




The County of El Dorado

Risk Management Division

"Together Providing Risk Management Solutions"

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TO: Board of Supervisors

FROM: Kim Kerr, Assistant Chief Administrative Officer 

SUBJECT: Health Plan Rates and Benefit Contracts for the 2015 Plan Year

Risk Management is recommending the Board take the following actions regarding Health Plan Rates and Benefit Contracts for the 2015 Plan Year:

- 1) Approve the recommended changes to the County's health and benefit plan programs as outlined in this staff report (details below);
- 2) Approve the proposed health plan rates for the coverage period of January 1, 2015 through December 31, 2015 based on the cost sharing of health premiums in the current Memoranda of Understanding with all bargaining units, the Salary and Benefits Resolution for unrepresented employees and the Retiree Health Benefits Contribution Plan (Legistar Attachment B);
- 3) Authorize Kim Kerr, Assistant Chief Administrative Officer, or her designee, to sign health benefit and other benefit program contracts subject to approval by County Counsel;
- 4) Authorize the option for employees with Flexible Spending Accounts to carry over up to \$500 to the next plan year, beginning with the 2015 plan year, as allowed by Internal Revenue Service rules regarding Flexible Spending Account plans;
- 5) Authorize an option for new employees to select health insurance coverage to begin first month following their date of enrollment in a health plan, provided the coverage date is within 60 days of the employee's hire date.

BACKGROUND

Health Benefit Program renewals in 2014 included significant changes in the County's health plan program, many of which were related to compliance with regulations, terms and conditions of the federal Affordable Care Act (ACA).

Risk Management continues to review the County's Health Benefit and other benefit programs to identify plan designs and options that will improve the structure of plans and programs, and ensure compliance with future 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 2015 plan year, staff recommendations reflect Risk Management's efforts to achieve this goal.

RECOMMENDATIONS

The following is a summary of current plans and recommended changes. The proposed rate schedules are provided as Attachment B.

Out of Pocket (OOP) Maximum– ACA mandates that the plan deductibles, co-payments, co-insurance, prescriptions and other member cost sharing must all count toward the plan's annual in-network OOP maximum. The ACA maximum 2015 annual limit on employee cost sharing will be \$6,600 for single coverage and \$13,200 for family coverage. This is a cost neutral change and allows for more protection for the active employees and early retirees.

Blue Shield PPO – Currently, the County offers one Blue Shield PPO plan (BS200) to active employees/early retirees and Medicare eligible retirees, and one Blue Shield 1250 Account Based Health Plan (BS1250) with an Health Savings Account (HSA) component for active employees and without the HSA to early retirees and Medicare eligible retirees.

The IRS has made changes to ABHP plans. In order to remain compliant, the current BS1250 plan will change to the new BS1300 plan with a \$1,300 individual deductible and a \$2,600 family deductible. The HSA contribution limits will increase to \$3,350 for an individual and \$6,650 for a family.

For Medicare eligible retirees, it is recommended that an Employer Group Waiver Program (EGWP) be applied to the County's in-force group BS200 pharmacy benefit in order to achieve savings. The EGWP program takes advantage of the new ACA discounts for drugs in the Medicare coverage gap. The plan design is intended to be "as good as" or better than in-force plans in terms of co-pays. There are some differences in formulary and clinical management protocols. The savings is estimated to be approximately \$70 per retiree per month for the retiree.

Managed Health Network (MHN) – The Mental Health and Substance Abuse (MH/SA) benefit for Blue Shield members is recommended to be carved out of the medical benefits and instead be offered through MHN. There have been ongoing issues with deductibles and payment for services through Blue Shield based on timing of services. In addition, MHN is the County's Employee Assistance Program (EAP) service provider. Members are allowed 10 "free" mental health visits through the EAP program. Blue Shield members are often billed for services they should have received at no charge under this program. For 2015, it is recommended that the deductible be removed from the MHN plan to avoid this problem. Removing the deductible from the MHN plan will increase the cost of the plan by approximately \$8,364 annually.

Kaiser HMO –This plan, offered to both active employees and early retirees, is the most affordable plan offered by the County. For 2015, it is recommended that the County add a Kaiser 1300 ABHP with an HSA component available to active employees. This new plan would be alongside the current Kaiser offering. Also for 2015, it is recommended that the vision benefit be removed for the Kaiser HMO and the Kaiser 1300 ABHP plans. The members would be eligible to enroll in the VSP program offered by the County. Consolidation of the vision benefit with VSP results in an estimated savings of \$7,900 annually.

Kaiser Senior Advantage (KSA) – This plan is offered to Medicare eligible retirees. For 2015, the recommendation is to remove the dental component from the KSA plan. Those KSA members who had not previously enrolled in the Delta Dental plan or dropped the Delta Dental plan would have an opportunity to enroll in the Delta Dental plan.

United Healthcare HMO – There are no changes recommended for the 2015 year for the United Healthcare HMO.

Medicare Supplemental Plan for Retirees – Risk Management is currently working with Human Resources and all bargaining units as well as Medicare eligible retirees to provide a Medicare supplemental plan to replace the BS200 and BS1300 plans available to Medicare eligible retirees. Medicare supplemental plan rates for 2015 will not be available until October 15, 2014 for the 2015 plan year. Risk Management will continue to review options for this plan and will return to the Board with a recommendation and implementation plan.

Delta Dental – For 2015, it is recommended that the County add dental implants to the services offered through the plan, with all other terms and conditions remaining the same. There is no change to premium for 2015.

VSP Vision – There is no change to this plan for 2015. As noted above under Kaiser HMO, staff recommends that the Kaiser vision benefit be removed from the Kaiser plans offered (with the exception of the Kaiser Senior Advantage plan) and migrated to VSP. There is no change to premium for 2015.

Life Insurance/Long Term Disability – Lincoln Financial will continue to provide this coverage in 2015, the second year of a three year contract. There are no changes in premium for 2015.

Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA) – Administration of individual employee FSA and HAS accounts is currently contracted out to HealthEquity, Inc. Risk Management is currently reviewing options for future administration of these accounts, including consideration of other vendors.

FSA Carry Over Provision - Beginning with the 2015 plan year, Risk Management recommends the Board authorize the option for employees participating in FSA's under the County's Section

125 Cafeteria Plan to carry over up to \$500 of unspent funds from one plan year to the next. The carryover amount does not count against or otherwise affect the indexed \$2,500 salary reduction limit applicable in each plan year. This carryover option is allowed under Internal Revenue Service rules for such accounts. Board approval of this option is required prior to implementation. If approved, Risk Management will update the Health Plan Documents to reflect this change. The carryover option would be available beginning in 2015 (i.e., unspent funds in 2015 may be carried over to 2016).

Effective Date of Coverage for New Employees – Currently, the effective date of health insurance coverage for new employees is the first of the month following their date of hire. Because the collection of health insurance premiums begins in the month prior to coverage, new employees may experience a significant charge for health coverage in their first paycheck. Risk Management is recommending that new employees be given the option to select health insurance coverage beginning the first of the month following their date of enrollment in a health plan in order to minimize the amount of retroactive payments. New employees would need to ensure that they are enrolled within 60 days of their hire date to exercise this option.

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 2015 and has calculated the contribution rates to ensure the cap is maintained for the program. Detailed information on the retiree health cap and rates is provided as Legistar Attachment C.

SUMMARY OF RECOMMENDATIONS

Based on the above information Risk Management staff recommends the following:

- 1) Adopt the ACA mandates for Out of Pocket (OOP) Maximums for the 2015 limit on employee cost sharing (cost neutral)
- 2) Change the BS1250 plan to the BS1300 to remain compliant with IRS guidelines and establish Employer Group Waiver Plan for prescriptions to the BS200 plan for Medicare eligible retirees
- 3) Remove the deductible from the Mental Health/Substance Abuse plan for Blue Shield members offered through all Blue Shield plans
- 4) Add a Kaiser 1300 Account Based Health Plan (ABHP), remove the vision rider for Kaiser Vision and move enrollees to VSP Choice Plan (except for enrollees in the Kaiser Senior Advantage Plan)
- 5) Remove the dental component from the Kaiser Senior Advantage program and allow enrollment in Delta Dental Plan
- 6) No change to United Health Care HMO
- 7) Continue to research options for Medicare Supplemental plans for retirees

- 8) Add dental implant benefit to the Delta Dental Plan
- 9) No change to VSP Vision program, allow Kaiser HMO participants/enrollees to migrate to VSP
- 10) No change to Life Insurance/Long Term Disability (second year of three year contract)
- 11) Flexible Spending Account (FSA) carryover allowance of \$500 beginning with 2015 plan year
- 12) Provide new employees the option to select health insurance coverage to begin first month following their date of enrollment in a health plan, provided the coverage date is within 60 days of the employee's hire date.

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 2015 plan year.

Next Steps

- 1) Risk Management will post and distribute plan changes and rates to employees, retirees, COBRA participants, and affiliated agencies effective December 1, 2014 through November 30, 2015 for the 2015 Plan Year (January 1, 2015 through December 31, 2015);
- 2) Risk Management will secure health insurance carrier and health and other benefit program contract renewals; and
- 3) Kim Kerr, Assistant Chief Administrative Officer, or her designee, will sign health and other benefit contracts subject to County Counsel's approval.

Clerk of the Board Follow Up Actions

None

Contact

Kim Kerr, Assistant Chief Administrative Officer