



Legislation Text

File #: 13-1190, **Version:** 5

Chief Administrative Office, Risk Management Division, recommending the Board approve the following:

- 1) A revision to the 2014 rates for the Kaiser HMO for active employees and early retirees with implementation of the new rates beginning pay period 12 (starts on 5/17/14), 2014;
- 2) A refund of overpayment to current employees via a one-time payment in pay period 15 (starts on 6/28/14), 2014, to active early retirees via a one-time credit on the July 2014 Retiree Billing statement or via a one-time accounts payable check to employees or early retirees who have separated from the County who participated in the County Kaiser HMO plan in 2014; and
- 3) No change to the approved County contribution rate for the OE3 Trust Kaiser Plan participants.

FUNDING: Internal Service Fund - Risk Management Health Fund.

Fiscal Impact/Change to Net County Cost

Internal Service Fund - Risk Management Health Fund

Background

On September 29, 2013, the Board approved the proposed health plan for January 1, 2014 through December 31, 2014. The approved plan called for the utilization of unblended plan rates, which were developed based on the actual costs of each individual plan, and were approved with the plan.

On October 24, 2013, Alliant provided the Kaiser HMO 2014 rates to the County's third party administrator, EBS. On December 18, 2013, the County discovered that the rates provided to EBS were not the same as those presented to the County in August, 2013. EBS contacted Alliant to confirm the rates for the Kaiser HMO.

On December 18, 2013, in an exception to its usual internal review process, Alliant mistakenly updated the 2014 Kaiser HMO rates to match the rates presented in August, 2013 and communicated these incorrect rates directly to EBS. This mistake resulted in higher rates being charged for active employees and early retirees enrolled in the Kaiser HMO beginning in pay period 25, 2013.

In March, 2014, Alliant notified Risk Management that the rates being charged to active employees and early retirees enrolled in the Kaiser HMO were incorrect. Active employees and early retirees have been charged the incorrect amount from pay period, 25, 2013 (December, 2013). The rate difference per month is:

Single	\$6.14
Employee +1	\$12.28
Family	\$17.38

Kaiser will be issuing an overpayment refund to the County. An estimate of the total to be refunded to employees, retirees and the County is estimated at \$44,042.41 (Attachment A). Also, Alliant, the

County's benefit broker, will reimburse the County for the time spent to make the correction estimated at \$5,000.00, 50 hours at an hourly rate of \$100.00, and an estimated \$7,061.52 for the adjustment required for the OE3 Trust Kaiser Plan County Contribution (Attachment B). Once the project is completed, final numbers will be submitted to Alliant and Kaiser for payment to the County.

The premium refund will be made to the employees and the County at the appropriate percentages based on bargaining unit and tier. Early retirees will be provided a credit on their bill for the full amount of the overpayment.

This item was originally scheduled on the Consent Calendar of the May 20, 2014 Board of Supervisors meeting and was continued to June 10, 2014. Risk Management has reviewed the overpayments and recommends the following:

1) Adopt new rate cards: Adopt new rate cards effective pay period 12, 2014 for the Kaiser HMO and distribute to all bargaining units, employees and early retirees. (Attachment B).

2) Issue a refund to affected employees. The refund to employees will be based on bargaining unit, tier and number of months enrolled in the Kaiser HMO. The refund for active employees will be in pay period 15 2014. Terminated employees will be notified of the amount due and issued a check for payment.

3) Issue a credit to affected early retirees. The refund to early retirees will be the full amount of the overpayment based on tier and number of months enrolled in the Kaiser HMO. A credit for the amount due will be issued on their July 2014 statement. Early retirees who terminated coverage during this time will be notified of the amount and issued a check for overpayment.

4) No Change to the OE3 Kaiser Trust Contribution. There will be no change to the contribution for the OE3 Kaiser Trust. Alliant Insurance will reimburse the County for the overpayment on the OE3 Kaiser Trust payment. Therefore, the County contribution will remain the same for OE3 Kaiser Trust participants. (Attachment C).

Follow Up Actions

Risk Management staff will work with the Auditor's Office to implement the new Kaiser rate and issue the return of the overpayments as outlined in this item.

Contact

Kimberly Kerr, Assistant Chief Administrative Officer