



Agenda Item

6

DATE: October 11, 2011

TO: Board of Supervisors

FROM: Beth Bandy, Deputy Director of Personnel Services

SUBJECT: County Health Plans for Plan Year 2012

RECOMMENDED ACTION:

1. Authorize Chairman to execute Agreements with Kaiser Permanente for group medical services for the period December 12, 2011, through December 9, 2012, for active employees; and January 1, 2012 through December 31, 2012, for retirees;
2. Authorize Chairman to amend Agreement with Delta Dental for group dental services for the period of December 12, 2011 through December 9, 2012, for active employees and January 1, 2012, through December 31, 2012, for retirees;
3. Authorize Chairman to execute Agreement with Hartford for group medical services for the period January 1, 2012 through December 31, 2012, for retirees;
4. Authorize Chairman to execute Agreement with Express Scripts for group prescription services for the period January 1, 2012 through December 31, 2012, for retirees;
5. Authorize Chairman to execute Agreement with Chimienti & Associates Insurance Services effective December 12, 2011 through January 31, 2012 for employee and retiree eligibility, billing, COBRA administration and accounting services.
6. Effective December 12, 2011, approve the biweekly premiums for active employees and dependents for Plan Year 2012 (Exhibit A);
7. Effective January 1, 2012, approve the monthly premiums for retirees and dependents for Plan Year 2012 (Exhibit B); and,

ADMINISTRATIVE OFFICE REVIEW

BOARD ACTION: DATE **October 11, 2011**

APPROVED AS RECOMMENDED

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OTHER



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8. **Authorize the Deputy Director of Personnel Services, or designee, to execute related health plan documents, agreements, amendments, thereto, subject to review and approval by County Counsel and the Auditor-Controller/Treasurer-Tax Collector.**

ALTERNATIVE ACTION(s):

Your Board may choose to consider benefit modifications that would reduce premiums but increase copayments or deductibles.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

On June 14, 2011, your Board made a finding that it was in the best interest of the County to waive the competitive bidding process consistent with Administrative Policy No. 34 under the "unusual or extraordinary circumstances" exception for the solicitation of health benefits plan proposals for Plan Year 2012. This allowed the County the flexibility needed to negotiate directly with health insurance providers and maximize cost effective alternatives that best meet the needs of the County, its active employees, retirees, and their dependents.

FISCAL IMPACT:

Appropriations and related projected revenue of \$77 million has been included in the Org. 8925 FY 2011-12 Adopted Budget for pass-through health and prescription insurance premiums of County employees, retirees, and dependent coverage. Of this amount, approximately \$67 million is for active employees and \$10 million is for retirees.

In accordance with Budget Instructions, County Departments included appropriations in their FY 2011-12 Adopted Budgets for the County-portion of active employee premiums. However, the Net County Cost (NCC) for this contract period is subject to the County contribution applied toward the total premium rate as well as the funding source(s) for each County department/ Org. (i.e. NCC vs. grant/state/federal funded departments/ Orgs).

IMPACTS ON JOB CREATION:

The recommended actions have no impact on jobs creation.

DISCUSSION:

The County of Fresno currently offers health insurance benefits for its employees, retirees and their dependents. These health benefit options are categorized as three distinct categories:

1. County Employee Health Benefits
2. Pre-65 / Non-Medicare Retiree Health Benefits
3. Post-65 / Medicare Health Benefits

On October 6, 2009 your Board approved the execution of a Joint Exercise of Powers Agreement creating the San Joaquin Valley Insurance Authority (SJVIA) with the County of Tulare. The SJVIA offered the County reduced fixed costs and offered plans for employees (HMO, PPO, HDPPPO) and pre-65 retirees (HDPPPO). The greater critical mass achieved in this arrangement allowed for cost savings and additional value-added services when compared with other alternatives. For example, the County saved approximately \$2 million in 2010 and \$4 million in 2011 when compared to the closest alternative fully insured health plan. Based on this strategy, the County focused efforts on achieving further savings through the SJVIA. On August 26, 2011, the SJVIA Board of Directors (which includes 4 members of the County Board of Supervisors) approved moving to a "shared risk model" in 2012. In a shared risk pool, the

SJVIA claims experience and reserve is reviewed as one entity while also tracking each County's individual experience. Each participating entity is then issued a renewal based on the experience of the pool which is adjusted according to the entity's own claims. This approach provides rate smoothing and decreases rate volatility over time. The SJVIA Board also approved a 0% rate increase on all plans for plan year 2012.

The County has continued to offer the option of Kaiser HMO to active employees and pre-65 retirees as a fully insured health plan option. Although enrollment in this plan has decreased in recent years, it has been offered as an option to employees and retirees who prefer the Kaiser model of health care.

The Health Benefits Advisory Council (HBAC), which includes a coalition of labor, retirees and management representatives, was involved in the evaluation of options for plan year 2012. The Chairperson of the HBAC was asked to supply a written statement containing a formal recommendation but it had not been received by the agenda item deadline. However, the HBAC voted in support of plan options being presented as part of this item. After analyzing all options available to the County, the following recommendations are being made to your Board:

1. Health Plans – Active & Pre-65 Retirees

- a. It is recommended that the County continue to participate in the SJVIA which offers that Anthem Blue Cross provide coverage for employees enrolled in the HMO, PPO (\$250 deductible) and HDPPO (\$3,000 deductible) plan. It is recommended that the County continue to offer an HDPPO (\$1,500 deductible) for Pre-65 retirees. Agreements with Anthem Blue Cross are executed by the SJVIA. A Participation Agreement would come back to your Board for approval confirming this coverage. Kaiser would continue to offer an HMO plan to both active employees and Pre-65 retirees through Agreements with the County. These recommendations are summarized in the table below:

Health Plan Option	Health Rate Change	Overall Rate Change
ACTIVE EMPLOYEES		
Anthem Blue Cross HMO (SJVIA)	+ 0.00%	+ 2.2%
Anthem Blue Cross PPO (SJVIA)	+ 0.00%	+ 2.9%
Anthem Blue Cross HDPPO (SJVIA)	+ 0.00%	+ 0.6%
Kaiser HMO	+ 18.6%	+ 18.6%
PRE-65 NON-MEDICARE RETIREES		
Anthem Blue Cross HDPPO (SJVIA)	+ 0.00%	+ 0.5 %
Kaiser HMO	+ 17.4 %	+ 17.2%

- b. The SJVIA continues to offer additional services as part of the total rate structure, including COBRA Administration & Billing, FMLA Billing, Consolidated Eligibility/Billing Services and Healthcare Management Consulting. The SJVIA contracts with Chimienti & Associates to offer the additional services and there is no increase in cost for 2012. To allow the same services for health plans not offered through the SJVIA, your Board approved a contract with identical terms and pricing for plan years 2010 and 2011. Today's recommended

action would extend the term of the Chimienti & Associates contract for one additional year with no increase in cost to match services through the SJVIA.

- c. Recommended rates for Anthem Blue Cross and Kaiser are detailed in Exhibits A and B and summarized on the table above. The overall rate includes other components already approved by your Board through multi-year rate guarantees in prior years (vision, mental health and dental coverage).

2. Health Plans – Post-65 / Medicare Retirees

The County offers two types of plans to Medicare eligible retirees called Medicare Supplemental and Medicare Advantage. Medicare Supplemental Plans designate Medicare as the primary payer of benefits while the contracted health plan coordinates the remaining expenses. Medicare Advantage plans require that the retiree assign their Medicare to the health provider. The provider then must cover all Medicare services and may provide benefits not covered by Medicare. Medicare eligible retirees and dependents had the choice of three plans in 2011, including a Medicare Supplemental plan through Hartford/Express Scripts and two Medicare Advantage Plans through Kaiser Senior Advantage.

After evaluating options available and with valuable input from retirees participating in the HBAC, the following recommendation is being made:

- a. It is recommended that the County maintain and continue to offer a Medicare Supplemental plan through Hartford/Express Scripts and two Medicare Advantage plans through Kaiser Senior Advantage.
- b. Recommended rates for Hartford/Express Scripts and Kaiser are included on Exhibit B and summarized in the chart below.

Health Plan Option	Health Rate Change	Overall Rate Change
Hartford / Express Scripts	+ 5.1%	+ 5.0%
Kaiser Senior Advantage – High	- 2.9%	- 0.4%
Kaiser Senior Advantage – Low	- 3.2%	- 0.4%

3. Prescription Drug Plan

The County of Fresno self-funded the prescription drug plan for non-Kaiser participants in 2005 and contracted with Express Scripts as Pharmacy Benefits Manager (PBM). In 2009, after an extensive RFP process, your Board approved an agreement with Walgreens Health Initiatives (WHI) as PBM effective December 14, 2009 through December 31, 2012. On June 1, 2011, the County was informed that Catalyst Health Solutions (Catalyst) purchased WHI. The contract does allow for this transaction as Catalyst purchased WHI as a wholly owned subsidiary and they are bound by the terms of the existing agreement. County staff will continue to work with Catalyst to assure a smooth transition for employees.

This self-funded program experienced a significant deficit in 2005 and 2006. Subsequently, your Board adopted a five-year deficit recovery program as part of the ongoing prescription rates. Prescription rates for 2012 are increasing 10.59% and include the fifth and final year of the deficit recovery program. The projected deficit as of June 30, 2011 is \$57,601. The increase to the prescription rates is also affected in part by the estimated reduction to enrollment as a result of the Superior Court exiting the plan in 2012, as

fixed costs will need to be allocated among a smaller pool of participants. These rates were prepared by the County consultant, Gallagher Benefit Services, and were subsequently reviewed by staff. The rate study has also been reviewed and approved by the Auditor-Controller/Treasurer-Tax Collector.

4. Dental Plans

The County currently offers two options for dental coverage (DHMO and DPPO). The DHMO offers a limited network of providers in exchange for enhanced coverage whereas the DPPO offers access to an expanded network of providers and specialists in exchange for higher deductibles. On October 5, 2010, your Board approved two-year agreements with Met Life (DHMO) and Delta Dental (DPPO). The Met Life Agreement included a two-year rate guarantee. The Delta Dental Agreement included a rate cap for the second year not to exceed an 8% increase. Delta Dental's rate for plan year 2012 came in at an 8% increase. The recommended action allows for the execution of an amendment to the existing contract documenting the new rate.

Overview of Recommended Actions

Approval of this agenda item will authorize the Chairman to execute final Agreements with Kaiser Permanente, Hartford and Express Scripts for medical programs, and Chimienti & Associates for employee and retiree eligibility, billing, COBRA administration and accounting services. If approved, the premium rates will be incorporated into the annual Open Enrollment materials. Open Enrollment for the 2012 Plan Year is scheduled for October 24 - November 10, 2011, and is the one time each year that employees may make health plan changes and add or delete eligible dependents without a qualifying event.

The last recommended action will delegate the authority to approve related documents/agreements/amendments to the Deputy Director of Personnel Services or designee, upon review and approval by County Counsel and Auditor-Controller/Treasurer-Tax Collector.

OTHER REVIEWING AGENCIES:

The Health Benefits Advisory Council and the County's health consultant, Gallagher Benefit Services, Inc. have reviewed the recommendations contained in this item. The Auditor-Controller/Treasurer-Tax Collector has reviewed and approved components of the total health rates (administration rates and prescription rates) included in actions No. 6 and 7.

REFERENCE MATERIAL:

BAI #8, October 6, 2009

BAI #9, October 6, 2009

BAI #23, December 8, 2009

BAI #6, October 5, 2010

BAI #11, June 14, 2011

Exhibit A

ACTIVE EMPLOYEE AND DEPENDENT PREMIUMS - BIWEEKLY

Effective Pay Period Beginning December 12, 2011

	Anthem Blue Cross HMO				Anthem Blue Cross PPO			
	Kaiser RX				Catalyst RX			
	Kaiser Mental Health				Avante Mental Health			
	Kaiser Vision				MES Vision			
	Met Life DHMO	Delta Dental DPPO	Met Life DHMO	Delta Dental DPPO	Met Life DHMO	Delta Dental DPPO	Met Life DHMO	Delta Dental DPPO
Employee Only	\$ 265.91	\$ 280.29	\$ 392.11	\$ 406.49	\$ 372.94	\$ 387.32	\$ 210.30	\$ 224.68
Employee + Child(ren)	\$ 418.07	\$ 432.83	\$ 605.01	\$ 619.77	\$ 706.63	\$ 721.39	\$ 396.91	\$ 411.67
Employee + Spouse	\$ 469.10	\$ 489.41	\$ 716.88	\$ 737.19	\$ 776.22	\$ 796.53	\$ 438.68	\$ 458.99
Employee + Spouse and Child(ren)	\$ 620.35	\$ 642.75	\$ 921.82	\$ 944.22	\$ 1,073.54	\$ 1,095.94	\$ 601.00	\$ 623.40

Exhibit B

RETIREE AND DEPENDENT PREMIUMS - MONTHLY Effective January 1, 2012

Anthem BC HDPPPO	Kaiser HMO
Anthem BC RX	Kaiser RX
Anthem BC Mental Health	Kaiser Mental Health
MES Vision	Kaiser Vision
Met Life DHMO	Met Life DHMO
Delta Dental DPPO	Delta Dental DPPO
\$ 625.16	\$ 1,506.55
\$ 983.10	\$ 2,322.48
\$ 1,103.94	\$ 2,761.50
\$ 1,459.96	\$ 3,547.11
\$ 656.31	\$ 1,537.70
\$ 1,015.07	\$ 2,354.45
\$ 1,147.95	\$ 2,805.51
\$ 1,508.49	\$ 3,595.64

Non-Medicare Retirees (Under Age 65)

Retiree Only

Retiree + Child(ren)

Retiree + Spouse

Retiree + Spouse and Child(ren)

Hartford / Benistar	Kaiser Senior Adv. - High	Kaiser Senior Adv. - Low
Express Scripts RX	Kaiser RX	Kaiser RX
Avante Mental Health	Kaiser Mental Health	Kaiser Mental Health
MES Vision	Kaiser Vision	Kaiser Vision
Met Life DHMO	Met Life DHMO	Met Life DHMO
Delta Dental DPPO	Delta Dental DPPO	Delta Dental DPPO
\$ 516.23	\$ 339.42	\$ 308.19
\$ 1,012.79	\$ 662.08	\$ 599.62
\$ 547.38	\$ 370.57	\$ 339.34
\$ 1,056.80	\$ 706.09	\$ 643.63

Medicare Retirees (Over Age 65)

Retiree Only

Retiree (M) + Spouse (M)