CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 25, 2007

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval Of Benefit Plans Effective January 1, 2008

RECOMMENDATION: That Council:

A. Approve renewal of the Aetna and Kaiser medical plans;
B. Approve the Aetna Medicare Open Plan for eligible over-age-65 retirees as a new medical plan offering supplemental plan coverage to Medicare benefits with the elimination of the Aetna HMO plan option for over-age-65 retirees;
C. Approve the Delta Dental prepaid dental plan as a replacement plan to the Golden West prepaid dental plan;
D. Approve renewal of current contracts for the Delta Dental DPO plan, Vision Service Plan, Employee Assistance Program (EAP), Flexible Spending Accounts, Hartford life and disability insurance plans, and Allstate voluntary disability plans; and
E. Authorize the Administrative Services Director to execute any necessary contracts or amendments to agreements or contracts.

DISCUSSION:

Each year the City obtains renewal rates for the benefit plans covering its active and retired employees. These benefit plans include medical, dental, vision, Employee Assistance Program, Health Care and Dependent Care Flexible Spending Accounts, life insurance, and disability insurance programs. Staff coordinated the renewal process with the City's benefits broker, ABD Insurance and Financial Services, and the Employee Benefits Committee, which has a representative from each of the City's employee groups.

Staff and the Employee Benefits Committee recommend that the City renew its agreements with all current health plan providers with the exception of replacing the Golden West prepaid dental plan with the recommended Delta Dental prepaid dental plan. As a 2008 lower priced medical plan offering for over-age-65 retirees, Staff recommends that the Aetna Medicare Open Plan be made available to retirees to address the need for affordable supplemental coverage to Medicare.

REVIEWED BY: _____Finance _____Attorney

Agenda Item No._____

Medical Plans

The City currently has contracts with Aetna and Kaiser (available to Ventura County residents only) to provide medical coverage to its employees and retirees. A Health Maintenance Organization (HMO) plan is offered by both carriers. In addition, Aetna offers a Preferred Provider Organization (PPO), the Aetna HealthFund - Health Reimbursement Account (a consumer driven high deducible PPO plan with a personal care account) and the Aetna HealthFund - Health Savings Account (an IRS qualifying high deductible PPO plan with a portable savings account funded through federal pre-tax payroll contributions).

Renewal rates for employees and retirees under age 65 were based on the claims experience of the pooled members. There are no recommended benefit changes to the Aetna and Kaiser medical plans. Final proposed overall rate increases are 7.7% for the Aetna HMO, 8.7% for the Aetna PPO and the Aetna HealthFund – Health Reimbursement Account, 8.6% for the Aetna HealthFund Health Savings Account, and 12.1% for the Kaiser HMO.

Over-age-65 retirees are enrolled in the Aetna PPO, Aetna HMO, and the Kaiser HMO. Medicare-eligible retirees enrolled in the Aetna PPO and the Kaiser HMO plans have a supplemental level of coverage after Medicare benefits are paid. Over-age-65 retirees may currently participate in the same Aetna HMO plan with employees and retirees under age 65. There are 32 retirees and 11 retiree-spouses that are over-age-65 enrolled in the Aetna HMO plan.

For the 2008 medical plans for over-age-65 retirees and their dependents, it is recommended that the Aetna PPO and Kaiser HMO plans continue, that the Aetna HMO plan be eliminated since it does not coordinate benefits with Medicare, and that the new Aetna Medicare Open Plan be offered as an additional choice for Medicare-eligible retirees and their dependents.

The Aetna Medicare Open Plan is a new 2007 product available to Medicare enrolled retirees with coverage nationwide through providers that accept Medicare assignment and Aetna terms and conditions. Retirees that enroll in this new plan will be able to maintain their same Aetna PPO or HMO providers if those providers participant in Medicare and fully accept Medicare assignment.

The Aetna Medicare Open Plan provides coverage for all Medicare Parts A and B covered benefits plus additional benefits not covered by Medicare, such as hearing aids, eyewear allowances and an open formulary prescription drug program. Plan members would pay a small copayment for services. If retirees receive services from providers that do not participate in Medicare, they may be billed up to 15% over the Medicare allowable limit.

The premium rates for the Aetna Medicare Open plan are based on the county where the retiree resides. There are currently 110 over-age-65 retirees enrolled in the City group retiree plans of which 95 reside in Santa Barbara County, 3 reside in other California counties and 12 reside in counties outside of California. Additional county rates will be provided as needed.

Proposed 2008 monthly medical premium rates for employees and retirees are listed in Attachment 1. Attachment 1 includes Aetna PPO rates for over-age-65 retirees not eligible for Medicare benefits.

The Aetna Medicare Open plan benefit summary is attached as Attachment 2 and the 2008 proposed monthly premium rates by county are listed in Attachment 3.

Affected retirees will be informed as to the medical plan changes in early October 2007.

Dental Plans
The current dental plan offerings include Delta Dental, a DPO plan (similar to a medical PPO model plan with a large provider network), and Golden West, a prepaid plan (similar to a medical HMO model plan with a smaller provider network).

The Delta Dental DPO 2008 renewal is a 3.5% increase.

The Golden West 2008 renewal is a 10% increase, for three consecutive years of 10% premium increases. Due to the annual increases, the City's broker of record, ABD Insurance and Financial Services, requested proposals from various prepaid dental carriers. Blue Cross, Delta Dental and Safeguard submitted proposals for their prepaid dental plans. The Employee Benefits Committee reached consensus on the recommendation to offer the Delta Dental prepaid plan, or DeltaCare USA, as a replacement plan to Golden West. DeltaCare USA is recommended due to their competitive premiums, lower co-payments for most services, demonstrated quality in services, and commitment to continuing the contractual relationship with the City as evidenced by their responsive conduct throughout the carrier review process. DeltaCare USA is offered at 2008 premiums rates that are approximately 48% below those of the Golden West renewal rates, with a 2009 rate guarantee.

Employees will be informed of the Golden West dental plan elimination and the new DeltaCare USA plan offering through Open Enrollment materials. Benefits assistance meetings will be held during Open Enrollment where employees can learn about the DeltaCare USA plan and have their questions addressed by a plan representative.

The proposed 2008 DeltaCare USA plan monthly premium rates and benefit summary are listed in Attachment 4.

Vision Plan
The Vision Service Plan (VSP) renewal for 2008 includes no change to the premium rate. For plan year 2007, VSP increased the premium by 2% with no change to the premium rate for the preceding four years.

Employee Assistance Program (EAP)
United Behavioral Health provides outpatient psychological services for the City's Employee Assistance Program. The renewal for 2008 includes no change to the premium rate for the fourth consecutive year.

Flexible Spending Accounts
The Health Care and Dependent Care Flexible Spending Accounts are administered by Conexis. The 2008 renewal fees have an overall increase of 4% with no change to the fees for the preceding four years.

Life and Disability Insurance Plans
The Hartford Insurance Company renewal includes no change to the current life insurance rates, no change to the voluntary short term disability rates, and a 12.0% reduction to the long term disability plan rates. Allstate will maintain the current individual policy rates for the voluntary disability programs.

The proposed 2008 monthly premium rates for Delta Dental DPO, VSP, EAP, Flexible Spending Accounts, and Hartford life and disability insurance plans are listed in Attachment 5.

Summary
Staff and the Employee Benefits Committee recommend that the Aetna and Kaiser medical plans be continued at the 2008 proposed rates listed in Attachment 1. It is recommended that the Aetna Medicare Open Plan be offered as an upcoming Open Enrollment option for Medicare-eligible retirees with the elimination of the Aetna HMO plan for over-age-65 retirees. The Aetna Medicare Open Plan benefit summary and plan rates are listed in Attachments 2 and 3. Based on consensus of the Employee Benefits Committee, it is recommended that DeltaCare USA dental plan replace the Golden West dental plan, with benefit summary and 2008 proposed rates as listed in Attachment 4. Delta Dental DPO, VSP, EAP, Flexible Spending Accounts, and Hartford life and disability insurance plans are recommended for approval at the proposed rates listed in Attachment 5. Staff further recommends the authorization of the Administrative Services Director to execute any necessary 2008 contracts or amendments to contracts.

BUDGET/FINANCIAL INFORMATION:

No additional appropriations are needed.

ATTACHMENTS:
1. 2008 Medical Plans Monthly Premium Rates
2. Aetna Medicare Open Plan Benefit Summary
3. 2008 Aetna Medicare Open Plan Monthly Premium Rates
4. 2008 Delta Dental Prepaid Plan Proposed Monthly Premium Rates and Benefit Summary
5. 2008 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Disability and Life Insurance Plans Monthly Premium Rates

PREPARED BY: Clare Turner, Benefits Analyst

SUBMITTED BY: Marcelo Lopez, Administrative Services Director

APPROVED BY: City Administrator's Office

2008 Medical Plans Monthly Premium Rates

HEALTH PLAN	CURRENT 2007	PROPOSED 2008
HMO - AETNA		
Active Employees and Retirees Under Age 65		
Employee Only	$415.71	$447.34
Employee and One Dependent	$819.70	$882.96
Employee and Family	$1,062.11	$1,144.35
Medicare Eligible Retirees		
Retiree Only	$415.71	N/A
Retiree and One Dependent	$819.70	N/A
Retiree and Family	$1,062.11	N/A
HMO - KAISER PERMANENTE		
Active Employees and Retirees Under Age 65		
Employee Only	$327.49	$366.45
Employee and One Dependent	$643.26	$721.18
Employee and Family	$832.72	$934.03
Medicare Eligible Retirees		
Retiree Only	$199.13	$210.46
Retiree and One Dependent	$386.54	$409.20
PPO - AETNA OPEN ACCESS MANAGED CARE PLAN		
Active Employees and Retirees Under Age 65		
Employee Only	$470.69	$511.29
Employee and One Dependent	$946.83	$1,029.54
Employee and Family	$1,232.49	$1,340.47
Medicare Eligible Retirees		
Retiree Only	$405.17	$435.35
Retiree and One Dependent	$795.56	$855.95
Retiree and Family (one with Medicare)	$1,166.97	$1,264.53
Non-Medicare Eligible Retirees		
Retiree Only	$470.69	$511.29
Retiree and One Dependent	$946.83	$1,029.54
HEALTH REIMBURSEMENT ARRANGEMENT - AETNA HRA		
Active Employees and Retirees Under Age 65		
Employee Only	$331.79	$360.10
Employee and One Dependent	$651.86	$708.48
Employee and Family	$843.90	$917.51
Medicare Eligible Retirees		
Retiree Only	N/A	N/A
Retiree and One Dependent	N/A	N/A
HEALTH SAVINGS ACCOUNT - AETNA HSA		
Active Employees and Retirees Under Age 65		
Employee Only	$284.74	$308.89
Employee and One Dependent	$557.76	$606.06
Employee and Family	$721.57	$784.36
Medicare Eligible Retirees		
Retiree Only	N/A	N/A
Retiree and One Dependent	N/A	N/A

Aetna Medicare Open Plan Benefit Summary

PLAN FEATURES	Cost Share
Deductible (per calendar year) Unless otherwise indicated, the Deductible must be met prior to benefits being payable	$0 Deductible
Member Coinsurance Applies to all expenses unless otherwise stated	None
Payment Limit (per calendar year) Includes deductible; certain other member cost sharing elements may not apply towards the Payment Limit	Unlimited
Lifetime Maximum	Unlimited except for where otherwise indicated
Primary Care Physician Selection	Not Applicable
Referral Requirements	None
PREVENTIVE CARE	**Cost Share**
Routine Physical Exams/Immunizations One annual exam/Pneumonia, Flu, Hepatitis B	Covered 100%
Routine Gynecological Care Exams One routine GYN visit and pap smear every 365 days	Covered 100%
Routine Mammograms One baseline mammogram for members 35-39; and one annual mammogram for members age 40 and over	Covered 100%
Routine Digital Rectal Exams / Prostate Specific Antigen Test For males age 40 and over	Covered 100%
Colorectal Cancer Screening For all members 50 and over	Covered 100%
Bone Density Testing	Covered 100%
Routine Eye Exam One annual exam	Covered 100%
Routine Hearing Screening One annual exam	Covered 100%
Hearing Aid Reimbursement	Up to $500 every 36 months
PHYSICIAN SERVICES	**Cost Share**
Primary Care Physician Visits	
Office hours	$15 copay
After Office Hours	$15 copay
Specialist Office Visits	$15 copay
Allergy Testing/Treatment For initial testing by a specialist; with or without physician encounter	$15 copay
DIAGNOSTIC PROCEDURES	**Cost Share**
Diagnostic Laboratory and X-Ray	$15 copay
EMERGENCY MEDICAL CARE	**Cost Share**
Urgent Care Provider	$35 copay
Non-Urgent use of an Urgent Care Provider	Not Covered
Emergency Room; Worldwide (waived if admitted)	$50 copay
Non-Emergency Care in an Emergency Room	Not Covered
Ambulance	$15 copay
HOSPITAL CARE	**Cost Share**
Inpatient Coverage	Covered 100%
Outpatient Surgery	Covered 100%

Aetna Medicare Open Plan Benefit Summary

MENTAL HEALTH SERVICES	
Inpatient Mental Illness Combined with Inpatient Substance Abuse	Covered 100% 190 Lifetime days
Outpatient Mental Illness	$25 copay
ALCOHOL/DRUG ABUSE SERVICES	
Inpatient Substance Abuse (Detox and Rehab) Combined with Inpatient Mental Health	Covered 100% 190 Lifetime days
Outpatient Substance Abuse (Detox and Rehab)	$15 copay
OTHER SERVICES	**Cost Share**
Skilled Nursing Facility 100 days per Medicare benefit period	$0 per day - days 1-10
Home Health Care	Covered 100%
Hospice Care	Covered by Medicare at a certified hospice
Outpatient Short-Term Therapy Speech, physical, cardiac and occupational	$15 copay
Chiropractic Care For manual manipulation of the spine to the extent covered by Medicare	$15 copay
Durable Medical Equipment/Prosthetic Devices	15%
Podiatry Limited to Medicare covered benefits only	$15 copay
Diabetic Supplies Includes test strips, lancets and glucometer	Covered 100%
Outpatient Complex Radiology	$15 copay
Outpatient Dialysis	$15 copay
Vision Eyewear Allowance	Lens Discounts
PHARMACY - PRESCRIPTION DRUG BENEFITS	**Cost Share**
Prescription drug calendar year deductible	None
Retail Pharmacy Up to one month (31 day) supply at indicated copay or coinsurance	$10 Copay for Generic $20 Copay for Preferred Brand $35 Copay Non-Preferred Brand
Mail Order Up to a three month (90 day) supply available via Aetna Rx Home Delivery	$20 Copay for Generic $40 Copay for Preferred Brand $70 Copay for Non-Preferred Brand
Catastrophic Coverage Catastrophic Coverage benefits start once $4,050 in true out-of- is incurred	Greater of $2.25 or 5% for covered generic (including brand drugs treated as generic) drugs. Greater of $5.60 or 5% for all other covered
Requirements:	
Precertification	Yes
Step-Therapy	No
Formulary	Open
Mandatory Generic	No

2008 Aetna Medicare Open Plan Monthly Premium Rates

All Rates are on a per member per month basis

State	Counties	Current Medicare Eligible Members	Medical Rate	Rx Rate	Total Rate
California	Santa Barbara	95	$56.07	$156.99	$213.06
California	Butte, Colusa, Kings, Lake, Mariposa, Merced, Siskiyou, Yuba	2	$148.37	$156.99	$305.36
California	Kern, Riverside, San Luis Obispo, Ventura	1	$186.57	$156.99	$343.56
Hawaii	Kauai	1	$53.87	$156.99	$210.86
Illinois	Cook, Du Page, Lake, Will	1	$221.37	$156.99	$378.36
Montana	Flathead, Gallatin, Golden Valley, Ravalli, Rosebud, Sanders, Sweet Grass, Treasure, Wheatland, Yellowstone	1	$131.17	$156.99	$288.16
Nevada	Clark, Nye	1	$233.07	$156.99	$390.06
New Mexico	Bernalillo, Cibola, Hidalgo, Sandoval, Taos, Valencia	1	$12.47	$156.99	$169.46
Oregon	Crook, Deschutes, Lake, Lincoln, Wasco	1	$117.07	$156.99	$274.06
Oregon	Jackson, Lane, Linn	1	$235.37	$156.99	$392.36
Texas	Austin, Harris, Jasper, Jefferson, Liberty, Orange, San Jacinto	1	$78.57	$156.99	$235.56
Texas	Denton, Erath, Hood, Navarro, Tarrant, Van Zandt, Wise	1	$122.37	$156.99	$279.36
Texas	Cooke, Grayson, Henderson, Palo Pinto	1	$205.77	$156.99	$362.76
Washington	Clallam, Island, King, Kittitas, Pierce, Snohomish, Walla Walla	2	$92.77	$156.99	$249.76

All counties are included where Medicare Open is available

2008 Delta Dental Prepaid Plan Proposed Monthly Premium Rates and Benefit Summary

	Prepaid Golden West Plan 2008 Elimination	**Prepaid Delta Dental 2008 Proposed Offering**
2008 Premium Rates		
Employee	$31.81	**$15.97**
Employee + 1 Dependent	$54.70	**$28.56**
Employee + Family	$82.14	**$42.26**
Benefits		
Diagnostic/Preventive		
Periodic Oral Evaluation	No Charge	**No Charge**
Cleaning	No Charge	**No Charge**
X-rays; Complete Series	No Charge	**No Charge**
Restorative (Fillings)		
Amalgam (One Surface)	$8	**$5**
Resin, 4+ Surfaces, Incisal Angle, Anterior	$100	**$40**
Endondontics (Root Canal)		
Anterior – 1 Canal	$100	**$85**
Molar – 3 Canals	$200	**$280**
Apicoectomy, Anterior	$130	**$90**
Periodontics		
Gingivectomy/Quadrant	$100	**$135**
Osseous Surgery	$200	**$300**
Scaling/Quadrant	$60	**$40**
Oral Surgery		
Extraction, Erupted Tooth	$30	**$45**
Impacted Tooth, Completely Bony	$120	**$95**
Crowns/Dentures		
Porcelain	$250	**$195**
Complete Denture	$250	**$215**
Orthodontics		
Diagnostic Consultation/Services	$350	**$225**
Orthodontic Retention	$300	**$275**
24 – Month Treatment – Children	$1,845	**$1,700**
24 – Month Treatment – Adults	$2,045	**$1,900**

2008 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Disability and Life Insurance Plans Monthly Premium Rates

HEALTH PLAN	CURRENT 2007	PROPOSED 2008
DPO - DELTA DENTAL PLAN		
Employee Only	$47.26	$48.93
Employee and One Dependent	$83.64	$86.59
Employee and Family	$134.08	$138.81
VISION SERVICE PLAN		
Employee Only	$6.73	$6.73
Employee and One Dependent	$13.36	$13.36
Employee and Family	$20.49	$20.49
EMPLOYEE ASSISTANCE PROGRAM (City Paid)		
Employee and Family	$1.65	$1.65
FLEXIBLE SPENDING ACCOUNT ADMINISTRATION COSTS (City Paid)		
Health Care Account/Participant/Month	$5.50	$4.25
Dependent Care Account/Participant/Month	$5.50	$4.25
Electronic Payment Card/Participant/Month	Included above	$1.50
Grace Period Processing/Participant/Year	$3.00	$3.00
SHORT TERM DISABILITY INSURANCE - HARTFORD (Employee Voluntary)		
Managers	$22.02	$22.02
Supervisors	$19.82	$19.82
Police	$14.61	$14.61
LONG TERM DISABILITY INSURANCE - HARTFORD (City Paid)		
All Employees except Police and Fire	0.665/$100	0.585/$100
BASIC LIFE AND AD & D INSURANCE - HARTFORD (City Paid)		
All Employees	0.21/$1,000	0.21/$1,000
SUPPLEMENTAL EMPLOYEE, SPOUSE AND CHILD LIFE INSURANCE - HARTFORD (Employee Voluntary)		
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
Voluntary Child Life Insurance		
$2,000	0.33	0.33
$5,000	0.55	0.55
$10,000	0.89	0.89