



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 2, 2012

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval of Benefit Plans Effective January 1, 2013

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.

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, Inc. 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 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 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 2013 premium rate quotes based on the same current plan designs. Six medical carriers, including our current carrier Aetna, were sent requests for proposals with five carriers responding: Aetna, Blue Shield, CIGNA, Health Net, and United Healthcare. Anthem Blue Cross declined to quote. United Healthcare submitted a competitive quote as well as our current carrier, Aetna.

The Employee Benefits Committee met several times to review United Healthcare's proposal and quotes, and the proposed Aetna renewal offer. The Employee Benefits Committee recommends approval of the renewal of the Aetna plans for 2013. The Aetna HMO rates will increase by 15.8% with a plan design change to the co-pays for urgent care visits (\$100 → \$50) and emergency room visits (\$100 → \$150) for the Aetna HMO plan. The rates for the Aetna PPO will increase by 0.05%; the Aetna Health Savings Account (HSA) will increase by 0.05%; and the Aetna Health Reimbursement Account (HRA) will increase by 8.7%.

The Committee also recommends continuing with the Kaiser HMO in 2013 as a separate medical plan option available to employees residing in Ventura County. Kaiser's 2013 renewal includes a rate increase of 7.9%.

Over-age-65 retirees have three medical plan options: Aetna Medicare PPO Plan, Aetna Open Access Managed Care PPO Plan, and Kaiser HMO Senior Advantage Plan.

Medicare-eligible retirees enrolled in the Aetna Medicare PPO Plan have coverage availability nationwide through providers that accept Medicare assignment. The 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. Retiree premium rates are set by county area and charged based on the county of residency. There are currently 114 over-age-65 retirees enrolled in the Plan of which 106 reside in Santa Barbara County. Proposed Plan rates for the counties in which retirees are enrolled include an average rate increase of 4.9%. Additional rates, by state and county, will be provided if needed.

The Aetna Open Access Managed Care PPO and Kaiser Senior HMO Advantage Plan enrollees have a supplemental level of coverage after Medicare benefits are paid. Final 2013 proposed rates for the Aetna Open Access Managed Care PPO is presented with a 0.06% increase for 2013. The regionally rated Kaiser Senior HMO Advantage Plan is proposed at a 2.18% increase from the current 2012 rates.

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 increases are proposed for both the Delta Dental DPO and the Delta Dental DMO rates.

Vision Plan

Vision Service Plan (VSP) has maintained stable premium rates for the last three consecutive years. No increases are proposed for the 2013 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 2013 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 2013 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 2013 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 2013 STD rates.

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 2013 at the proposed premium rates and fees.

Proposed 2013 monthly rates for Aetna HMO, Aetna Open Access Managed Care 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 2013 monthly rates for the Aetna Medicare PPO Plan for retirees over-age-65 are listed in Attachment 2 and are based on the counties where retirees currently reside.

Proposed 2013 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 (calendar) Year 2013 estimated overall benefit premium increase of \$1,425,777 or \$712,889 for FY 2012-2013 (January through June 2013).

- ATTACHMENTS:**
1. 2013 Medical Plans Monthly Premium Rates
 2. 2013 Aetna Medicare PPO Plan Monthly Premium Rates
 3. 2013 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Life and Disability Insurance Plan Monthly Premium Rates

PREPARED BY: Barbara Barker, Human Resources Manager

SUBMITTED BY: Marcelo López, Assistant City Administrator / Administrative Services Director

APPROVED BY: City Administrator's Office

2013 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2012	PROPOSED 2013
HMO – Aetna		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 556.86	\$ 644.35
Employee and One Dependent	\$ 1,101.74	\$ 1,276.33
Employee and Family	\$ 1,428.68	\$ 1,655.53
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 493.61	\$ 532.58
Employee and One Dependent	\$ 975.82	\$ 1,052.75
Employee and Family	\$ 1,264.97	\$ 1,364.86
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 182.59	\$ 186.57
Retiree and One Dependent	\$ 353.18	\$ 360.74
PPO – Aetna Open Access Managed Care		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 690.39	\$ 690.79
Employee and One Dependent	\$ 1,394.15	\$ 1,394.55
Employee and Family	\$ 1,816.38	\$ 1,816.78
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 606.86	\$ 607.26
Retiree and One Dependent	\$ 1,197.01	\$ 1,197.41
PPO – Aetna Health Reimbursement Arrangement		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 450.37	\$ 489.07
Employee and One Dependent	\$ 888.73	\$ 965.73
Employee and Family	\$ 1,151.75	\$ 1,251.73
PPO – Aetna Health Savings Account		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 385.92	\$ 386.32
Employee and One Dependent	\$ 759.86	\$ 760.26
Employee and Family	\$ 984.20	\$ 984.60

2013 Aetna Medicare PPO Plan Monthly Premium Rates

Retiree Only rates:

State	County	CURRENT 2012	PROPOSED 2013
Arizona	Cochise, Greenlee, Pima, Yavapai,	\$ 371.90	\$ 372.30
California	Santa Barbara	\$ 284.10	\$ 299.30
	Kern, Riverside, San Luis Obispo, Ventura	\$ 407.30	\$ 407.70
	Fresno, Sacramento	\$ 257.10	\$ 266.00
Oregon	Crook, Deschutes, Lake, Lincoln, Wasco	\$ 407.30	\$ 407.70
Texas	Austin, Harris, Jasper, Jefferson, Liberty, Orange, San Jacinto	\$ 257.10	\$ 257.50
	Denton, Erath, Hood, Navarro, Tarrant, Van Zandt, Wise	\$ 284.10	\$ 284.50
Washington	Clallam, King, Pierce, Snohomish, Walla Walla	\$ 257.10	\$ 266.00

All Counties are included where City Retirees currently reside.

**2013 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts,
Disability and Life Insurance Plans Monthly Premium Rates**

PLAN	CURRENT 2012	PROPOSED 2013
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