currently structured Kaiser Low plan.

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. The agreements with Hartford, Express Scripts and Kaiser are being finalized and will be brought to your Board for approval at a future Board meeting.

3. Dental Plans (SJVIA):

Delta Dental will be going into the second year of a two-year rate guarantee for both the DPPO and DHMO dental plans. Therefore, there is no change in the rates for either dental plan for 2019. 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 is summarized in Exhibit C.

The DPPO and DHMO Delta Dental plans are made available to the County through its participation in the SJVIA. A Participation Agreement with the SJVIA for Plan Year 2019 will be brought to your Board for approval at a future Board meeting.

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). VSP is going into the second year of a two-year rate guarantee, so there are no changes to the rate for Plan Year 2019. The County's SJVIA Participation Agreement for Plan Year 2019 will include VSP as the vision provider.

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. 1 and 2.

REFERENCE MATERIAL:

BAI #41, May 1, 2018 - Solicitation of Health and Ancillary Benefits Plan Proposals for Plan Year 2019
BAI #40, September 26, 2017 - County Health Plans for Plan Year 2018
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:

Juan Lopez