County of El Dorado

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Legislation Text

File #: 12-1097, **Version:** 1

Chief Administrative Office, Risk Management Division, recommending the Board consider the following:
1) Approve the Health Plan Published Rates based on adopted and proposed MOUs effective January 1, 2013 through December 31, 2013.
2) Approve the 2013 overall rate increase of 3.98% in the employee health vendor rates, published rate cards, and projected funding,
3) Authorize Kim Kerr, Assistant Chief Administrative Officer, or her designee, to sign health carrier contracts subject to the approval of County Counsel.

FUNDING: Internal Service Fund - Risk Management Health Fund.
Fiscal Impact/Change to Net County Cost
This is a 3.96% or $1,240,745 increase from last year ($28,377,789). The Recommended Budget includes

Background
The Board of Supervisors approved Agenda Item # 22 (File ID# 11-0323) on February 15, 2011 to join the California State Association of Counties - Excess Insurance Authority (CSAC-EIA) Health Benefits Program and to transition to their required *calendar year* plan program. The County has three separate health benefit plans CSAC-EIA, Kaiser Permanente, and UnitedHealthcare/Pacificare HMO. The County contracts directly with Kaiser Permanente and UnitedHealthcare/Pacificare for health insurance benefits. The County also participates in Delta Dental and Vision Service Plan (VSP) through CSAC-EIA plans. The County has separate contracts for Chiropractic services on the County's UnitedHealthcare/Pacificare HOM. The County has elected to carve-out Mental Health/Substance Abuse on the Blue Shield Plan and purchase directly from MHN for these services to reduce the premiums. The County also contracts with SunLife Insurance for life insurance and long-term disability payments.

The Open Enrollment Period, which is the only time employees, retirees, and affiliated agencies will be able to make changes to their benefit plan, except for qualifying events such as marriage, separation, adoption, etc., will be held October 15, 2012 through November 2, 2012. This is to facilitate the new Program Year beginning on January 1, 2013, when any changes made during Open Enrollment will become effective.

Each year, the County and our insurance broker, Alliant Insurance Services, Inc., negotiates with employee benefit carriers to renew the annual health benefit plan rates. These negotiations for the 2013 Health Benefit Program yielded an overall rate increase of 3.98%, or $1,240,745 for the 2012 Health Benefit Program year. The overview renewal presentation was made to the County Health Plan Advisory Committee (HPAC) on August 17, 2012, and approved by a vote of 4 to 3.

Notwithstanding an increase over the 2012 Health Benefit Program year, this was a very favorable net increase considering CalPERS Pension and Health Benefits Committee 2013 Health Benefits

Rate Package:

"Reflecting growing health care costs nationwide, the California Public Employees' Retirement System's (CalPERS) Pension and Health Benefits Committee (PHBC) today recommended a 2013 health care package that would raise overall premiums next year by an average 9.6 percent for the Pension Fund's nearly 1.3 million health program members. The rate is higher than the 2012 increase of 4.1 percent and translates, on average, to an additional $30 a month per CalPERS member." CalPERS Press Release June 12, 2012.

Blended Rates:

The County blends the rates to provide affordable access to health care for all County employees and early retirees regardless of the place of residence (Medicare retiree rates are not blended). The rate blending strategy prevents adverse selection and preserves the affordability of the County's Blue Shield PPO Plan primarily due to the limited availability of alternative plans (i.e., HMO Plans) in the South Lake Tahoe area. The County does not blend the rates for dental or vision coverage.

Adverse selection occurs when a group of people is offered a choice between different levels of access and rates to medical care. People with illnesses tend to value the ability to self-select providers and obtain care near home. If losses were to concentrate in the PPO plan, the PPO rate increase would result in an upward spiral. By blending the rates, savings in either the PPO or HMO plans are shared by the entire group.

Retiree Health Benefits Contribution:

The Retiree Health Benefits Contribution Plan, amended on May 15, 2001, limits how much the County will contribute towards a retiree's health cost. The Plan document states:

"In the event the total of County contributions made under this program will exceed1.2% of Total Payroll Costs during any given fiscal year, then the actual contributions assigned to each Eligibility Level shall be adjusted accordingly in equal amounts, so that the total actual or projected cost of this program shall never exceed 1.2% of Total Payroll cost as defined herein during any single fiscal year".

The 1.2% cap was reached for the first time in 2011. Factors that contributed to reaching the cap include: increasing health care costs, increasing number of retirees, and decreasing County payroll. On June 21, 2011, (Agenda Item # 11 File ID # 11-0477), the Board of Supervisors approved a budget transfer authorizing payment for County retiree contributions in excess of the 1.2% cap for FY 2010-11 and implementing the retiree contribution cap effective July 1, 2011.

The Board of Supervisors also negotiated new language for the Retiree Health Cap with the bargaining units as follows: The parties agreed to amend the plan document to define Total Payroll Costs for FY 2011-12 as "the Chief Administrative Officer's best estimate available at the time of rate calculation for May 2011 open enrollment period, of the total annual costs to all County Departments to be included in the *Recommended Budget*, for those employee salaries and benefits which, as computed using the system in effect during the year 2000, included all "Class 30" expenses with the following exceptions: the costs of temporary employees, health benefits, health benefits contributions, and overtime.

The parties agreed to further amend the plan document to define Total Payroll Costs for FY 2012-13 and subsequent fiscal years as, "the total annual cost to all County Departments as set forth in the *Recommended Budget* for those employee salaries and benefits, which, as computed using the system in effect during the year 2000, included all “Class 30” expenses with the following exceptions: the costs of temporary employees, health benefits, health benefits contributions, and overtime. The parties understand the Retiree Health Contribution rates will be recalculated annually on a calendar year basis effective for January 1 of each calendar year.

Based on the above language, the 1.2% cap amount is projected *using the recommended budgeted payroll and the number of retirees by contribution level*. The retiree contribution amounts are then adjusted accordingly in equal amounts per contribution level not to exceed the projected cap amount. As of August 2012, the recommended budgeted Total Payroll Cost is $135,806,773. Therefore, effective January 2012 the rate cap will be $1,629,681.

The Employee Benefits Program is designed so that the County and employees each share a portion of the total premium cost for health benefits. These modified rates are determined by each bargaining unit’s respective Memorandum of Understanding (MOU) or by Board resolution. The published rate sheet amounts (see Attachment B) are calculated based upon the aforementioned rates submitted by the carriers, and applied according to each of the respective members MOU. Unassigned rate for the Kaiser HMO, are still being finalized and are listed in red on the rate sheets.

Reason for Recommendation
To implement the new rates for the Employee Health Benefits Program effective January 1, 2013 and authorize payment to the respective carriers.

Action(s) to be taken following Board approval
1) Risk Management will post and distribute the published rates effective January 1, 2013 through December 31, 2013 to employees, retires, COBRA participants, and affiliated agencies;

2) The Risk Manager will secure health insurance carrier contract renewals; and

4) Kim Kerr, Assistant CAO, or her designee, will sign health carrier contracts subject to County Counsel’s approval.

Contact
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Concurrences
Risk Management and County Counsel