



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 27, 2016

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval of Benefit Plans Effective January 1, 2017

RECOMMENDATION: That Council:

- A. Approve renewal of the Blue Shield 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 City Administrator to execute any contracts or amendments to agreements or contracts, subject to approval as to form by the City Attorney, necessary to implement these benefit plan renewals.

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 Blue Shield 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, Blue Shield offers three Preferred Provider Organization (PPO) plans: Blue Shield PPO 80/60 Plan, Blue Shield Health Reimbursement Account and Blue Shield 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 negotiated with Blue Shield to ensure the renewal rates were well below the rate cap of an 11.9% increase set in place as part of the transition from Aetna to Blue Shield effective January 1, 2016. The City's broker was successful in reducing Blue Shield's originally proposed rate increase of 11.06% down to an 8% increase to current rates.

The Employee Benefits Committee met in August 2016 and again in September 2016 to review and discuss the medical claims experience and high cost trends, and 2017 renewal offers of all plan vendors. The Employee Benefits Committee recommends approval of the renewal of the Blue Shield benefit plans and proposed rates for 2017, since the current plans would remain in place without any benefit changes at rates below the expected 11.9% rate cap, and Blue Shield has proven to be a strong performer and partner for the City and its enrolled plan members.

The Committee also recommends continuing with the Kaiser HMO in 2017 as a separate medical plan option available to employees residing in Ventura County. Kaiser's 2017 renewal includes a rate decrease of 2.3%.

Over-age-65 retirees

Under Blue Shield, over-age-65 retirees who are eligible for Medicare may enroll in the plan option referred to as the Blue Shield Medicare Coordination of Benefits (COB) plan. The COB plan functions as a supplement to Medicare, providing coverage after Medicare benefits are paid. Over-age-65 retirees who are not eligible for Medicare may enroll in the Blue Shield PPO 80/60 plan. Both Blue Shield retiree plans are receiving an 8% increase to current rates.

The Kaiser Senior HMO Advantage Plan will continue to be available. Final 2017 proposed rates for the Kaiser Senior HMO Advantage Plan are proposed at a slight increase of 2.2%.

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 DMO rates; the current 2016 rates will be effective through December 31, 2017.

Vision Plan

Vision Service Plan (VSP) has maintained premium rates for the last four consecutive years. No increase is proposed for the 2017 VSP rates and those rates will remain in place through December 31, 2017.

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 2017 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 2017 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 2017 rates.

Employee and Spouse Supplemental Life Insurance Plans – Employee Paid Premiums

Hartford Insurance Company administers the voluntary employee-paid Supplemental Life Insurance plans offered to all benefited employees. No increases are proposed for the 2017 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 2017 rates.

Benefits Administration Fee

A benefits administration fee of \$8.34 per enrolled employee or retiree per month is built into the medical premium rates, which reflects fees charged by Emphyrean Benefit Solutions, the City's current benefits administration provider. Staff is currently negotiating a replacement benefits administration contract with Businessolver, Inc. under the same fee structure and will return to Council for approval when that contract is complete.

Summary

Staff and the Employee Benefits Committee recommend that the Blue Shield and Kaiser medical plans, Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans be renewed for 2017 at the proposed premium rates and fees.

Proposed 2017 monthly rates for Blue Shield HMO, Blue Shield PPO 80/60 Plan, Blue Shield Health Reimbursement Account PPO Plan, Blue Shield Health Savings Account PPO Plan and Kaiser HMO Plan for employees and retirees are listed in Attachment 1. Proposed 2017 monthly rates for the Blue Shield Medicare COB Plan for retirees over-age-65 are listed in Attachment 2.

Proposed 2017 monthly rates for Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans are listed in Attachment 3.

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) 2017 estimated overall benefit premium increase of \$960,804 which includes \$480,402 for January through June of Fiscal Year 2017.

- ATTACHMENTS:**
1. 2017 Medical Plans Monthly Premium Rates
 2. 2017 Medicare Coordination of Benefits Retiree Monthly Premium Rates
 3. 2017 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Life and Disability Insurance Plan Monthly Premium Rates

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SUBMITTED BY: Kristine Schmidt, Administrative Services Director

APPROVED BY: City Administrator's Office

2017 Medical Plans Monthly Premium Rates

MEDICAL PLAN	Current 2016	Current 2017
HMO - Blue Shield		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 825.21	\$ 890.56
Employee and One Dependent	\$ 1,642.13	\$ 1,772.83
Employee and Family	\$ 2,132.28	\$ 2,302.20
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 567.48	\$ 554.55
Employee and One Dependent	\$ 1,126.62	\$ 1,100.73
Employee and Family	\$ 1,462.10	\$ 1,428.48
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 193.68	\$ 197.85
Retiree and One Dependent	\$ 379.02	\$ 387.36
PPO (80/60) – Blue Shield		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 885.24	\$ 955.40
Employee and One Dependent	\$ 1,794.94	\$ 1,937.89
Employee and Family	\$ 2,340.72	\$ 2,527.31
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 389.76	\$ 420.27
Retiree and One Dependent	\$ 771.17	\$ 832.20
PPO – HRA – Blue Shield		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 624.50	\$ 673.79
Employee and One Dependent	\$ 1,240.63	\$ 1,339.21
Employee and Family	\$ 1,610.33	\$ 1,738.49
PPO – HSA – Blue Shield		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 491.68	\$ 530.35
Employee and One Dependent	\$ 975.04	\$ 1,052.38
Employee and Family	\$ 1,265.02	\$ 1,365.55

**2017 Medicare Coordination of Benefits (COB)
Retiree Monthly Premium Rates**

MEDICAL PLAN	Current 2016	Proposed 2017
Blue Shield Medicare COB		
Retiree/Surviving Spouse only	\$ 389.76	\$ 431.95
Retiree (Medicare) & Spouse	\$ 771.17	\$ 855.56
Kaiser Senior Advantage HMO		
Retiree/Surviving Spouse only	\$ 193.68	\$ 197.85
Retiree (Medicare) & Spouse	\$ 379.02	\$ 387.36

2017 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Disability and Life Insurance Plans Monthly Premium Rates

PLAN	CURRENT 2016	PROPOSED 2017
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)		
<u>Voluntary Employee and Spouse Life Insurance</u>	<u>Rates/\$10,000</u>	<u>Rates/\$10,000</u>
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