

Contra Costa County



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# Medical Benefit Trends in the Bay Area

January 27, 2015

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# Agenda



- Overview
- Employee Benefits
- Retiree Benefits
- Questions
- Appendix
  - Benefit Comparisons
  - Contribution Methodology

# Overview



- Provide a comparison of benefit offerings by other counties in the Bay area of California
- Discuss the key components of medical benefits for both employees and retirees
- Review the current premium cost to both the County and employees
- Provide general commentary on future trends in benefit coverage



- The counties studied were:
  - Alameda
  - Marin
  - Napa
  - Sacramento
  - San Francisco
  - San Joaquin
  - San Mateo
  - Santa Clara
  - Santa Cruz
  - Solano
  - Sonoma
  - Stanislaus

# Employee Benefits



- The focus was on the key components of the medical benefits offered
  - Number and type of plans offered
  - Total premium cost of coverage
  - Contributions toward coverage
  - Other key features
    - Waiver of coverage incentives
    - Rating tiers used
    - Extension of coverage to Part-time employees

# Employee Benefits



- Benefit plan offerings
  - Contra Costa County sponsors 8 health benefit plans for non-safety employees
    - 2 are Preferred Provider Option (PPO) plans
    - 6 are Health Maintenance Organization (HMO) plans
    - Additionally, certain safety employees participate in CalPERS Sponsored or Public Employees' Medical and Hospital Care Act (PEMHCA) health plans.
- 3 counties participate solely in the PEMHCA (Napa, Santa Cruz and Solano)
  - Excluding these 3 counties, the range is 3 to 6 plans, with an average of 4
  - 4 of 12 peers offer one or more High Deductible Health Plan (HDHP) options
    - Marin, Sacramento, San Mateo, and Stanislaus

# Employee Benefits



- The appendix (see pages 22, 23 & 24) compares key benefit coverage features for the Kaiser HMO, which is offered by all but 1 county and the most commonly offered PPO plan
- The table below shows the current enrollment in PPO and HMO type benefit plans for the County

	Active Employees			Retired Employees		
	<u>HMO Plans</u>	<u>PPO Plans</u>	<u>Total</u>	<u>HMO Plans</u>	<u>PPO Plans</u>	<u>Total</u>
County Sponsored Plans	5,679	14	5,693	4,070	298	4,368
PEMHCA Plans	849	112	961	793	334	1,127
Total Contra Costa County	6,528	126	6,654	4,863	632	5,495

- Note that most of the County's employees and retirees are in HMO type benefit plans

# Employee Benefits



- For the Kaiser HMO Plan
  - In the comparison counties, the most common physician copay is \$15 compared to \$10 for the County
  - The most common emergency room copay is \$50 compared to \$10 for the County
  - 3 counties also have a per admission copay for inpatient hospital visits
- Overall, the County's most common Kaiser HMO plan provides a higher level of coverage (lower co-pays/user fees) than the other counties studied



# Employee Benefits

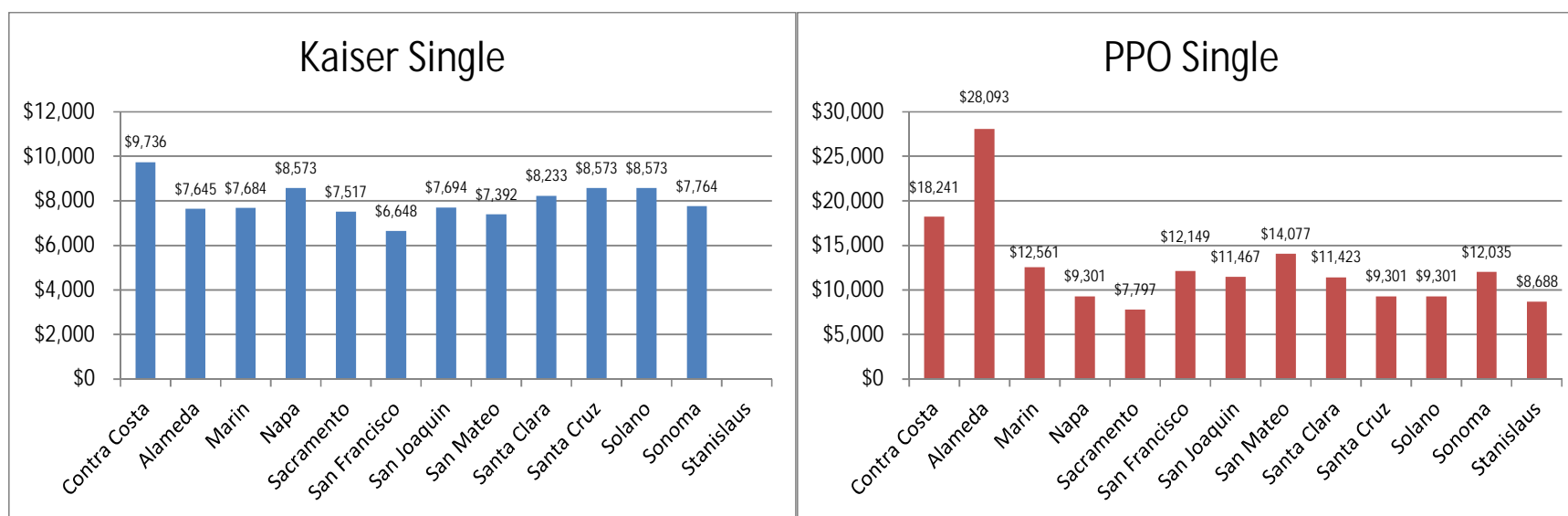


- For the most common PPO Plan
  - The annual deductible is at the lower end of the range offered by the other counties; \$500 is the most common deductible
  - The out-of-pocket maximum for the County is somewhat lower at \$1,500 compared to the most common amount of \$2,000 for the comparison counties studied
  - The in-network coinsurance of 10% is consistent with most other plans and the out-of-network is better at 30% compared to the most common amount of 40%
  - The prescription drug copayment of \$5 for all drugs is the lowest of the counties studied
- Overall, the County's most common PPO plan provides a higher level of coverage than the other counties studied

# Employee Benefits



- The charts below compare the annual premiums for single coverage for Kaiser HMO and the highest cost PPO plan offered in each county

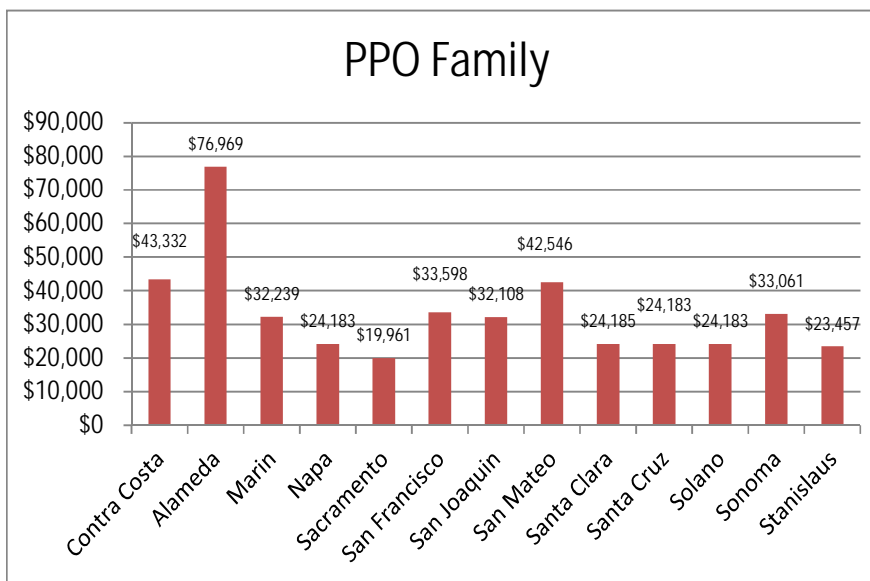
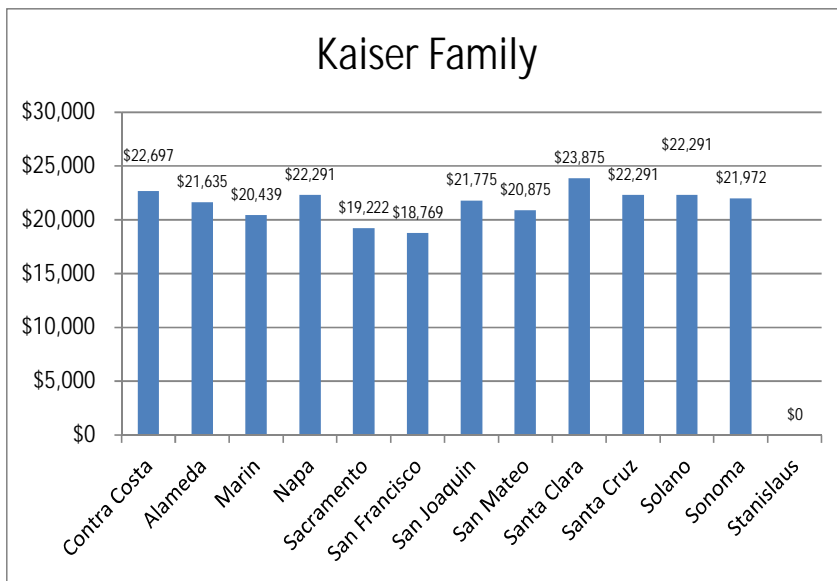


- The County has the highest cost Kaiser HMO plan and the second highest cost PPO plan
- Stanislaus County does not offer a Kaiser HMO plan

# Employee Benefits



- The charts below compare the annual premiums for full family coverage for Kaiser HMO and the highest cost PPO plan offered in each county

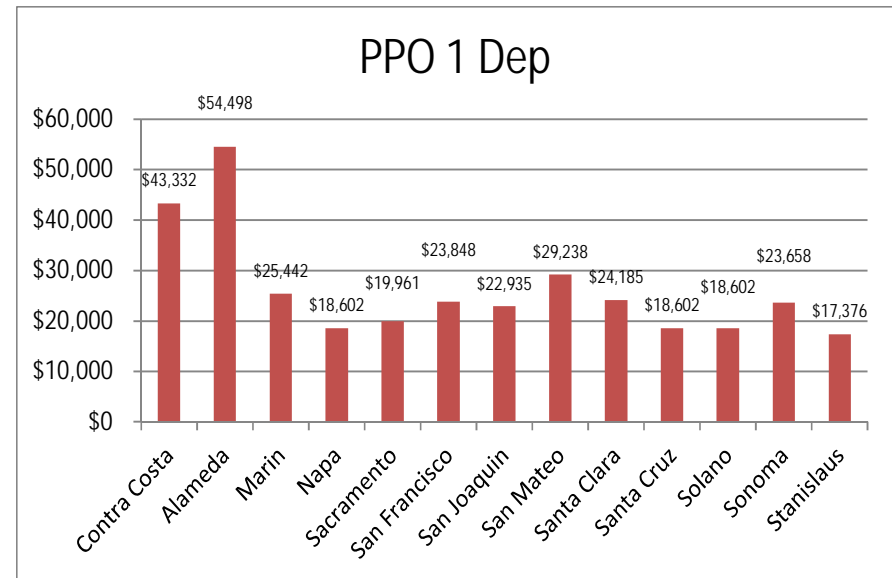
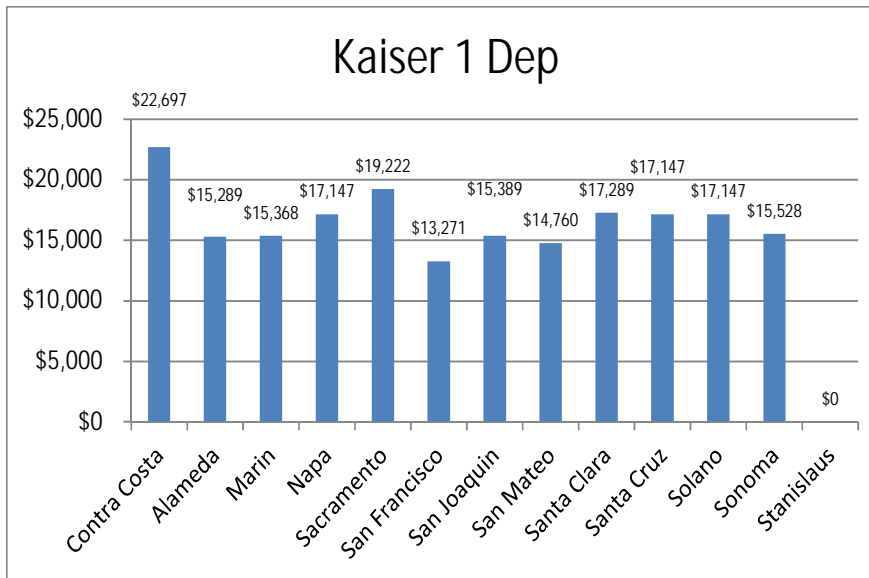


- The County has the second highest cost Kaiser HMO plan and the second highest cost PPO plan
- Note that most of the other Counties offer 3-tier rating structures so that premiums are lower for 1 dependent

# Employee Benefits



- The charts below compare the annual premiums for employee with one dependent coverage for Kaiser HMO and the highest cost PPO plan offered in each county

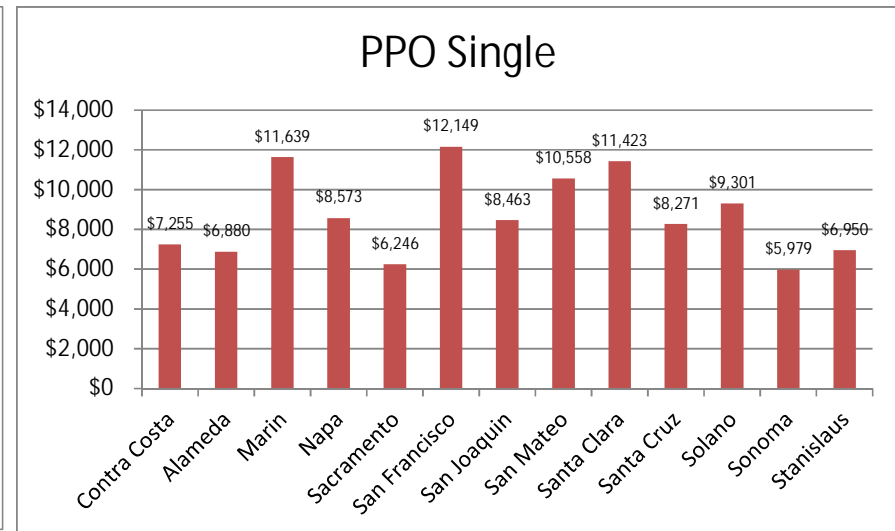
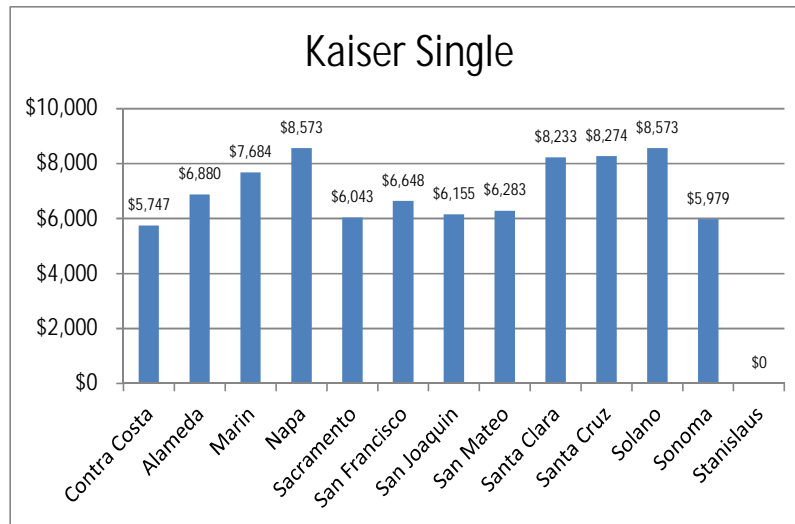


- The County has the highest cost Kaiser HMO plan and the second highest cost PPO plan
- For the PPO plan, the total premiums in other counties are much lower because Contra Costa County's one dependent rate is the same as the full family rate

# Employee Benefits



- The charts below compare the annual County subsidy for single coverage for Kaiser HMO and the highest cost PPO plan offered in each county

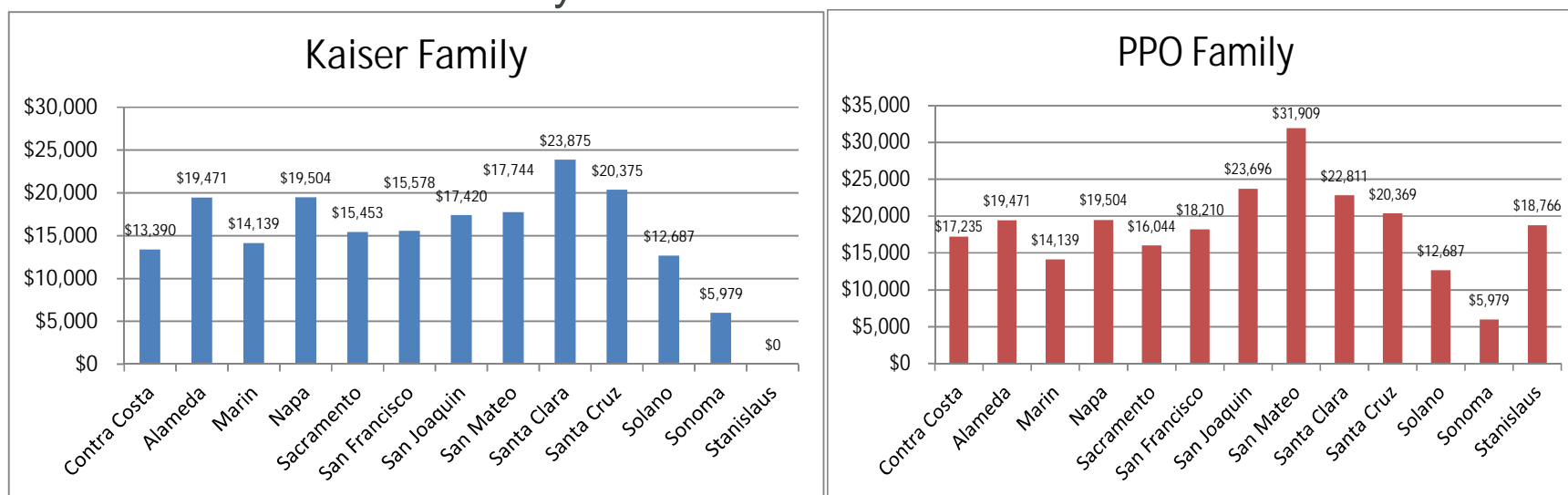


- The County has the lowest subsidy for the Kaiser HMO plan and is in the middle of the range for PPO coverage
- Five of the Counties subsidize 100% of the single premium for the Kaiser HMO plan
- Pages 29 and 30 of the appendix show representative annual employee contributions for single and full family coverage

# Employee Benefits



- The charts below compare the annual County subsidy for employee with full family coverage for Kaiser HMO and the highest cost PPO plan offered in each county

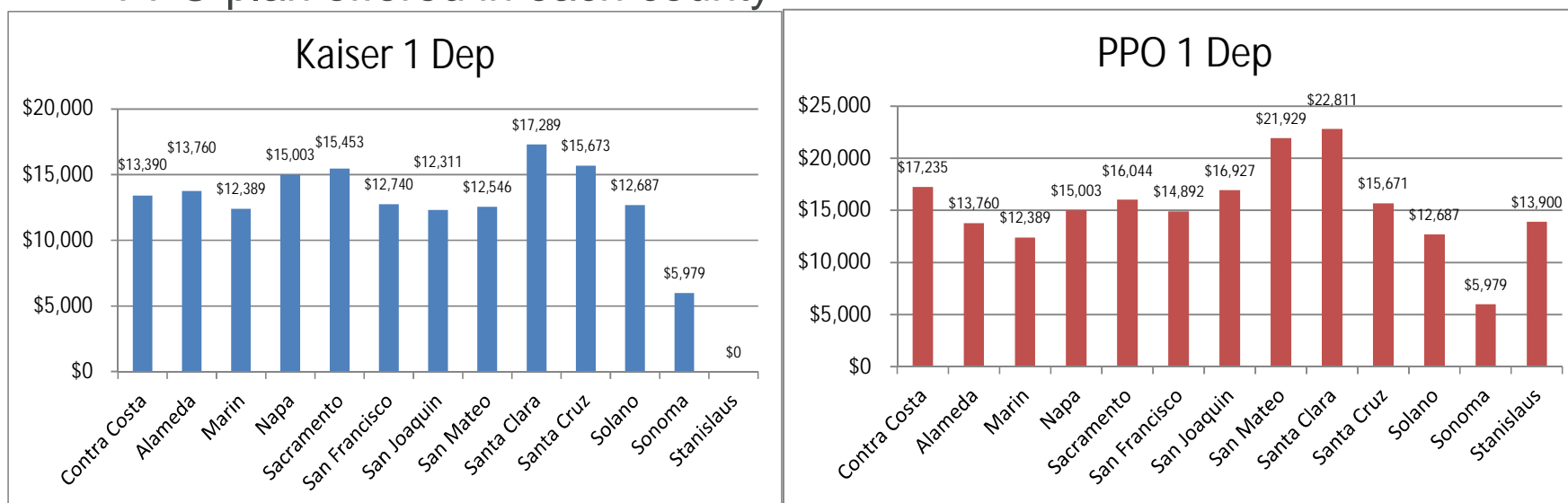


- The County subsidy on a dollar basis is in the middle of the range for the other counties
- On a percentage basis, only 2 counties contribute a lower percent of premium for Kaiser HMO and the PPO plan

# Employee Benefits



- The charts below compare the annual County subsidy for employee with one dependent coverage for Kaiser HMO and the highest cost PPO plan offered in each county



- The County subsidy is higher for this category because it only offers a full family rate
- On a percentage basis, only 2 of the comparison counties subsidize a lower percent of premium for Kaiser HMO and the PPO plan

# Employee Benefits



- Waiver of coverage
  - Contra Costa County does not provide incentives
  - 7 of 12 peer counties offer an incentive for employees who waive coverage
  - Incentives range from \$50 to \$385 per month
- Rating tiers
  - Contra Costa County uses a two tier structure (Single and Family)
  - 10 of the 12 other counties use a three tier structure (Single, Two Party, and Family)
  - Sacramento uses a two tier structure
  - Santa Clara uses a four tier structure (Single, Employee and Spouse, Employee and Children, and Employee and Family)



# Employee Benefits



- Part time employee coverage
  - Contra Costa County provides the same subsidy to employees who work 20 or more hours per week
  - Threshold for providing full county subsidy:
    - 3 counties require 20 hours per week
    - 9 counties require 40 hours per week
  - Of the 9 counties that provide a partial subsidy to some part-time employees:
    - 8 counties prorate the subsidy based on scheduled part-time hours and threshold for full subsidy
    - 1 county offers part-time employees a special medical plan

# Retiree Benefits



- All of the counties studied provide some level of retiree coverage
  - Three counties only provide access to coverage at the same premium as active employees
- The County is one of the leaders in addressing this liability through:
  - Pre-funding the benefit
  - Changing the program to reduce the liability

# Retiree Benefits



- The chart on the next page compares some key measures of the retiree medical costs:
  - The total actuarial liability
  - The amount of any assets to support the liability
  - The funded ratio of the plan
  - The actuarial liability as a percentage of payroll
- All but four of the comparison counties are providing some level of pre-funding for the benefit
- As a percentage of payroll, the County is the fourth highest plan
- The County is in the top six in pre-funding the liability

# Retiree Benefits



<u>County</u>	<u>CAFR Date</u>	<u>Liability</u>	<u>Assets</u>	<u>% Funded</u>	<u>Liability as % of Payroll</u>
<b>Contra Costa</b>	<b>FYE 14</b>	<b>\$923.8</b>	<b>\$129.4</b>	<b>14.0%</b>	<b>150.5%</b>
Alameda	FYE 14	\$724.6	\$617.6	85.2%	79.0%
Marin	FYE 13	\$361.7	\$26.4	7.3%	238.0%
Napa	FYE 13	\$51.7	\$16.6	32.1%	58.0%
Sacramento	FYE 13	\$100.4	\$0.0	0.0%	12.8%
San Francisco	FYE 14	\$4,000.0	\$17.9	0.4%	162.6%
San Joaquin	FYE 13	\$97.8	\$0.0	0.0%	26.7%
San Mateo	FYE 14	\$319.4	\$192.8	60.4%	70.5%
Santa Clara	FYE 14	\$2,430.2	\$560.3	23.1%	166.1%
Santa Cruz	FYE 13	\$127.8	\$0.0	0.0%	82.6%
Solano	FYE 14	\$34.4	\$14.2	41.4%	20.4%
Sonoma	FYE 14	\$335.4	\$23.7	7.1%	102.4%
Stanislaus	FYE 13	\$36.1	\$0.0	0.0%	16.7%



## Questions

# Required Disclosures



- The purpose of this presentation is to present general information regarding the medical benefit offerings for County employers in the San Francisco Bay Area.
- This presentation was prepared exclusively for Contra Costa County and its Board of Supervisors for the purpose described herein. This presentation is not intended to benefit any third party and Cheiron assumes no duty or liability to any such party.
- In preparing our report, we relied on information (some oral and some written) supplied by the County as well as publically available data for other Counties in the Bay Area. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.
- To the best of my knowledge, this presentation has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

Michael W. Schionning, FSA  
Principal Consulting Actuary



## Benefit Comparisons Kaiser HMO Plan and Highest Benefit PPO Plan

# Appendix



	Contra Costa	Alameda	Marin	Napa	Sacramento
<b>Kaiser HMO</b>					
Out-of-Pocket Maximum	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000
Office Visit Copay	\$10	\$15	\$5	\$15	\$15
Inpatient Hospital Copay	\$0	\$0	\$0	\$0	\$0
Emergency Room Copay	\$10	\$50	\$50	\$50	\$35
Retail Pharmacy					
Generic	\$10	\$15	\$5	\$5	10
Brand Formulary	\$20	\$15	\$5	\$20	\$20
Brand Non-Formulary	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered
<b>PPO Plan</b>					
Deductible	\$250/\$750	\$2,000/\$4,000 in-network; \$4,000/\$8,000 out-of-network	\$500/\$1,000	\$500/\$1,000	\$1,500/\$3,000 in-network only
Out-of-Pocket Maximum	\$1,500/\$3,000 In-network; \$5,000 per person out-of-network	\$4,000/\$8,000 in-network; \$8,000/\$16,000 out-of-network	\$3,000/\$6,000 in-network, \$15,000/\$45,000 out-of-network	\$2,000/\$4,000 In-network; none out-of-network	\$1,500/\$3,000 in-network only
Coinsurance	10% in-network; 30% out-of-network	20% in-network; 40% out-of-network	20% in-network; 40% out-of-network	10% in-network; 40% out-of-network	0%
Office Visit Copay	\$10 in-network	\$25 in-network	\$20 in-network	Coinurance	100% after ded.
Inpatient Hospital Copay	None	\$500 per admit plus deductible	None	\$250 per admission	100% after ded.
Emergency Room Copay	\$50 copay plus coinsurance	\$250 copay	\$50 copay plus coinsurance	\$50 copay plus coinsurance	100% after ded.
Retail Pharmacy					
Generic	\$5	\$10	\$5	\$5	100% after ded.
Brand Formulary	\$5	\$30	\$15	\$20	100% after ded.
Brand Non-Formulary	\$5	\$50	\$30	\$50	100% after ded.



# Appendix



	Contra Costa	San Francisco	San Joaquin	San Mateo	Santa Clara
<b>Kaiser HMO</b>					
Out-of-Pocket Maximum	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000
Office Visit Copay	\$10	\$20	\$10	\$15	\$10
Inpatient Hospital Copay	\$0	\$200 per Admit	\$0	\$100 per Admit	\$100 per admit
Emergency Room Copay	\$10	\$100	\$100	\$100	\$35
Retail Pharmacy					
Generic	\$10	\$5	\$10	\$10	\$5
Brand Formulary	\$20	\$15	\$20	\$20	\$10
Brand Non-Formulary	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered
<b>PPO Plan</b>					
Deductible	\$250/\$750	\$250/\$500/\$750	\$125/\$250 in-network only	\$0 Tier I, \$200/\$600 Tier II, \$500/\$1,000 Tier III	\$0 Tier I and Tier II, \$200/\$600 Tier III
Out-of-Pocket Maximum	\$1,500/\$3,000 In-network; \$5,000 per person out-of-network	\$3,750 in-network; \$7,500 out-of-network; both per person	\$1,000/\$2,500 in-network only	\$0 Tier I, \$2,000/\$4,000 Tier II, \$4,000/\$8,000 Tier III	\$0 Tier I, \$2,000/\$4,000 Tier II, \$4,000/\$8,000 Tier III
Coinsurance	10% in-network; 30% out-of-network	15% in-network; 50% out-of-network	0%	0% Tier I, 20% Tier II, 40% Tier III	0% Tier I, 10% Tier II, 30% Tier III
Office Visit Copay	\$10 in-network	Coinsurance	\$5	\$15 Tier I, Coinsurance all other Tiers	\$15 Tier I, \$20 Tier II, Coinsurance Tier III
Inpatient Hospital Copay	None	Coinsurance	\$100 per admit	\$100 per admit Tier I, coinsurance all other Tiers	Coinsurance
Emergency Room Copay	\$50 copay plus coinsurance	Coinsurance	\$100 copay	\$100 copay	\$50 copay
Retail Pharmacy					
Generic	\$5	\$5	\$5	\$15	\$5
Brand Formulary	\$5	\$20	\$10	\$30	\$15
Brand Non-Formulary	\$5	\$45	\$30	Not Covered	\$30

# Appendix



	Contra Costa	Santa Cruz	Solano	Sonoma	Stanislaus
<b>Kaiser HMO</b>					
Out-of-Pocket Maximum	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	Not Offered
Office Visit Copay	\$10	\$15	\$15	\$10	Not Offered
Inpatient Hospital Copay	\$0	\$0	\$0	\$0	Not Offered
Emergency Room Copay	\$10	\$50	\$50	\$50	Not Offered
Retail Pharmacy					
Generic	\$10	\$5	\$5	\$5	Not Offered
Brand Formulary	\$20	\$20	\$20	\$10	Not Offered
Brand Non-Formulary	Not Covered	Not Covered	Not Covered	Not Covered	Not Offered
<b>PPO Plan</b>					
Deductible	\$250/\$750	\$500/\$1,000	\$500/\$1,000	\$300/\$900	\$1,250/\$2,500
Out-of-Pocket Maximum	\$1,500/\$3,000 In-network; \$5,000 per person out-of-network	\$2,000/\$4,000 In-network; none out-of-network	\$2,000/\$4,000 In-network; none out-of-network	\$2,000/\$4,000	\$3,000/\$6,000
Coinsurance	10% in-network; 30% out-of-network	10% in-network; 40% out-of-network	10% in-network; 40% out-of-network	10% in-network; 40% out-of-network	0%
Office Visit Copay	\$10 in-network	Coinsurance	Coinsurance	\$20 in-network	\$20 after deductible
Inpatient Hospital Copay	None	\$250 per admission	\$250 per admission	\$125 per admit, then coinsurance	\$150 per admit after deductible
Emergency Room Copay	\$50 copay plus coinsurance	\$50 copay plus coinsurance	\$50 copay plus coinsurance	\$100 + Coinsurance	\$75 per admit after deductible
Retail Pharmacy					
Generic	\$5	\$5	\$5	\$5	\$10 after deductible
Brand Formulary	\$5	\$20	\$20	\$15	\$25 after deductible
Brand Non-Formulary	\$5	\$50	\$50	\$30	\$25 after deductible



## Contribution Methodology

# Contribution Methodology



- The Bay Area counties have a variety of contribution strategies that are employed to develop county subsidies and the resulting employee contributions
  - 9 subsidize a percentage of the premium of the plan or rating tier selected
    - This ranges from 75% to 100% for single coverage
    - It ranges from 50% to 100% for family coverage
    - 2 set the subsidy amounts based on a specific plan and the employee pays the difference between the premiums and the county subsidy

# Contribution Methodology



- 1 has a cafeteria plan
  - The county sets a fixed base subsidy amount
  - The amount varies based on bargaining unit
  - The amount also varies based on rating tier
  - The amount that can apply towards dependent coverage is based on the salary of the employee
  - Most single coverage is free to the employee; dependent coverage can cost as much as 56% of the premium
- 2 pay a fixed subsidy:
  - One does not vary based on rating tier
  - One varies the subsidy so that the percentage paid by the county is similar for single and family

# Contribution Methodology



## Annual Employee Premium for Single Coverage 2015 Plan Year

<u>County</u>	<u>Kaiser HMO</u>	<u>Alternative HMO</u>	<u>High Cost PPO</u>	<u>Low Cost PPO</u>
Contra Costa	\$3,989	\$6,683	\$10,986	\$9,166
Alameda	\$764	\$1,167	\$21,212	n/a
Marin	\$0	n/a	\$922	n/a
Napa*	\$0	\$2,573	\$728	\$0
Sacramento	\$1,503	\$1,561	\$1,784	\$0
San Francisco	\$0	\$0	\$0	n/a
San Joaquin	\$1,539	n/a	\$3,004	\$2,116
San Mateo	\$1,109	\$1,584	\$3,519	\$850
Santa Clara	\$0	\$0	\$0	n/a
Santa Cruz*	\$300	\$2,882	\$1,030	\$28
Solano*	\$0	\$0	\$0	\$0
Sonoma	\$1,785	n/a	\$6,056	\$3,915
Stanislaus	n/a	n/a	\$1,738	\$363

\* PEMHCA Counties

# Contribution Methodology



## Annual Employee Premium for Family Coverage 2015 Plan Year

<u>County</u>	<u>Kaiser HMO</u>	<u>Alternative HMO</u>	<u>High Cost PPO</u>	<u>Low Cost PPO</u>
Contra Costa	\$9,307	\$16,394	\$26,097	\$21,774
Alameda	\$2,163	\$3,302	\$57,498	n/a
Marin	\$8,496	n/a	\$18,101	n/a
Napa*	\$2,786	\$9,476	\$4,678	\$2,037
Sacramento	\$3,844	3996.24	\$1,561	\$0
San Francisco	\$3,191	\$3,730	\$15,387	n/a
San Joaquin	\$4,355	n/a	\$8,412	\$5,925
San Mateo	\$3,131	\$4,483	\$10,636	\$2,397
Santa Clara	\$478	\$0	\$1,374	n/a
Santa Cruz*	\$1,916	\$8,628	\$3,814	\$1,164
Solano*	\$9,604	\$16,294	\$11,495	\$8,854
Sonoma	\$15,993	n/a	\$27,081	\$20,981
Stanislaus	n/a	n/a	\$4,692	\$981

\* PEMHCA Counties