

2016 Employee Benefits Insurance Program Renewal

August 11, 2015

Presented by Risk Management

BACKGROUND

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- County currently offers 5 health plans through 3 providers
 - Blue Shield Standard PPO and Blue Shield HDHP
 - In 2012 the County moved the Blue Shield Standard plan under CSAC-EIA and has since seen a 4.6% average increase compared to a 9.9% increase in the years prior to participation.
 - In 2013 the Blue Shield HDHP was implemented to give all employees a lower cost PPO option.
 - Kaiser Standard HMO and Kaiser HDHP
 - In 2014 the Kaiser HDHP was implemented
 - United Healthcare HMO

BACKGROUND (cont'd)

- Dental coverage is currently offered through CSAC-EIA's Delta Dental plan.
 - Participation in the program has resulted in a 2% average rate increase over the past seven years.
- Vision insurance is contracted direct with Vision Service Provider (VSP).
- Basic and voluntary life insurance, long-term disability and accidental death and dismemberment insurance are provided through Lincoln Financial.

Patient Protection and Affordable Care Act (ACA)

- Affordable, minimum essential coverage (MEC) must be offered to all eligible employees effective January 1, 2015.
 - MEC standards are set by the Federal government.
 - Coverage is considered affordable if the monthly plan premium for an employee only tier does not exceed 9.5% of the lowest monthly salary of any eligible employee.
 - Eligibility is determined by hours worked by an employee, not on classification or designation as “full-time” or “part-time” or “extra-help” employee.

Patient Protection and Affordable Care Act (ACA)

Risk Management continues to review the County's health insurance and ancillary employee benefit programs to:

- Identify plan designs and options that maintain or enhance overall benefit integrity.
- Provide sustainability.
- Ensure compliance with ACA requirements.
- Position the County so that it is not subject to the excise tax provisions of the ACA that go into effect 1/1/2018.

2016 RENEWAL OVERVIEW

2016 HEALTH PLANS

ACTIVE & PRE-65 (EARLY) RETIREES

- **Blue Shield PPOs**

- No recommended plan changes to current plans for the 2016 plan year. The 2016 premium renewal percentage rate increase for each plan is 7%.
- Add an additional PPO that mirrors the “bronze plans” offered by Covered California to meet the ACA affordability requirement.
 - Employee only tier would not exceed 9.5% of minimum wage. Employee +1 and Family tiers would receive Employee Only contribution.
 - Can be used in conjunction with a Health Savings Account (HSA).

- **Kaiser HMOs**

- 2016 premium percentage rate increase for both plans is 7%.
 - Kaiser will apply a 2% reduction contingent upon the County terminating the United Healthcare HMO plan option.
 - An additional 4% rate reduction to the Kaiser Standard HMO can be achieved by changing the emergency room visit co-pay from \$15 to \$50 and changing the prescription drug co-pay from \$10 to \$15 for generic and \$15 to \$30 for brand name drugs.
- Implementing these plan changes will result in a premium drop from 7% to approximately 1% rate increase for the Kaiser Standard HMO and a premium drop from 7% to 5% for the Kaiser HDHP.

HEALTH PLANS

ACTIVE EMPLOYEES & PRE-65 (EARLY) RETIREES

- **United Healthcare HMO**

- 2016 premium percentage rate increase 11%
- Staff recommends discontinuing this plan due to:
 - High cost
 - Unsustainability
 - Additional rate concessions offered by Kaiser
 - Low participation

Affected employees and early retirees will be offered Medical Transition Assistance:

- Assists with the selection of a Primary Care Physician, transferring prescriptions and continuity of care programs for those with serious illness and/or scheduled surgeries.
- Education, consultation and program materials will be offered prior to, during, and after the October open enrollment period.
- Both Kaiser and Blue Shield participate.

HEALTH PLANS

MEDICARE ELIGIBLE RETIREES

- **Kaiser Senior Advantage (KSA)**
 - No recommended plan changes for 2016. The 2016 premium percentage decrease is approximately 1%.
- **UHC Medicare Advantage PPO**
 - Approve the implementation of this plan offering for 2016 and the subsequent discontinuation of the Blue Shield PPO plans for Medicare retirees only.
 - Medicare enrollees will realize a premium savings of approximately \$375 per month with little to no change to out-of-pocket costs.
 - All but eight doctors who are currently in the Blue Shield network are in the UHC network as well.
 - Overwhelming interest and support for the offering by current retirees.

ANCILLARY BENEFIT PROGRAMS

- **Delta Dental**
 - No plan or premium changes for 2016.
- **VSP Vision**
 - Change the administration of the VSP benefit program to CSAC-EIA.
 - Receive a lower fixed administrative services price equating to an annual fee savings of \$1,500.
 - Elimination of a contract for County to maintain.
- **Life Insurance/Long Term Disability (Lincoln Financial)**
 - No plan or premium changes for 2016.
- **Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA)**
 - Change administration of the FSA programs to Employee Benefits Specialists (EBS) at no additional cost.
 - Change administration of the HSA program to Bank of America.
 - Reduced monthly rate of \$2.75 per month.
 - Broader investment options.
 - No fee investment services for enrollees.

OPTIONS & RECOMMENDATIONS

2016 OPTION #1: STAFF RECOMMENDATION

1. Termination of United HealthCare HMO plan for active employees and early retirees.
2. Change Kaiser HMO emergency room co-pay from \$15 to \$50 per visit.
3. Change Kaiser HMO prescription drug co-pays from \$10 to \$15 for generic and \$10 to \$30 for brand name drugs.
4. Approve the addition of new United HealthCare Medicare Advantage PPO for Medicare eligible retirees and discontinue enrollment in Blue Shield PPO plans for Medicare eligible retirees.
5. Change contract administration of Vision Services Plan (VSP) to CSAC-EIA administration for fee reductions.
6. Change FSA administration to the current benefits vendor EBS.
7. Change HSA administration to Bank of America from HealthEquity.
8. No change to Life Insurance/Long Term Disability (final year of three year contract)
9. Approve the addition of the new Blue Shield PPO “Bronze Plan” in order to comply with ACA affordability mandates.
10. Approve the plan year 2016 rate cards (Attachment D) based on staff recommendations.

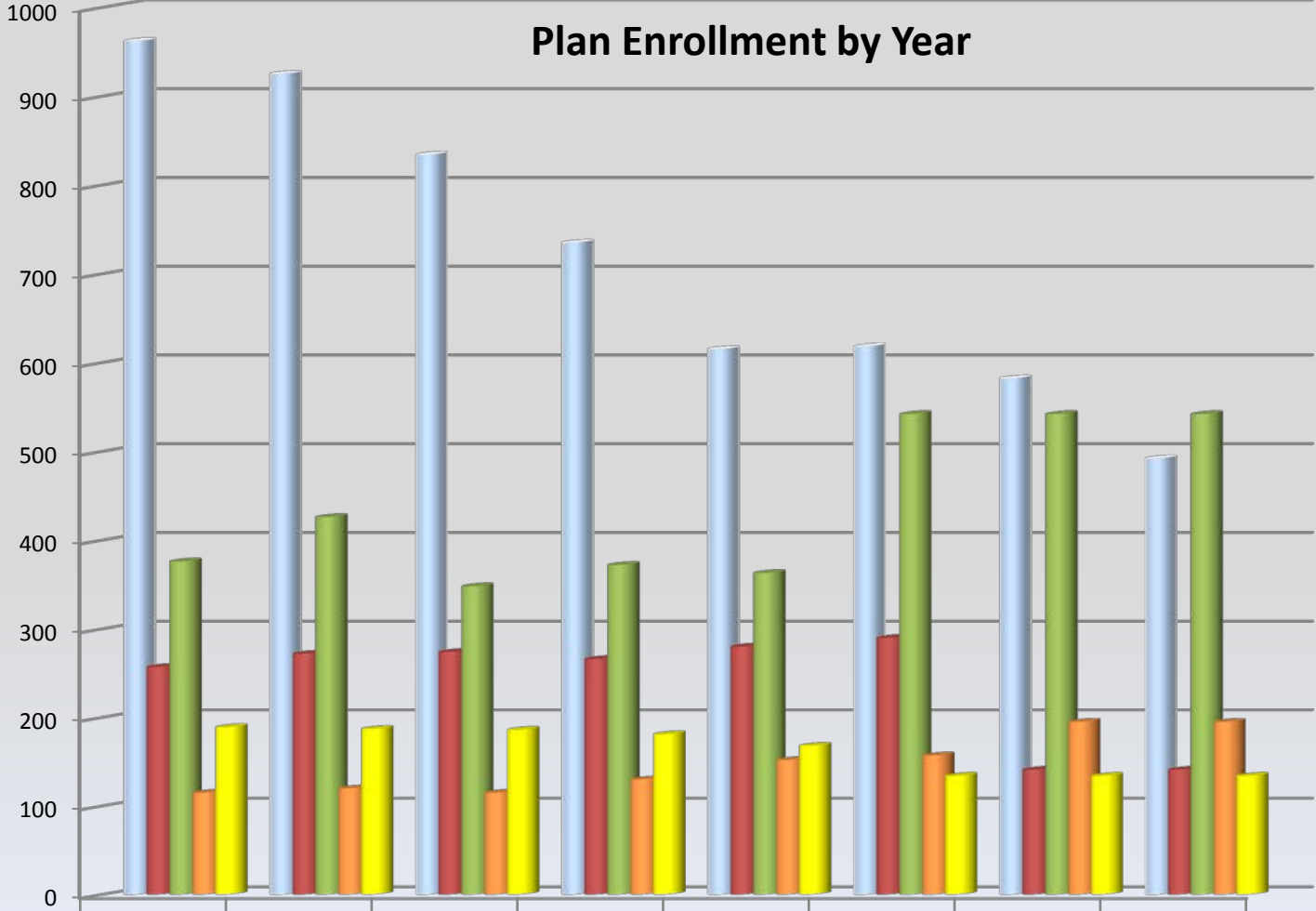
2016 OPTION #2: HPAC RECOMMENDATION

- Same as Option #1 except no change to Kaiser HMO prescription drug co-payments.
 - The HPAC concurs with staff recommendations for the 2016 plan year except for the Kaiser Standard HMO prescription drug co-payment changes.

2016 OPTION #3: NO CHANGES

- Renewal all 2016 health benefit programs as is.

Plan Enrollment by Year



	July 2008	July 2009	July 2010	July 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015
Blue Shield Actives	962	925	834	735	615	618	582	492
Blue Shield Retirees	257	272	274	266	280	290	141	141
Kaiser HMO Actives	376	426	348	372	363	542	542	542
Kaiser Retirees	115	120	115	130	152	157	195	195
UHC Actives	189	187	186	181	168	134	134	134

2016 HEALTH BENEFITS FINANCIAL OVERVIEW

Lines of Coverage	Current 2015	STAFF Recommend	% Δ	HPAC Recommend	% Δ	Renewal As Is	% Δ
		Option 1 2016		Option 2 2016		Option 3 2016	
Blue Shield PPO \$200 (Actives & Retirees w/o Medicare)	\$10,255,138	\$12,398,852	20.9%	\$12,398,852	20.9%	\$10,969,378	7.0%
Blue Shield PPO \$200 (Medicare Retirees)	\$1,178,219	<i>Term</i>	<i>N/A</i>	<i>Term</i>	<i>N/A</i>	\$1,259,795	6.9%
Blue Shield PPO \$1,300 ABHP (Actives & Retirees w/o Medicare)	\$922,607	\$987,024	7.0%	\$987,024	7.0%	\$987,024	7.0%
Blue Shield PPO Bronze Plan ABHP (Actives & Retirees w/o Medicare)	N/A	TBD	N/A	TBD	N/A	N/A	N/A
Blue Shield PPO \$1,300 ABHP (Medicare Retirees)	\$138,447	<i>Term</i>	<i>N/A</i>	<i>Term</i>	<i>N/A</i>	\$147,987	6.9%
Kaiser HMO (Actives & Early Retirees)	\$9,972,158	<i>UHC Term</i> <i>ER \$50/ Rx \$15 /\$30</i> \$10,052,088	0.8%	<i>UHC Term</i> <i>ER \$50</i> \$10,402,475	4.3%	\$10,662,600	6.9%
Kaiser HMO \$1,300 (Actives & Early Retirees)	\$73,458	<i>UHC Term</i> \$76,976	4.8%	<i>UHC Term</i> \$76,976	4.8%	\$78,542	6.9%
Kaiser KPSA HMO (Retirees 65+)	\$640,150	\$634,268	-0.9%	\$634,268	-0.9%	\$634,268	-0.9%
United Healthcare HMO	\$2,602,703	<i>Term</i>	<i>N/A</i>	<i>Term</i>	<i>N/A</i>	\$2,889,000	11.0%
United Healthcare Medicare Retiree Plan (Medicare Retirees)	N/A	\$675,459	N/A	\$675,459	N/A	N/A	N/A
Delta Dental (CSAC EIA) DPO (Self-Funded)	\$1,660,467	\$1,660,467	0.0%	\$1,660,467	0.0%	\$1,660,467	0.0%
VSP Vision (Self-Funded)	\$188,865	\$188,865	0.0%	\$188,865	0.0%	\$188,865	0.0%
Lincoln Financial Basic Life/AD&D	\$55,333	\$55,333	0.0%	\$55,333	0.0%	\$55,333	0.0%
Lincoln Financial Long Term Disability	\$2,247,546	\$2,247,546	0.0%	\$2,247,546	0.0%	\$2,247,546	0.0%
TOTAL ANNUAL PREMIUM	\$29,935,090	\$28,976,878	-3.2%	\$29,327,266	-1.9%	\$31,780,803	6.2%

ANNUAL DOLLAR CHANGE- From Current	(\$958,212)	(\$607,824)	\$1,845,713
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ANNUAL PERCENTAGE CHANGE- From Current	-3.2%	-1.9%	6.2%
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TOTAL COST AVOIDANCE vs RENEWAL NO CHANGES	\$2,803,925	\$2,453,537	NONE
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Option 1 = Replace Blue Shield Medicare Plans with UHC PPO Plan, Kaiser ER & Rx changes, terminate UHC HMO (thus reducing Kaiser rates by 2%, assuming UHC enrollment to 50% Kaiser HMO & 50% Blue Shield 200 and moving vision to (CSAC EIA) - VSP

Option 2 = Replace Blue Shield Medicare Plans with UHC PPO Plan, Kaiser ER change, terminate UHC HMO (thus reducing Kaiser rates by 2%, assuming UHC enrollment to 50% Kaiser HMO & 50% Blue Shield 200 and moving vision to (CSAC EIA) – VSP

Option 3 = No changes, All plans and benefits would renew as is.

NEXT STEPS...

- **OE3 Health Trust rates**

- Staff will return with rate cards for the OE3 Health Trust plans once the OE3 Health Trust provides finalized rates.

- **Open Enrollment**

- Starts 10/12/15 and ends 10/30/15
 - “Positive” Open Enrollment (all employees must indicate their plan choice for 2016 or waive coverage)
- Open Enrollment Packets sent out at the end of September
- Health Fairs
 - 10/5/15 in Placerville at the Marshall Building @ Fairgrounds
 - 10/6/15 in SLT at the City of SLT Recreation Complex Gymnasium
- Open Enrollment Overview Presentations
 - Mid October in the Board chambers
- 1-on-1 meetings with employees
 - Throughout Open Enrollment at different EDC locations