



# Agenda Item

6

DATE: October 5, 2010

TO: Board of Supervisors

FROM: Beth Bandy, Deputy Director of Personnel Services *Beth Bandy*

SUBJECT: County Health Plans for Plan Year 2011

## RECOMMENDED ACTION:

1. Authorize Chairman to execute Agreements with Kaiser Permanente for group medical services for the period December 13, 2010, through December 11, 2011, for active employees; and January 1, 2011 through December 31, 2011, for retirees;
2. Authorize Chairman to execute Agreement with Delta Dental for group dental services for the two year period of December 13, 2010 through December 9, 2012, for active employees and January 1, 2011, through December 31, 2012, for retirees;
3. Authorize Chairman to execute Agreement with Met Life for group dental services for the two year period of December 13, 2010 through December 9, 2012, for active employees and January 1, 2011, through December 31, 2012, for retirees;
4. Authorize Chairman to execute Agreement with Hartford for group medical services for the period January 1, 2011 through December 31, 2011, for retirees;
5. Authorize Chairman to execute Agreement with Benistar for Hartford Administration services for the period January 1, 2011 through December 31, 2011, for retirees;
6. Effective December 13, 2010, approve the biweekly premiums for active employees and dependents for Plan Year 2011 (Exhibit A);
7. Effective January 1, 2011, approve the monthly premiums for retirees and dependents for Plan Year 2010 (Exhibit B); and,

ADMINISTRATIVE OFFICE REVIEW *Kathleen Donohue for VU* Page 1 of 11  
BOARD ACTION: DATE \_\_\_\_\_ APPROVED AS RECOMMENDED \_\_\_\_\_ OTHER \_\_\_\_\_

UNANIMOUS \_\_\_\_\_ ANDERSON \_\_\_\_\_ CASE \_\_\_\_\_ LARSON \_\_\_\_\_ PEREA \_\_\_\_\_ POOCHIGIAN \_\_\_\_\_

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 benefit modifications that would reduce premiums but increase copayments as summarized in the attached Exhibit E.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

On May 11, 2010, 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 2011. 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:

A total of \$84 million is included in the FY 2010-11 Adopted Budget for health, dental and vision insurance plans for County employee, retiree and dependent coverage. Of this amount, approximately \$66 million is for active employees and \$18 million is for retirees.

The net County cost for this contract period, however, is subject to the County contribution applied toward the total premium rate. Consistent with the County's practice the last several years, and in large part due to continuing instability in the health insurance marketplace, the health insurance plans would not agree to multi-year rate caps; therefore, proposals were solicited for the 2011 Plan Year. However, today's recommended actions include two year rate guarantees for dental coverage through Delta Dental and Met Life. The County has already achieved multi-year rate guarantees through Avante for mental health coverage and through Medical Eye Services for vision coverage through the end of 2012.

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 (Exhibit C):

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

Based on direction from your Board in 2009, the County explored health insurance purchasing coalitions for the purpose of achieving greater critical mass for volume purchasing and reduced administration costs. Health insurance carriers are often more aggressive in the bidding process of large groups. At the conclusion of that process, 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 for the active employees in the HMO, PPO and HDPPO plans and pre-65 retirees in the PPO and HDPPO plan. It should be noted that the PPO and HDPPO options are self-insured through the SJVIA while the HMO is a "minimum premium" health plan. The self-insured options have the SJVIA assume the risk for individual claims up to \$450,000. Stop-loss coverage is

purchased as a form of reinsurance to limit the liability for the SJVIA above this amount. The HMO "minimum premium" plan is an arrangement where the SJVIA and Anthem Blue Cross agree that the SJVIA will be responsible for paying all claims up to an agreed upon aggregate level (\$250,000) while stop-loss insurance pays all individual claims above that level.

On May 11, 2010, 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 2011. This allowed 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.

The Health Benefits Advisory Council (HBAC), which includes a coalition of labor, retirees and management representatives, were involved in the evaluation of all proposals and made recommendations (which will be noted in this item). With the assistance of the County's health benefits consultant (Gallagher Benefit Services, Inc.) proposals were evaluated and rated based on benefit level, access, cost and customer service. Extensive negotiations with the carriers preceded the presentation of plans and rates for your Board's consideration today. Multiple benefit modifications were analyzed and reviewed and discussed with the HBAC. Benefit modifications such as increasing office copayments had the largest impact on premiums and are summarized in Exhibit E. At the conclusion of that process, the HBAC recommended that copayments remain the same. The HBAC recommendation was based on limiting the exposure to employees who may make office visits more often and thereby could pay more out-of-pocket. It should also be noted that the HBAC recommended removing a component of the SJVIA rate focused on the mitigation of claims costs (\$1.38 per pay period). The rates recommended for approval today include the status quo copayments but do not exclude the claims mitigation component of the rate.

After review, evaluation and negotiations with the carriers, the following recommendations are being made to your Board:

1. Health Plans – Active & Pre-65 Retirees

- a. The County received declination letters from Health Net, Cigna, Aetna and United Health Care indicating that they could not offer competitive alternatives. Proposals were received from Anthem Blue Cross (offered through the SJVIA) and Blue Shield of California as a fully-insured plan. The Anthem Blue Cross options through the SJVIA were approximately \$4 Million less than the alternative through Blue Shield (see Exhibit D).
- b. It is recommended that the County continue to participate in the San Joaquin Valley Insurance Authority 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 but eliminate the PPO (\$250 Deductible) option. Enrollment in the Pre-65 retiree PPO plan has dropped to two retirees and the premium increases make this plan unaffordable. Agreements with Anthem Blue Cross are executed by the SJVIA. The County would maintain current Agreements with the SJVIA approved by your Board on October 6, 2009. Kaiser would continue to offer an HMO plan to both active employees and Pre-65 retirees independent of the SJVIA. These recommendations are summarized in the table below:

2010	2011	Aggregate Rate Change
<b>ACTIVE EMPLOYEES</b>		
Anthem Blue Cross HMO (SJVIA)	Anthem Blue Cross HMO (SJVIA)	+ 8.14%
Anthem Blue Cross PPO (SJVIA)	Anthem Blue Cross PPO (SJVIA)	+ 0.34%
Anthem Blue Cross HDPPO (SJVIA)	Anthem Blue Cross HDPPO (SJVIA)	+ 0.46%
Kaiser HMO	Kaiser HMO	- 2.01%
<b>Pre-65 NON-MEDICARE RETIREES</b>		
Anthem Blue Cross PPO (SJVIA)	Recommend Elimination of Plan	N/A
Anthem Blue Cross HDPPO (SJVIA)	Anthem Blue Cross HDPPO (SJVIA)	+ 0.37%
Kaiser HMO	Kaiser HMO	+ 4.62%

- c. 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.
- d. Recommended rates for Anthem Blue Cross and Kaiser are detailed in Exhibits A and B and summarized on the table above.

## 2. Health Plans – Post-65 / Medicare Retirees

The County offers Medicare eligible retirees and dependents three plans in 2010 including Anthem Blue Cross Private Fee For Service (PFFS) and two Medicare Advantage Plans through Kaiser Senior Advantage. It should be noted that the Anthem Blue Cross PFFS has experienced significant increases the last two years (111% in 2009 and 78% in 2010). This year, Anthem Blue Cross proposed an increase of approximately 40%. Based on the increases in this plan's cost over the last three years, the County, with valuable input from retirees participating in the HBAC, is making the following recommendations:

- a. It is recommended that the County maintain and continue to offer two Kaiser Senior Advantage options. It is also recommended that the County offer a Medicare Supplemental plan through Hartford. This plan includes no networks which would allow retirees participating in the Anthem Blue Cross plan to maintain the same doctor and hospital. Prescriptions would be administered through Express Scripts. Additionally, the plan offers administration and customer service through a separate company called Benistar. This change would result in a slight decrease in the rate for participating retirees.
- b. Recommended rates for Anthem Blue Cross and Kaiser are included on Exhibit B and summarized in the chart below.

2010	2011	Aggregate Rate Change
Anthem Blue Cross PFFS	Hartford / Benistar	- 0.78%
Kaiser Senior Advantage – High	Kaiser Senior Advantage – Low	+ 2.48%
Kaiser Senior Advantage – Low	Kaiser Senior Advantage – Low	+ 3.50%

### 3. 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. For the last two years, the County has offered the DHMO and DPPO through Delta Dental. The County received proposals from seven carriers making this year's process very competitive. After reviewing all proposals and negotiating with the vendors, the HBAC and County staff is making the following recommendations:

- a. **Delta Dental** is being recommended to maintain the DPPO product. After reviewing proposals from seven vendors, it became clear that Delta Dental offers the County the lowest rate increase and maintains current benefit levels. This option would require a 9.5% increase and includes a rate guarantee that the rate increase in the second year will not exceed 8%.
- b. **Met Life** is being recommended to take over the DHMO product. After reviewing proposals from six vendors, Met Life matched the current benefit levels but offered a rate decrease of approximately 22%. This reduced rate is guaranteed for two years.

### 4. 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). Last year, after an extensive RFP process, your Board approved an agreement with Walgreens Health Initiatives as PBM for three years. This program experienced a significant deficit in 2005 and 2006 (approximately \$1.6 Million). Subsequently, your Board adopted a five-year deficit recovery program as part of the ongoing prescription rates. Prescription rates for 2011 are increasing 8.90% and include the fourth year of the deficit recovery program. These rates have been reviewed by staff after the County consultant, Gallagher Benefit Services, submitted the actuarial rate study. The rate study is currently being reviewed by the Auditor-Controller/Treasurer-Tax Collector. The projected deficit as of June 30, 2010 is \$600,000.

It should be noted that with the elimination of the Anthem Blue Cross PPO plan for Pre-65 retirees, there will no longer be retirees participating in this program in 2011.

Overview of Recommended Actions

Approval of this agenda item will authorize the Chairman to execute final Agreements with Kaiser Permanente and Hartford for medical programs, Delta Dental and Met Life for Dental programs and Benistar for administrative services associated with the Hartford plan.

If approved, the premium rates presented for your Board's approval will be incorporated into the annual Open Enrollment materials. Open Enrollment for the 2011 Plan Year is scheduled for October 18 through November 10, 2010, 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 is in the process of confirming components of the total health rates (administration rates and prescription rates) included in actions No. 6 and 7. It is not anticipated there will be any adjustments to the rates presented in Exhibit A or B; however, if there are any adjustments they will be brought back to your Board for final approval.

REFERENCE MATERIAL:

BAI #8, October 6, 2009

BAI #9, October 6, 2009

BAI #36, May 11, 2010

# REVISED

## Exhibit A

### ACTIVE EMPLOYEE AND DEPENDENT PREMIUMS - BIWEEKLY Effective Pay Period Beginning December 13, 2010

	Anthem Blue Cross HMO				Kaiser HMO				Anthem Blue Cross PPO				Anthem Blue Cross HDPPO			
	Walgreens RX				Kaiser RX				Walgreens RX				Walgreens RX			
	Avante Mental Health				Kaiser Mental Health				Avante Mental Health				Avante Mental Health			
	MES Vision				Kaiser Vision				MES Vision				MES Vision			
Employee Only	Met Life	DHMO	Delta Dental	DPPO	Met Life	DHMO	Delta Dental	DPPO	Met Life	DHMO	Delta Dental	DPPO	Met Life	DHMO	Delta Dental	DPPO
	\$	259.74	\$	272.42	\$	331.25	\$	343.93	\$	362.12	\$	374.80	\$	208.59	\$	221.27
	\$	408.83	\$	421.23	\$	511.64	\$	524.04	\$	687.16	\$	699.56	\$	394.65	\$	407.05
	\$	458.96	\$	476.56	\$	605.77	\$	623.37	\$	754.98	\$	772.58	\$	436.42	\$	454.02
Employee + Spouse and Child(ren)	\$	607.18	\$	626.12	\$	779.42	\$	798.36	\$	1,044.57	\$	1,063.51	\$	598.20	\$	617.14

# Exhibit B

## RETIREE AND DEPENDENT PREMIUMS - MONTHLY Effective January 1, 2011

Anthem BC HDPPPO		Kaiser HMO	
Anthem BC RX		Kaiser RX	
Anthem BC Mental Health		Kaiser Mental Health	
MES Vision		Kaiser Vision	
Met Life DHMO	Delta Dental DPPO	Met Life DHMO	Delta Dental DPPO
\$ 621.69	\$ 649.16	\$ 1,284.94	\$ 1,312.41
\$ 977.96	\$ 1,004.82	\$ 1,981.38	\$ 2,008.24
\$ 1,098.80	\$ 1,136.94	\$ 2,354.96	\$ 2,393.10
\$ 1,453.15	\$ 1,494.17	\$ 3,025.46	\$ 3,066.98

### Non-Medicare Retirees (Under Age 65)

Retiree Only  
Retiree + Child(ren)  
Retiree + Spouse  
Retiree + Spouse and Child(ren)

Hartford / Benistar		Kaiser Senior Adv. - High	
Express Scripts RX		Kaiser RX	
Avante Mental Health		Kaiser Mental Health	
MES Vision		Kaiser Vision	
Met Life DHMO	Delta Dental DPPO	Met Life DHMO	Delta Dental DPPO
\$ 489.30	\$ 516.77	\$ 338.57	\$ 366.04
\$ 969.07	\$ 1,007.21	\$ 668.97	\$ 707.11

### Medicare Retirees (Over Age 65)

Retiree Only  
Retiree (M) + Spouse (M)


REVISED




## EXHIBIT C

### **County of Fresno Health Insurance Options - 2010**

#### Active Employee Health Plans

- Anthem Blue Cross HMO
  - Anthem Blue Cross PPO
  - Anthem Blue Cross HDPPO
  - Kaiser HMO
- 
- Purchased Through  
San Joaquin Valley Insurance Authority

#### Pre-65 Retiree Health Plans

- Anthem Blue Cross PPO
  - Anthem Blue Cross HDPPO
  - Kaiser HMO
- 
- Purchased Through  
San Joaquin Valley Insurance Authority

#### Medicare Retiree Health Plans

- Anthem Blue Cross PFFS
- Kaiser Senior Advantage – High
- Kaiser Senior Advantage – Low

## EXHIBIT D

### **Aggregate Rate Comparison Anthem Blue Cross (SJVA) vs. Blue Shield of California**

<b>ACTIVE EMPLOYEES</b>		
	<b>Anthem Blue Cross</b>	<b>Blue Shield</b>
HMO	+ 8.14%	+ 18.97%
PPO	+ 0.34%	+ 0.44%
HDPPPO	+ 0.46%	+ 0.44%
<b>Projected Premium</b>	<b>\$42,604,649</b>	<b>\$46,255,264</b>
<b>PRE-65 RETIREES</b>		
	<b>Anthem Blue Cross</b>	<b>Blue Shield</b>
HDPPPO	+ 0.37%	+ 14.41%
PPO	+ 0.12%	+ 14.41%
<b>Projected Premium</b>	<b>\$2,289,262</b>	<b>\$2,637,692</b>
<b>Total Premium</b>	<b>\$44,893,911</b>	<b>\$48,892,956</b>

**\$4 Million Difference**

## **EXHIBIT E**

This exhibit summarizes the premium impact of modifications to office visit copayments in the HMO plan. Your Board may consider this or other options to reduce premiums.

<b>HMO Benefit Modification Options</b>	
<b>Benefit Coverage Level</b>	<b>Reduced Premium Biweekly / Annual</b>
Office Visit Copay = <b>\$15 / \$15</b> (Status Quo)	N/A
Office Visit Copay = <b>\$20 / \$20</b>	(\$3.66) / (\$95.16) (\$3.66) / (\$95.16) (\$3.66) / (\$95.16) (\$3.66) / (\$95.16)
Office Visit Copay = <b>\$25 / \$25</b>	(\$8.47) / (\$220.22) (\$8.47) / (\$220.22) (\$8.47) / (\$220.22) (\$8.47) / (\$220.22)
Office Visit Copay = <b>\$30 / \$30</b>	(\$13.25) / (\$344.50) (\$13.25) / (\$344.50) (\$13.25) / (\$344.50) (\$13.25) / (\$344.50)