



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 24, 2013

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval Of Benefit Plans Effective January 1, 2014

RECOMMENDATION: That Council:

- A. Approve renewal of the Aetna and Kaiser Permanente medical plans; Delta Dental Plans; Vision Service Plan; Employee Assistance Program (EAP); Flexible Spending Accounts, and Hartford Life and Disability Insurance Plans; and
- B. Authorize the Assistant City Administrator to execute any necessary agreements for renewals with current carriers, and with Empyrean Benefit Solutions, for replacement benefits administration contract services.

DISCUSSION:

Each year the City obtains renewal rates for the benefits plans covering its eligible active and retired employees. These benefit plans include medical, dental, vision, Employee Assistance Program, Health and Dependent Care Flexible Spending Accounts, life insurance, and disability insurance programs. Staff coordinated the renewal process with the City's benefits broker, Wells Fargo Insurance Services. The Employee Benefits Committee, which has a representative from each of the City's employee groups, reviewed the renewals. Staff and the Employee Benefits Committee (comprised of members from the various employee groups) recommend that the City renew its agreements with all current health, life and disability plan providers.

Medical Plans

The City currently has contracts with Aetna and Kaiser Permanente (available to Ventura County residents only) to provide medical coverage to eligible active and retired employees. A Health Maintenance Organization (HMO) plan is offered by both carriers. In addition, Aetna offers three Preferred Provider Organization (PPO) plans: Aetna Open Access Managed Care (OAMC) Plan, Aetna Health Reimbursement Fund and Aetna Health Savings Account (an IRS qualifying high deductible PPO plan with a portable savings account funded through federal pre-tax employee payroll contributions).

In an effort to ensure the most cost effective plan management and premium rates, the City's benefits broker conducted a comprehensive medical marketing project on behalf of the City. Medical carriers were provided the Aetna HMO and PPO plan designs, demographic information, claims experience, and instructions to submit 2014 premium rate quotes based on the current plan designs. United Healthcare submitted a competitive quote as well as our current carrier, Aetna.

The Employee Benefits Committee met twice in August 2013 to review United Healthcare's 2014 proposal and rate quotes in comparison with Aetna's 2014 proposed renewal offer. The Employee Benefits Committee recommends approval of the renewal of the Aetna plans for 2014, for the reason that the final rate comparison between the two carriers was very similar, and in consideration that Aetna has proven to be a strong performer and partner for the City and its enrolled plan members.

Aetna HMO rates will increase by 14.9%; the rates for the Aetna OAMC PPO will increase 14.8%; the Aetna Health Savings Account (HSA) plan will increase by 14.8%; and the Aetna Health Reimbursement Account (HRA) plan will increase by 14.9%. There are no proposed medical plan design changes. All rates include a 3% to 4% increase due to new Affordable Care Act (ACA) compliance factors.

The Committee also recommends continuing with the Kaiser HMO in 2014 as a separate medical plan option available to employees residing in Ventura County. Kaiser's 2014 renewal includes a rate decrease of -0.2%.

Over-age-65 retirees currently have three medical plan options: Kaiser HMO Senior Advantage Plan, Aetna OAMC PPO Plan, and Aetna Medicare PPO Plan.

The Kaiser Senior HMO Advantage Plan and Aetna OAMC PPO Plan enrollees have a supplemental level of coverage after Medicare benefits are paid. Final 2014 proposed rates for the Kaiser Senior HMO Advantage Plan are proposed at a 6.6% increase from the current 2013 rates. Aetna OAMC PPO is proposed at a 3.5% rate increase for 2014.

While the Aetna Medicare PPO Plan has been a favored plan since its implementation in 2007, with 118 enrolled retirees, Aetna notified the City that this plan will terminate effective January 1, 2014. In response, the City's benefits broker presented staff with alternate plan offerings from both Aetna and Hartford for consideration for a replacement plan. It is proposed that the Aetna plan proposal be approved, which provides for dual plan offerings: Plan F at the higher level of coverage and Plan N for a lower level of coverage and lower premium cost.

The Aetna Plan F and Plan N are available to Medicare-eligible retirees and the plans provide coverage availability nationwide through providers that participate in Medicare. The plans provide a level coverage for all Medicare Parts A and B covered benefits with the Plan F high option plan covering all excess Part B charges in full. The plan premium rates are age-band rates and set by county area of residency. There are currently 118 over-age-65 retirees enrolled in the current Aetna Medicare PPO plan that will be

impacted by the plan change, of which 107 reside in Santa Barbara County. Additional rates, by state and county, will be provided if needed.

Dental Plans

The current dental plan offerings include the Delta Dental DPO plan (similar to a medical PPO model plan with a large provider network) and the Delta Dental DMO plans (similar to a medical HMO model plan with a small provider network). No rate increases are proposed for the two plans and Delta Dental has provided a two year rate guarantee on the current rates; the 2013 current rates will be effective through December 31, 2015.

Vision Plan

Vision Service Plan (VSP) has maintained premium rates for the last four consecutive years. No increases are proposed for the 2014 VSP rates. In addition, the eyeglass frames allowance has been increased from \$130 to \$140.

Employee Assistance Program (EAP) – Employer Paid Fees

OptumHealth Behavioral Solutions provides outpatient psychological services for the City's EAP. No increase is proposed for the 2014 EAP rate.

Flexible Spending Accounts (FSA) – Employer Paid Fees

The Health and Dependent Care Flexible Spending Accounts are administered by Conexus. No increase is proposed for the 2014 FSA rates.

Life/AD&D and Long Term Disability Insurance Plans – Employer Paid Premium

Hartford Insurance Company administers the Life/AD&D and Long Term Disability Insurance Plans. No increases are proposed for the 2014 Life and LTD rates.

Short Term Disability Insurance Plan – Employee Paid Premium

Hartford Insurance Company administers the voluntary employee-paid Short Term Disability Insurance Plan offered to Management, Police and Supervisors. No increases are proposed for the 2014 STD rates.

Benefits Administration Outsourcing

Effective January 1, 2006, the City began outsourcing benefits administration services with Towers Watson. Contract benefits administration includes on-going processing of benefits transactions for employees and retirees; weekly carrier eligibility file updates; monthly consolidated premium accounting; monthly carrier premium distribution and reporting; web application site for employee and retiree plan elections and data history, and COBRA (continuation health insurance coverage) administration.

Towers Watson provided notice to the City that their contract will not renew effective January 1, 2014. In response, the City reviewed alternate benefits administration vendors and found that Empyrean best meets the City's benefits administration requirements. Effective January 1, 2014, staff recommends executing a new service agreement with

Empyrean as the replacement vendor for benefits administration services. Empyrean's website will be used for the upcoming Open Enrollment period and staff will assist employees throughout the Open Enrollment period with the new system and on-line election process.

Summary

Staff and the Employee Benefits Committee recommend that the Aetna and Kaiser medical plans, Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans be renewed for 2014 at the proposed premium rates and fees.

Proposed 2014 monthly rates for Aetna HMO, Aetna OAMC PPO Plan, Aetna Health Reimbursement PPO Plan, Aetna Health Savings Account PPO Plan and Kaiser HMO Plan for employees and retirees are listed in Attachment 1.

Proposed 2014 monthly rates for the Aetna Medicare Plan F and N for retirees over-age-65 are listed in Attachment 2 and are based on the age and county where retirees currently reside.

Proposed 2014 monthly rates for Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans are listed in Attachment 3.

Approval is proposed for the selection of Empyrean Benefits Solutions for the replacement contract benefits administrator.

BUDGET/FINANCIAL INFORMATION:

The estimated overall benefit premium increase will be \$1,799,745 for plan (calendar) year 2014, or \$899,872 for January through June of Fiscal Year 2014.

Employees whose benefit elections are already at or above the negotiated City benefit contribution maximum for their bargaining unit will absorb their premium increases through increased pre-tax deductions. The City will absorb any premium increase below the negotiated City benefit contribution maximums for each bargaining unit. Actual City costs will depend on employee enrollment elections during the upcoming open enrollment process.

The Fiscal Year 2014 adopted budget included an estimated City-paid premium increase amount of \$160,000. Additional appropriations are not requested at this time, and costs will be absorbed in department budgets as much as possible. Adjustments may be recommended, if necessary, later in the fiscal year.

- ATTACHMENTS:**
1. 2014 Medical Plans Monthly Premium Rates
 2. 2014 Aetna Medicare PPO Plan Monthly Premium Rates
 3. 2014 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Life and Disability Insurance Plan Monthly Premium Rates

PREPARED BY: Clare Turner, Human Resources Benefits Analyst

SUBMITTED BY: Marcelo López, Administrative Services Director

APPROVED BY: City Administrator's Office

2014 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2013	PROPOSED 2014
HMO – Aetna		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 644.35	\$ 738.30
Employee and One Dependent	\$ 1,276.33	\$ 1,467.61
Employee and Family	\$ 1,655.53	\$ 1,905.20
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 532.58	\$ 529.57
Employee and One Dependent	\$ 1,052.75	\$ 1,050.11
Employee and Family	\$ 1,364.86	\$ 1,362.42
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 186.57	\$ 193.87
Retiree and One Dependent	\$ 360.74	\$ 378.70
PPO – Aetna Open Access Managed Care		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 690.39	\$ 791.89
Employee and One Dependent	\$ 1,394.15	\$ 1,604.03
Employee and Family	\$ 1,816.38	\$ 2,091.28
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 606.86	\$ 627.71
Retiree and One Dependent	\$ 1,197.01	\$ 1,241.68
PPO – Aetna Health Reimbursement Arrangement		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 489.07	\$ 559.11
Employee and One Dependent	\$ 965.73	\$ 1,109.17
Employee and Family	\$ 1,251.73	\$ 1,439.22
PPO – Aetna Health Savings Account		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 386.32	\$ 440.53
Employee and One Dependent	\$ 760.26	\$ 872.06
Employee and Family	\$ 984.60	\$ 1,130.95

2014 Aetna Medicare Plan F and Plan N Monthly Premium Rates

Retiree Only rates:

State	County	Age Band	PROPOSED 2014 Aetna Plan F High Option	PROPOSED 2014 Aetna Plan N Low Option
California	Santa Barbara	65 – 69	\$ 364.29	\$ 339.61
		70 – 74	\$ 390.73	\$ 361.81
		75 – 79	\$ 423.17	\$ 389.91
		80 – 84	\$ 448.79	\$ 414.01
		85 +	\$ 469.29	\$ 437.44
	Ventura	70 – 74	\$ 433.64	\$ 396.61
	Sacramento	65 – 69	\$ 369.99	\$ 343.96
Colorado	Weld	65 – 69	\$ 364.29	\$ 339.61
Oregon	Deschutes	65 – 69	\$ 369.99	\$ 343.96
Texas	Harris	70 – 74	\$ 433.64	\$ 396.61
	Denton	70 – 74	\$ 440.03	\$ 401.60
Washington	Pierce	65 – 69	\$ 365.98	\$ 336.89

All Counties are included where City Retirees currently reside.

**2014 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts,
Disability and Life Insurance Plans Monthly Premium Rates**

PLAN	CURRENT 2013	PROPOSED 2014
Delta Dental		
Delta Dental DPO Plan		
Employee Only	\$ 56.70	\$ 56.70
Employee and One Dependent	\$ 100.36	\$ 100.36
Employee and Family	\$ 160.86	\$ 160.86
Delta Dental HMO Plan		
Employee Only	\$ 16.39	\$ 16.39
Employee and One Dependent	\$ 29.32	\$ 29.32
Employee and Family	\$ 43.38	\$ 43.38
Vision Service Plan		
Employee Only	\$ 6.93	\$ 6.93
Employee and One Dependent	\$ 13.76	\$ 13.76
Employee and Family	\$ 21.10	\$ 21.10
Employee Assistance Program (City Paid)		
Employee and Family	\$ 1.78	\$ 1.78
Flexible Spending Accounts Administration Costs (City Paid)		
Health Care Account/Participant/Month	\$ 4.61	\$ 4.61
Dependent Care Account/Participant/Month	\$ 4.61	\$ 4.61
Electronic Payment Card/Participant/Month	\$ 1.56	\$ 1.56
Grace Period Processing/Participant/Month	\$ 3.00	\$ 3.00
Long Term Disability Insurance – Hartford (City Paid)		
All Employees except Police and Fire	\$0.50/\$100	\$0.50/\$100
Short Term Disability Insurance – Hartford (Voluntary Employee Paid)		
Managers	\$ 22.02	\$ 22.02
Supervisors	\$ 19.82	\$ 19.82
Police	\$ 15.14	\$ 15.14
Basic Life AD&D Insurance – Hartford (City Paid)		
All Employees	\$0.125/\$1,000	\$0.125/\$1,000
Supplemental Employee, Spouse & Child Life Insurance – Hartford (Voluntary Employee Paid)		
<u>Voluntary Employee and Spouse Life Insurance</u>	Rates/\$10,000	Rates/\$10,000
Up to and including age 29	\$ 0.68	\$ 0.68
Age 30-34	\$ 0.86	\$ 0.86
Age 35-39	\$ 1.24	\$ 1.24
Age 40-44	\$ 1.90	\$ 1.90
Age 45-49	\$ 3.14	\$ 3.14
Age 50-54	\$ 5.24	\$ 5.24
Age 55-59	\$ 8.46	\$ 8.46
Age 60-64	\$ 11.12	\$ 11.12
Age 65-69	\$ 17.48	\$ 17.48
Age 70-74	\$ 30.88	\$ 30.88
Age 75 and older	\$ 51.50	\$ 51.50
<u>Voluntary Child Life Insurance</u>		
\$2,000	\$ 0.33	\$ 0.33
\$5,000	\$ 0.55	\$ 0.55
\$10,000	\$ 0.89	\$ 0.89