



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 7, 2014

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval Of Benefit Plans Effective January 1, 2015

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 Acting City Administrator to execute any necessary agreements for renewals with current carriers, and with Wells Fargo Insurance Services for benefits broker/consulting contract services.

DISCUSSION:

Each year the City obtains renewal rates for the benefit 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 continuing efforts 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. Several medical carriers were provided the City-specific Aetna HMO and PPO plan designs, demographic information, claims experience, and instructions relating to submission of 2015 premium rate quotes based on the same current plan designs. Several medical carriers submitted bid quotes with Blue Shield proposing the most competitive rates, as compared with Aetna's final proposed 2015 renewal rates.

The Employee Benefits Committee met twice in August 2014 to review and discuss the medical claims experience and high cost trends; 2015 renewal offers of all plan vendors; results of submitted proposals of medical carriers in comparison with Aetna's renewal offer, and various medical benefit plan design changes. The Employee Benefits Committee recommends approval of the renewal of the Aetna benefit plans and proposed rates for 2015, for the reason that the final rate comparison between Aetna and the closest competitive quote are 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's final 2015 renewal includes an increase of 14.1% to the HMO and PPO medical plan rates. As is the case with the current 2014 medical rates, the 2015 renewal rates contain Affordable Care Act (ACA) fees and assessments adding 3% to 4% to the renewal rates. Aetna's renewal contains reductions in all areas of PPO out-of-network benefits resulting in proposed rates below the submitted bid quotes of all carriers. Under Aetna's proposed offer, members in the PPO plans choosing out-of-network, rather than in-network providers, will pay a great share of out of pocket expenses in 2015. Currently, PPO out-of-network benefits are paid at 60% of Aetna's usual, customary and reasonable base. For 2015, PPO out-of network benefits for professional services are proposed at a level of 60% of 110% of Medicare reimbursement rates; services at out-of-network facilities are proposed at a level of 60% of 140% of Medicare reimbursement rates. As currently provided, emergency care that is provided at an out-of-network facility will continue to be paid at in-network benefit levels, and the PPO plans' out-of-pocket annual maximum limits will continue at the same levels or caps on members' total annual medical costs.

The Committee also recommends continuing with the Kaiser HMO in 2015 as a separate medical plan option available to employees residing in Ventura County. Kaiser's 2015 renewal includes a rate decrease of 2.6%.

Over-age-65 retirees currently have four medical plan options: Kaiser HMO Senior Advantage Plan, Aetna OAMC PPO Plan, and Aetna Medicare Supplemental Plans F and N.

The Kaiser Senior HMO Advantage Plan and Aetna OAMC PPO Plan enrollees have a supplemental level of coverage after Medicare benefits are paid. Final 2015 proposed rates for the Kaiser Senior HMO Advantage Plan are proposed at a slight decrease of less than 0.5%. Aetna OAMC PPO is proposed at an 11% rate increase for 2015.

The Aetna Medicare Supplemental Plans F and N are available to Medicare-eligible retirees. The plans provide coverage availability nationwide through providers that participate in Medicare. The plans provide a level of coverage for all Medicare Parts A and B covered benefits. The Plan F high option plan covers all excess Part B charges in full with a higher premium; Plan N has a lower level of coverage and lower premium cost. The plan premium rates are age-band rates and set by county area of residency.

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. Delta Dental provided a two year rate guarantee on the current rates; the current 2014 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 increase is proposed for the 2015 VSP rates.

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 2015 EAP rate.

Flexible Spending Accounts (FSA) – Employer Paid Fees

The Health and Dependent Care Flexible Spending Accounts are administered by Conexis. No increase is proposed for the 2015 FSA rates.

Basic Life/AD&D and Long Term Disability Insurance – Employer Paid Premiums

Hartford Insurance Company administers the Basic Life/AD&D and Long Term Disability Insurance plans. No increases are proposed for the 2015 rates.

Employee and Spouse Supplemental Life Insurance Plans – Employee Paid Premiums

Hartford Insurance Company has offered an increase from \$300,000 to \$500,000 to the maximum coverage limit to the Employee and Spouse Supplemental Life Insurance plans. Increase in coverage may be elected by employees through completed applications filed during the Open Enrollment period. Coverage will be effective upon Hartford's coverage approval with employee-paid premiums charged at the same 2014 age-band rates.

Short Term Disability Insurance Plan – Employee Paid Premiums

Hartford Insurance Company administers the voluntary employee-paid Short Term Disability Insurance plans offered to Management, Police and Supervisors. No increases are proposed for the 2015 rates.

Benefits Broker/Consultant/Administration Services Outsourcing

The City's current broker of record is Wells Fargo Insurance Services, Inc. During 2014, the City conducted a review of brokerage firms. Several brokerage firms, including the City's current broker, were requested to submit proposals with their proposed fees for providing the current level of extensive services to the City in the areas of brokerage, consulting and direct administration functions. Proposals were reviewed and compared.

Wells Fargo Insurance Services, Inc. submitted a very competitive proposal with a fee reduction for 2015, and incorporated within the health plan premiums. Results of the vendor review were shared with the Employee Benefits Committee. Staff recommends approval of a contract for continuing services with Wells Fargo Insurance Services, Inc., due to the established depth of services they provide, the proposed competitive fee, and in consideration that Wells Fargo Insurance Services, Inc. has proven be a strong performer and partner for the City.

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 2015 at the proposed premium rates and fees.

Proposed 2015 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 2015 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 2015 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 Wells Fargo Insurance Services, Inc. for continuing contract services of brokerage, consulting, and benefits administration functions.

BUDGET/FINANCIAL INFORMATION:

No additional appropriations are needed. Established City contribution amounts and employee pre-tax payroll deductions will fund the Plan Year (calendar year) 2015 estimated overall benefit premium increase of \$1,654,893, or \$827,447 for January through June 2015 of Fiscal Year 2015.

- ATTACHMENTS:**
1. 2015 Medical Plans Monthly Premium Rates
 2. 2015 Aetna Medicare PPO Plan Monthly Premium Rates
 3. 2015 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Life and Disability Insurance Plan Monthly Premium Rates

PREPARED BY: Clare Turner, Sr. Human Resources Analyst

SUBMITTED BY: Kristine Schmidt, Administrative Services Director

APPROVED BY: City Administrator's Office

2015 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2014	PROPOSED 2015
HMO – Aetna		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 738.30	\$ 841.88
Employee and One Dependent	\$ 1,467.61	\$ 1,675.47
Employee and Family	\$ 1,905.20	\$ 2,175.63
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 529.57	\$ 515.68
Employee and One Dependent	\$ 1,050.11	\$ 1,022.98
Employee and Family	\$ 1,362.42	\$ 1,327.38
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 193.87	\$ 193.02
Retiree and One Dependent	\$ 378.70	\$ 377.68
PPO – Aetna Open Access Managed Care		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 791.89	\$ 903.14
Employee and One Dependent	\$ 1,604.03	\$ 1,831.40
Employee and Family	\$ 2,091.28	\$ 2,388.32
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 627.71	\$ 697.02
Retiree and One Dependent	\$ 1,241.68	\$ 1,380.32
PPO – Aetna Health Reimbursement Arrangement		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 559.11	\$ 637.07
Employee and One Dependent	\$ 1,109.17	\$ 1,265.78
Employee and Family	\$ 1,439.22	\$ 1,643.02
PPO – Aetna Health Savings Account		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 440.53	\$ 501.54
Employee and One Dependent	\$ 872.06	\$ 994.77
Employee and Family	\$ 1,130.95	\$ 1,290.67

**2015 Aetna Medicare Plan F and Plan N
Retiree Only Monthly Premium Rates**

State	County	Age Band	PROPOSED 2015 Aetna Plan F High Option	PROPOSED 2015 Aetna Plan N Low Option
California	Santa Barbara	<65	\$707.17	\$615.03
		65-69	\$382.31	\$356.71
		70-74	\$410.12	\$379.35
		75-79	\$442.57	\$406.64
		80-84	\$467.03	\$429.28
		85+	\$498.29	\$460.17
	Riverside	65-69	\$413.16	\$381.08
		70-74	\$456.07	\$415.04
		75-79	\$511.43	\$460.94
	Sacramento	65-69	\$385.84	\$359.20
		70-74	\$417.39	\$385.21
		75-79	\$438.17	\$403.40
	Ventura	<65	\$788.99	\$679.59
		65-69	\$408.55	\$377.08
70-74		\$454.13	\$413.89	
Colorado	Weld	<65	\$707.17	\$615.03
		65-69	\$382.31	\$356.71
		70-74	\$410.12	\$379.35
		75-79	\$442.57	\$406.64
		80-84	\$467.03	\$429.28
		85+	\$498.29	\$460.17
Oregon	Deschutes	65-69	\$385.84	\$359.20
		70-74	\$417.39	\$385.21
		75-79	\$438.17	\$403.40
Texas	Harris	<65	\$788.99	\$679.59
		65-69	\$408.55	\$377.08
		70-74	\$454.13	\$413.89
	Denton	65-69	\$413.16	\$381.08
		70-74	\$456.07	\$415.04
		75-79	\$511.43	\$460.94
Nevada	Clark	65-69	\$436.12	\$398.97
Washington	Pierce	65-69	\$384.30	\$354.83

All Counties are included where City Retirees currently reside.

2015 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Disability and Life Insurance Plans Monthly Premium Rates

PLAN	CURRENT 2014	PROPOSED 2015
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	\$ 4.67	\$ 4.67
Dependent Care Account/Participant/Month	\$ 4.67	\$ 4.67
Electronic Payment Card/Participant/Month	\$ 1.50	\$ 1.50
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)		
Voluntary Employee and Spouse Life Insurance	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
\$2,000 Voluntary Child Life Insurance	\$ 0.33	\$ 0.33
\$5,000 Voluntary Child Life Insurance	\$ 0.55	\$ 0.55
\$10,000 Voluntary Child Life Insurance	\$ 0.89	\$ 0.89