



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 29, 2015

TO: Mayor and Councilmembers

FROM: Human Resources, Administrative Services Department

SUBJECT: Approval of Employee Benefit Plans Effective January 1, 2016

RECOMMENDATION: That Council:

- A. Approve the Blue Shield medical plans as replacement plans to the Aetna medical plans;
- B. Approve renewal of the Kaiser Permanente medical plan, Delta Dental Plans, Vision Service Plan, Employee Assistance Program, Flexible Spending Accounts, and Hartford Life and Disability Insurance Plans; and
- C. Authorize the City Administrator to execute any necessary contracts or amendments to contracts for the 2016 plan year, which begins January 1, 2016.

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 (EAP), 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 recommend that the City approve the Blue Shield medical plans as replacement to the Aetna medical plans and renew its agreements with the Kaiser medical plan and other current health, life and disability plan providers.

Medical Plans

The City currently has contracts with Aetna and Kaiser Permanente (the latter being 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 (HRA) Plan; and Aetna Health Savings Account (HSA) Plan.

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 the 2016 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 2016 renewal rates.

The Employee Benefits Committee met several times over the summer to review and discuss the medical claims experience and high cost trends; 2016 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 Blue Shield benefit plans and proposed rates for 2016, as the final rate comparison between Blue Shield and Aetna resulted in a 6.5% difference. The Blue Shield plans offer competitive comparable coverage, minimum disruption to available providers, and an average 2% decrease in 2016 employee premiums versus current 2015 rates with a second year rate cap of 11.9%.

The estimated aggregate City savings in calendar year 2016 from contracting with Blue Shield rather than Aetna is \$118,268 to the General Fund and \$194,404 Citywide. In subsequent plan years, should the City stay with Blue Shield, the City will need to fund employee HRA accounts, which will reduce some of the difference in cost to the City on an ongoing basis. The savings to employees who pick up part of their own premium costs will also be significant, however, and these savings will not be affected by the HRA funding change in subsequent years.

The Committee also recommends continuing with the Kaiser HMO in 2016 as a separate medical plan option available to employees residing in Ventura County. Kaiser's 2016 renewal includes a rate increase of 10.1%. However, Kaiser's rates remain very competitive.

Retirees under age 65 are eligible for the same plans and premium rates as active employees.

Over-age-65 Retirees

Blue Shield does not have the same plan structure as Aetna with regard to options for over-age-65 retirees, but benefits are generally comparable. Currently over-age-65 retirees who are Medicare eligible have three Aetna medical plan options available: Aetna Supplement to Medicare OAMC/PPO Indemnity Plan, and Aetna Medicare Supplemental Plans F and N. Over-age-65 retirees who are not Medicare eligible may enroll in the Aetna OAMC PPO plan.

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 offers comparable coverage and a 10.8% average decrease in premiums for retirees. 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.

The Kaiser Senior HMO Advantage Plan will continue to be available to Ventura County residents. Final 2016 proposed rates for the Kaiser Senior HMO Advantage Plan are proposed at a slight increase of 0.3%.

Dental Plans

The current dental plan offerings include the Delta DPO plan (similar to a medical PPO model plan with a large provider network) and the DeltaCare HMO 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 for the Delta Dental HMO only; the current Delta Dental HMO 2015 rates will be effective through December 31, 2017.

Vision Plan

Vision Service Plan (VSP) proposed no rate increase for the 2016 plan year, with a two year rate guarantee; the current 2015 rates will be effective 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 2016 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 2016 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 2016 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 2016 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 2016 rates.

Summary

Staff and the Employee Benefits Committee recommend the approval of the Blue Shield plans as replacement to the City's current Aetna plans. Additionally, they recommend that the Kaiser medical plans, Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans be renewed for 2016 at the proposed premium rates and fees.

Proposed 2016 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 2016 monthly rates for the Blue Shield Medicare COB Plan for retirees over-age-65 are listed in Attachment 2.

Proposed 2016 monthly rates for Delta Dental, VSP, EAP, FSA, Hartford Life/AD&D and Disability Insurance Plans are listed in Attachment 3.

BUDGET/FINANCIAL INFORMATION:

The City budgeted for a 10% increase to medical premiums effective January 2016. The change to Blue Shield will result in a budget savings of \$135,992 to the General Fund and \$225,568 Citywide during the last half of Fiscal Year 2016.

- ATTACHMENT(S):**
1. 2016 Medical Plans Monthly Premium Rates
 2. 2016 Blue Shield Medicare PPO Plan Monthly Premium Rates
 3. 2016 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

2016 Medical Plans Monthly Premium Rates

MEDICAL PLAN	CURRENT 2015 (Aetna)	PROPOSED 2016 (Blue Shield)
HMO		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 841.88	\$ 825.21
Employee and One Dependent	\$ 1,675.47	\$ 1,642.13
Employee and Family	\$ 2,175.63	\$ 2,132.28
HMO – Kaiser Permanente		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 515.68	\$ 567.48
Employee and One Dependent	\$ 1,022.98	\$ 1,126.62
Employee and Family	\$ 1,327.38	\$ 1,462.10
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 193.02	\$ 193.68
Retiree and One Dependent	\$ 377.70	\$ 379.02
PPO (80/60)		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 903.14	\$ 885.24
Employee and One Dependent	\$ 1,831.40	\$ 1,794.94
Employee and Family	\$ 2,388.32	\$ 2,340.72
<u>Medicare Eligible Retirees</u>		
Retiree Only	\$ 697.02	\$ 389.76
Retiree and One Dependent	\$ 1,380.32	\$ 771.17
PPO – HRA		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 637.07	\$ 624.50
Employee and One Dependent	\$ 1,265.78	\$ 1,240.63
Employee and Family	\$ 1,643.02	\$ 1,610.33
PPO - HSA		
<u>Active Employees and Retirees Under Age 65</u>		
Employee Only	\$ 501.54	\$ 491.68
Employee and One Dependent	\$ 994.77	\$ 975.04
Employee and Family	\$ 1,290.67	\$ 1,265.02

**2016 Blue Shield Medicare Coordination of Benefits (COB)
Retiree Only Monthly Premium Rates**

MEDICAL PLAN	PROPOSED 2016
Blue Shield Medicare COB	
Retiree/Surviving Spouse only (Medicare)	\$ 389.76
Retiree (Medicare) & Spouse (Medicare)	\$ 771.17
Kaiser Senior Advantage HMO	
Retiree/Surviving Spouse only (Medicare)	\$ 193.68
Retiree (Medicare) & Spouse (Medicare)	\$ 379.02

2016 Dental, Vision, Employee Assistance Program, Flexible Spending Accounts, Disability and Life Insurance Plans Monthly Premium Rates

PLAN	CURRENT 2015	PROPOSED 2016
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