



The County of El Dorado
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TO: Board of Supervisors
FROM: Jason Hunter, Risk Manager, Department of Human Resources
SUBJECT: 2016 Employee Benefits Insurance Program Renewal – Staff Report

Risk Management is recommending the Board take the following actions regarding Health Plan Programs and Ancillary Employee Benefit Programs for the 2016 Plan Year:

- 1) Approve the Risk Management recommended changes to the County's health and benefit plan programs as outlined in this staff report;
- 2) Approve the proposed 2016 health plan rate cards (Attachment D) based on staff recommendations, the cost sharing of health premiums in the current Memoranda of Understanding with all bargaining units, the Salary and Benefits Resolution for unrepresented employees, the Retiree Health Benefits Contribution Plan and in accordance with the Patient Protection and Affordable Care Act (ACA);
- 3) Authorize the Chief Administrative Officer or designee, to execute health and benefit program contracts subject to approval by County Counsel;
- 4) Authorize the Risk Manager to correct any minor clerical errors or adjustments, if necessary, to the approved health plan rate cards for the 2016 health benefits plan year;
- 5) Approve vendor change to Bank of America for administration of health savings accounts (HSA);
- 6) Approve vendor change to Employee Benefit Specialists (EBS) for administration of flexible spending accounts (FSA);
- 7) Approve vendor change to CSAC-EIA for administration of the Vision Services Plan (VSP).

BACKGROUND

Health Insurance

Since 2012, the County has participated in the California State Association of Counties – Excess Insurance Authority (CSAC-EIA) insurance program. Participation has yielded

positive outcomes over the first four years of County involvement and has helped manage costs within the two Blue Shield PPO Health Plans offered through CSAC-EIA. For the three years prior to participation in the CSAC-EIA, the Blue Shield plan renewal rates averaged a 9.9% increase compared to an average 4.6% increase during the four full years in the CSAC-EIA program. Currently, the County maintains three separate health insurance benefit plan providers; Blue Shield (CSAC-EIA), Kaiser Permanente, and United HealthCare. The County contracts directly with Kaiser Permanente and United HealthCare for health plan insurance benefits. Please reference (Attachment C) for historical comparison of health plan renewal rates and enrollments.

Dental Insurance

The County participates in Delta Dental through the CSAC-EIA program. The County maintains self-insured status for this program but receives the rate advantage of the pooling program. Participation in the program has resulted in a 2% average rate increase over the past seven years.

Vision Insurance

Vision Insurance is contracted direct with Vision Service Provider (VSP).

Life Insurance/Long-Term Disability/AD&D

The County continues to offer eligible employees options for basic and voluntary life insurance, long-term disability and accidental death and dismemberment insurance. These services are provided through Lincoln Financial.

Patient Protection and Affordable Care Act (ACA)

Beginning January 1, 2015 the County must provide affordable healthcare with minimum essential coverage to all eligible employees pursuant to the ACA. This requirement is irrespective of the classification or traditional status in the classification system as a regular “full-time” or “part-time” extra help employee and is predicated on hours worked.

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 and ensure compliance with ACA requirements, including efforts to position the County so that it is not subject to the excise tax provisions of the ACA that go into effect in 2018. For the 2016 plan year, staff recommendations reflect Risk Management’s efforts to achieve these objectives.

RECOMMENDATIONS

The following is a summary of current health and ancillary employee benefit plans and the staff recommended changes by benefit category for 2016. The corresponding recommended rate cards are provided for reference as Attachment D. A financial overview of total plan costs related to these staff recommendations is provided as Attachment B under Option #1. Risk Management recommends the Board of Supervisors approve the following plan renewals and revisions:

1. Health Plans – Active Employees & Pre-65 (early) Retirees

a. Renew CSAC-EIA Blue Shield PPOs: The County offers two Blue Shield PPO plans to active employees and early retirees. One Blue Shield plan is a low deductible plan (BS200) and the other is a high deductible plan (BS1300). The BS1300 plan allows for an optional Health Savings Account (HSA) component for enrollees. There are no recommended plan changes for the 2016 plan year. The 2016 premium renewal percentage rate increase for each plan is 7%.

b. Renew with changes Kaiser HMO: The County offers two Kaiser HMO plans to both active employees and early retirees. One Kaiser plan is a standard HMO with no deductible and the other is structured as a high deductible or account based plan (HDHP) that allows for a health savings account (HSA) component and lower premium rates. The 2016 premium percentage rate increase for both plans is 7%. For both plans, Kaiser has agreed to apply a 2% reduction to the 2016 premium rates contingent upon the County terminating the United Healthcare HMO plan option.

With the 2% rate reduction, the 2016 premium renewal percentage increase for both plans is approximately 5%. In addition, and for the standard HMO plan only, Risk Management recommends changing the emergency room visit co-pay from \$15 to \$50 per visit for an approximate .80% rate reduction, and recommends changing the prescription drug co-pay from \$10 for generic and brand to \$15 for generic and \$30 for brand name drugs for an additional 3.2% rate reduction. By approving these recommendations, the 2016 premium renewal rate increase for the Kaiser standard HMO plan is approximately 1% and for the HDHP is approximately 5%.

c. Eliminate United Healthcare HMO: This is an additional HMO the County offers to active employees and early retirees and is consistently the most expensive HMO offering. While costing on average \$640 more per month in premium than the Kaiser Standard HMO, the UHC plan offers similar benefit provisions except for a higher out-of-pocket maximum and higher emergency room fee. The 2016 premium percentage rate increase for UHC HMO is 11%, which is the average increase since 2008. Risk Management recommends terminating the UHC HMO plan due to the high cost, unsustainability, and additional rate concessions offered by Kaiser above.

Affected enrollees will be offered Medical Transition Assistance through both Kaiser and Blue Shield providers to assist with the selection of a Primary Care Physician, transferring prescriptions, and continuity of care programs for those with serious illness and/or scheduled surgeries. Risk Management staff, health plan providers and the County's health benefit broker, will make available education, consultation and program materials to affected enrollees prior to, during, and after the October open enrollment period.

d. Add Blue Shield PPO “Bronze Plan”: Beginning 2016, the County must report to the IRS whether it offers affordable minimum essential coverage to all eligible employees based on hours worked. The County will be required to apply an affordability safe harbor to ensure coverage is affordable within the terms of the ACA. 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. The employee only tier premium rate for this plan reflects this calculation (Attachment D). To achieve ACA affordability compliance, the County is offering a high deductible plan similar to the “bronze plan” offered through the State Health Benefit Exchange. This is a high deductible health plan (HDHP) that can be used in conjunction with a Health Savings Account (HSA). Risk Management recommends the approval of this new plan offering in order to meet ACA mandates and provide all eligible employees an affordable ACA compliant health plan option.

2. Health Plans – Medicare Eligible Retirees

a. Renew Kaiser Senior Advantage (KSA): This plan is offered to Medicare eligible retirees. There are no recommended plan changes for 2016. The 2016 premium percentage decrease is approximately 1%.

b. Add UHC Medicare Advantage PPO: This is a new plan offering for Medicare eligible retirees intended to replace the current Blue Shield plan Medicare retiree options. Due to this plan being a Medicare coordinated plan, benefits are significantly enhanced with no copays, no deductibles, and no out-of-pocket maximum thresholds. In addition, Medicare enrollees will realize a premium savings of approximately \$375 per month. UHC performed a disruption analysis for current Blue Shield Medicare retirees and determined that all but eight doctors who are currently in the Blue Shield network are in the UHC network as well. Risk Management conducted an informational workshop with retirees discussing the plan benefits, structure and transition for Blue Shield enrollees and received overwhelming interest and support for the offering. Risk Management recommends the approval of this plan offering for 2016 and the subsequent discontinuation of the Blue Shield PPO plans for Medicare retirees only.

3. Ancillary Benefit Programs

a. Delta Dental: There are no plan or premium changes for 2016.

b. VSP Vision: VSP continues to be the most affordable and best value vision services plan available to the County. The County asked to quote the VSP plan through the CSAC-EIA program and received a lower fixed administrative services price equating to an annual fee savings of \$1,500.00 and elimination of a contract for County to maintain. There are no plan or premium changes for 2016. Risk Management recommends changing the administration of the VSP benefit program to CSAC-EIA.

c. Life Insurance/Long Term Disability: Lincoln Financial will continue to provide this coverage in 2016, the third year of a three year contract. There are no changes in premium for 2016.

d. Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA):

Administration of individual employee FSA and HSA accounts are currently contracted out to HealthEquity, Inc. Risk Management engaged in a competitive process to interview vendor options for these two services. As a result, the FSA service for 2016 plan year will be administered by our current benefit administration vendor, Employee Benefit Specialist (EBS) for no additional cost. The HSA service for 2016 will be administered by Bank of America at a reduced monthly rate of \$2.75 per month with broader investment options and no-fee investment services for enrollees.

Retiree Health Cap and Rates – Eligible retirees receive contributions from the County to offset health benefit costs in accordance with the terms and conditions of the Retiree Health Benefits Contribution Plan (RHCP) which defines how much the County will contribute towards retiree medical costs. Within the RHCP, there is a provision that limits the total contribution to 1.2% of the County’s total payroll cost each fiscal year. Applying the methodology outlined in the RHCP, Risk Management projects that the County’s total retiree health contribution would exceed the 1.2% cap in 2016 and has calculated the contribution rates to ensure the cap is maintained for the program.

SUMMARY OF OPTIONS & RECOMMENDATIONS

Based on the above information Risk Management staff recommends the Board approve the following Option #1:

OPTION #1: Staff Recommendations

- 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.

OTHER DEPARTMENT/AGENCY INVOLVEMENT/CONCURRENCES

Risk Management staff has met with the Health Plan Advisory Committee (HPAC) as well as retirees regarding the proposed changes. The HPAC concurs with staff recommendations for the

2016 plan year except for the Kaiser Standard HMO prescription drug co-payment changes. HPAC recommends no changes to the Kaiser Standard HMO prescription drug co-payments. To better understand the effects of the HPAC recommendations have upon 2016 monthly premium rate cards please reference (Attachment E); and for total plan costs related to HPAC recommendations please reference the financial overview (Attachment B – Option #2).

ALTERNATIVES

OPTION #2: HPAC Recommendation - Same as Option #1 except no change to Kaiser HMO prescription drug co-payments.

The Board could approve the Health Plan Advisory Committee (HPAC) recommended changes. The HPAC concurs with staff recommendations for the 2016 plan year except for the Kaiser Standard HMO prescription drug co-payment changes. To better understand the effects that HPAC recommendations have upon 2016 monthly premium rate cards, please reference (Attachment E); and for total plan costs related to HPAC recommendations please reference the financial overview (Attachment B - Option #2).

OPTION #3: No Changes - Renewal all 2016 health benefit programs as-is.

The Board could elect to approve no changes to employee health benefit plans and ancillary benefit programs for 2016. Please reference (Attachment F) which shows the monthly premium rate cards associated with this no changes alternative. Please reference the financial overview (Attachment B - Option #3) which shows total plan costs related to this no changes alternative.

NEXT STEPS

- 1) Risk Management will post and distribute plan changes and rates to employees, retirees, COBRA participants, and affiliated agencies prior to open enrollment in October 2015 with an effective date of pay period 25 for active employees and December 1, 2015 for all other participants; and
- 2) Risk Management will secure health insurance carrier and other ancillary benefit program contract renewals; and
- 3) Chief Administrative Officer, or designee, will sign health and other benefit contracts subject to County Counsel's approval.

CLERK OF THE BOARD FOLLOW UP ACTIONS

None

CONTACT

Jason Hunter, Risk Manager