



**Contra
Costa
County**

To: Board of Supervisors
From: David Twa, County Administrator
Date: September 13, 2016

Subject: Contract Renewals with Non-PERS Health Plans and Agreement with Teamsters Local Union No. 856 Health and Welfare Fund

RECOMMENDATION(S):

AUTHORIZE the County Administrator or designee to execute: 1) contract renewals with the NonPERS Health/Medical Plan, Dental Plan, Life Insurance Plan carriers and the Computer Vision Care Program for the period January 1, 2017-December 31, 2017, and 2) a Subscriber Agreement with Teamsters Local Union No. 856 Health and Welfare Fund for active Teamster 856 members and non-Medicare retirees.

FISCAL IMPACT:

Premiums for active, retired and survivor enrollees are funded by a combination of charges to County Departments and Special Districts, and employee/retiree/survivor contributions. The fiscal impact is based on projections of 2017 using 2016 census data with no adjustment for future migration between plans. It should be noted that the County expects significant migration in the 2017 plan year due to plans being made available to groups that did not have access to them previously.

Changes to tier structure, negotiated enrollment eligibility, and costs makes estimating the overall fiscal impact of these renewal contracts challenging. Considering 2016 census data for active employees currently eligible for a two- and three-tier structure, the 2017 County

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **09/13/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Mary N. Piepho, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: September 13, 2016

David Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Ann Elliott, Benefits
Manager 335-1747

By: June McHuen, Deputy

(Non PERS) health plans total premium cost is approximately \$97.3 million.

FISCAL IMPACT: (CONT'D)

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The cost to the County is \$74.2 million of that total. Using those same parameters, the 2017 total increased premium cost is \$3.6 million, of which \$3.4 million is the increased County subsidy.

There were no increases to life insurance, Delta Care, or Delta Dental PPO ASO fees. The 2% increase to the County's self-insured dental plans range from \$0.89 to \$2.00 per month.

BACKGROUND:

Insurance coverage is an important benefit and a valuable recruitment and retention tool. To ensure that high quality insurance is available for eligible Contra Costa County employees and retirees, the County contracts for group health, dental and life insurance as well as computer vision care coverage on an annual basis with a number of carriers/providers. The County's existing insurance and coverage contracts are for the calendar year and expire December 31, 2016. In order to ensure uninterrupted coverage for enrolled members (eligible active employees, retired employees and survivors of retired employees) staff requests authorization from the Board of Supervisors to renew existing insurance coverage at the rates provided on the attached chart. This information indicates the different premium structures - either a Two Tier or Three Tier - based on what has been negotiated with various bargaining groups.

To assist the County in negotiating the best possible health care terms for our active and retired employees, the County contracts with Buck Consultants, who has expertise in employee benefit plan design and rate structure. Through these efforts, decreases from the 2016 plan year total premiums have been negotiated for 2017 for the Kaiser Permanente plans. These decreases range from 2.56% to 4.24%. Additionally, the County was able to reduce the increase for HealthNet plans from those rates originally proposed for 2017. These negotiations and resulting decreases are especially significant when we consider that current agreements for all enrolled members (with the exception of CNA represented employees) have a minimum fixed subsidy. This means that the County's share of premium does not go down when decreases are negotiated, resulting in enrolled members receiving 100% of any savings achieved.

For the 2016 plan year 4,147 employees and retirees, or 42% of the 9,960 enrolled in medical, are now enrolled in Kaiser plans, and all other enrollees have the option of moving to this coverage during the 2017 open enrollment period. This means that – at least – 42% of enrollees will pay less for health care in 2017 than they did for 2016. As a reminder, due to the negotiations with the County and the County Healthcare Coalition, the majority of County active employees experienced no increase in healthcare premium in 2016 either. Additionally for the 2016 plan year, the County was able to offer a Kaiser High Deductible Health plan to the majority of enrollees. In 2017, eligible active employees are able to access this plan for eleven dollars or less per month.

Buck Consultants' National Healthcare Trend Survey indicates national trends of 7.1% premium increases for HMO plans and 8.0% for PPO plans similar to those offered by Contra Costa County and a 4.6% national trend increase for Medicare supplement plans. The survey also indicates that these are national trends and that Northern California increases tend to be higher. With that context, the recommended rate adjustments for county plans range from a decrease of 4.24% (Kaiser) to an increase of 9.2% (CCHP) which reflects the County's aggressive efforts to manage these costs.

All health/medical insurance contracts continue to offer essential health/medical benefits and coverage compliant with the requirements of the Affordable Care Act (ACA). Proposed rates for the 2017 plan year for the dental, life insurance or computer vision care coverage offered to eligible employees, retirees or survivors of employees are attached and are effective January 1, 2017. In summary for 2017, there is no increase to life insurance or the fully covered dental plan premiums; there is a 2% increase to the self-insured dental plan, and a 6% decrease to computer vision care coverage.

Also reflected on the chart are rates for 2017 for the new Teamsters Local 856 Trust Fund KP Health Plan offered through the Teamsters Local Union No. 856 Health and Welfare Trust which is available to Teamsters 856 members based on a recently approved Memorandum of Understanding with the Teamsters bargaining group, and to non-Medicare retirees. The County will enter into a Subscriber Agreement with the Trust to formalize administration of the plan.

Additionally, the County is in the process of executing side letters with each member of the Joint Labor Management Benefit Committee to offer two new benefits to eligible employees in the 2017 plan year:

1. The County will offer active specified employees the option to enroll in a voluntary vision plan during open enrollment for the 2017 Plan Year. Employees will pay the full premium cost of the plan. The County will contract with VSP Vision Care for a voluntary vision plan with no co-pays.
2. The County will also offer a Health Savings Account (“HSA”). Employees may select an HSA under the following conditions: specified employees who are enrolled in the Kaiser High Deductible Health Plan may elect to initially enroll in the HSA. These employees may contribute up to the maximum annual contribution rate for HSAs as set forth in the United States Internal Revenue Code. Funds contributed to the HSA are invested as directed by the employee. In the future, employees are responsible for paying any HSA account management fees charged by the HSA administrator; however, the County was able to negotiate waived fees for 2017.

And finally, the County’s Section 125 plan will be amended to include the new HSA and other updates. The revised plan will be submitted to the Board of Supervisors for approval later this year with an effective date of January 1, 2017.

CONSEQUENCE OF NEGATIVE ACTION:

In order to prevent the disruption of services for group benefits that are offered to eligible employees and their dependents, it is necessary to execute contract renewals prior to open enrollment which is planned for October 2016 for the 2017 plan year.

ATTACHMENTS

Renewal Rate Attachment