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Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

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SUBJECT: Renewal of Employee Insurance Plans and Programs

RECOMMENDATION:

Authorize the Air Pollution Control Officer to renew and enter into multiple employee benefit insurance contracts to become effective January 1, 2006 as follows:

- Enter into a 1 year contract with Aetna to provide a Health Maintenance Organization (HMO) and Point-of-Service (POS) medical insurance plans
- Enter into a one year contract with Benesyst to administer our IRS Section 125 (cafeteria) and 132 (transportation) plans
- Renew 1 year contract with Met Life Dental
- Renew 1 year contract with Vision Service Plan/ABD municipality pool to provide vision insurance
- Renew the Standard Long Term Disability benefit plan
- Renew the Standard Voluntary Term Life benefit plan
- Renew the Standard Management Life & Accidental Death & Dismemberment (ADD)
- Renew the AIG Voluntary Personal Accident benefit plan

- Renew the AFLAC Supplemental Catastrophic Insurance programs (cancer and intensive care insurance)
- Renew the Managed Health Network Employee Assistance Insurance program

DISCUSSION:

One of the goals of our agency is to provide employees with health benefit programs that meet their needs. These needs include quality care, an adequate choice of providers, and the ability to select from a variety of options and costs.

Our broker, ABD Insurance and Financial Services, performed a thorough review of all of the APCD’s benefit providers this year and ultimately sent our health plan out to bid. This review was necessary in that our current health insurance carrier, Blue Shield of California, offered us a renewal that would have resulted in a composite increase of 28% over our current rates. Staff is recommending changes to the APCD’s major medical policy as well as our third party administrator for our cafeteria and transportation flexible spending plans. These recommended changes are outlined below.

Insurance companies typically do not provide a copy of an actual “contract” when providing coverage. Rather, they provide applications for coverage or descriptions of coverage that form the basis of the policies. Existing benefit plans already in place, such as vision, dental, and voluntary life will automatically renew. The summaries below reflect information received from the companies, while the actual applications and policy descriptions from Aetna, Benesyst, and Managed Health Network are attached to this staff report. Each “contract” becomes effective with the submittal of an application that includes the first premium.

Major Medical

Our insurance brokers, ABD, recommended putting our major medical account out to quote due to a significant proposed increase in premiums from our current carrier, Blue Shield of California. After a careful review of the renewal rates offered by our current health insurance provider (Blue Shield of California) and their competitors, staff is recommending the APCD switch to Aetna. Our current health insurance carrier proposed a composite increase of 28% to our health insurance premiums for the 2006 plan year. Our insurance broker, ABD, sought quotes from other carriers for our 2006 plans. We received quotes from 3 additional carriers as a result of this marketing. Aetna quoted a 14% composite increase to our current rates, PacifiCare a 34% increase and Health Net a 41% increase. The Blue Shield and Aetna HMO plans are very similar in benefits structure and provide access to the same hospitals and most of the same medical groups. The Point of Service (POS) subscribers will lose access to an HMO level of benefit with the Aetna Open Access™ Managed Choice plan. The current 2005 and proposed 2006 renewal rates are as follows:

<u>Blue Shield – HMO</u>	<u>2005 Rate</u>	<u>Aetna – HMO</u>	<u>2006 Rate</u>
Employee Only	\$298.98	Employee Only	\$313.55
Employee + one	\$550.12	Employee + one	\$687.90

Family	\$879.00	Family	\$912.08
<u>Blue Shield P.O.S.</u>	<u>2005 Rate</u>	<u>Aetna P.O.S.</u>	<u>2006 Rate</u>
Employee Only	\$448.63	Employee Only	\$549.61
Employee + one	\$740.38	Employee + one	\$1144.79
Family	\$1130.20	Family	\$1409.22

Flexible Benefits Plan

The APCD maintains an IRS Section 125 plan which allows certain benefit premiums to be deducted from an employee's pay on a pre-tax basis. This plan also allows employees to set aside monies on a pretax basis for eligible medical and dependent care expenses.

In 2004, the APCD established an IRS section 132 plan which allows employees to set aside up to \$105 per month to pay for commuting expenses including mass transit and van pool expenses. Maintaining this plan will be beneficial to employees and will reaffirm the APCD's mission of providing clean air.

Staff is recommending switching Third Party Administrators (TPA) for these plans from FlexPro by Conexis to Benesyst. Over the past year and a half, we have experienced a significant decline in service to our account. Our cafeteria plan with Benesyst will remain the same except for an extended run-off period in which employees can incur eligible expenses and the addition of a direct deposit feature for employees.

Dental

Staff recommends renewing the MetLife policy for dental insurance coverage. There will be a composite increase of 15% in the premiums, however the relative affordability of the dental premiums did not warrant a change in carriers. Under the MetLife plan, employees are offered two levels of coverage which remains the same as last year. The APCD pays the majority of the cost of the employee-only component of this benefit for premiums of up to \$21.21 per month for ETA members and \$27.50 per month for all other employees. The remaining premium is picked up by the employees pursuant to their respective Memorandum of Understandings (MOU's).

Under the MetLife Preferred Dentist Program (PDP), employees receive diagnostic and preventative services at 100% of the PDP fee; basic and restorative services are provided at 80% of the PDP fee; major restorative services are covered at 50% of the PDP fee and; child orthodontia is covered at 50% of the PDP fee up to \$1,500 per calendar year. Under the non-PDP plan (out of network), employees receive diagnostic and preventative services at 80% of the Reasonable and Customary (R&C); basic and restorative services are provided at 60% of the R&C; major restorative services are covered at 40% of the R&C and; child orthodontia is covered at 50% of the R&C up to \$1,500 per calendar year. The monthly rates and recommendations for dental are as follows:

<u>MetLife</u>	<u>2005 Rate</u>	<u>2006 Rate</u>
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Employee Only	\$26.12	\$29.87
Employee + spouse	\$52.67	\$60.24
Employee + child	\$63.93	\$73.11
Family	\$90.49	\$103.48

Vision

Staff is recommending renewing our policy with Vision Service Plan/ABD municipality pool (VSP). Premiums have been increased by 2% this year, however this rate is guaranteed until January 2008.

<u>VSP</u>	<u>2005 Rate</u>	<u>2006 Rate</u>
Employee Only	\$6.55	\$6.69
Two Party	\$9.66	\$9.86
Family	\$16.95	\$17.30

Long Term Disability (LTD) - The APCD provides this coverage for all its employees in a group long-term disability program. This is a disability plan that provides an employee a benefit of 60% of earnings if he/she is disabled from their own occupation for up to two years or any occupation up to age 65. The current plan is provided through Standard Insurance and the APCD is currently in the second year of a three year rate lock on this plan.

Voluntary Life - Our Voluntary Life product is also offered through Standard Insurance. The APCD is currently in the second year of a three year rate lock on this plan. This benefit is 100% employee funded.

Management Life & Accidental Death & Dismemberment (ADD) - We provide group term life & AD&D insurance of \$20,000 for each management, supervisory, and confidential employee through Standard Insurance; the APCO is provided with \$50,000 coverage. We are currently in the second year of a three year rate lock for this plan.

Personal Accident Insurance - We offer our employees the ability to purchase Personal Accident Insurance through AIG. As the Personal Accident plan is a difficult program design to replace, staff is recommending this program be renewed with AIG. There is no cost to the APCD for the Personal Accident Insurance.

Catastrophic Care Programs - These are products offered through AFLAC that enable employees to voluntarily purchase portable catastrophic care programs in the event of a serious illness. Costs are fully funded by the employee and are based on age at entry into the program and level of coverage desired.

Employee Assistance Program – This benefit offered by Managed Health Network (MHN) is diverse in that it offers a range of services to both APCD management and employees. Services range from face to face counseling with licensed professionals to telephonic consultations

regarding personal finance issues. The APCD received a rate pass last year for this benefit. The new monthly rate for this program will increase by 6% increasing our premiums from \$5.39 to \$5.71 per employee per month. The APCD is obligated to maintain this benefit in accordance with employee MOU provisions. The plan is complimentary to the mental health benefits offered in our medical plans.

Fiscal Impact

Increases in contributions to our benefits programs were anticipated and appropriately planned for in the 2005/2006 budget. There will be a one-time cost of \$1,500 to design and set up our flexible spending plan with Benesyst. However, there will be a recurring savings of \$300 annually as a result of lower premiums charged by Benesyst. The 6% increase proposed for the APCD's Employee Assistance Program renewal will result in an additional \$200 annually. Thus, the fiscal impact to the APCD from this action totals \$1,700 for calendar year 2006 and \$200 per calendar year thereafter. Upon Board authorization, staff will take the steps necessary to renew the programs discussed above.