

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

263



FROM: Human Resources Dept.

SUBMITTAL DATE: August 29, 2003

SUBJECT: Employee and Retiree Medical and Dental Plans - 2004 Rate Increases.

RECOMMENDED MOTION: That the Board of Supervisors approve the employee and retiree medical and dental plan renewal rates for the 2004 plan year and authorize the increased amounts.

BACKGROUND: In 2002, the County of Riverside successfully negotiated with insurance carriers to contract directly for medical insurance coverage for the 2003 plan year, in order to exit the CalPERS system. This resulted in the County and its employees having the opportunity to pay less for medical insurance coverage, to be able to provide programs with a Wellness emphasis, as well as address employees' health concerns more effectively to better manage the overall health of employees. The CalPERS 2003 rates were significantly higher than the rates the County was successful in negotiating with the three carriers selected by the County's joint Labor-Management Healthcare Committee to provide medical insurance plans to its employees and their dependents. The County has now finalized its rate negotiations with these insurance carriers for the 2004 plan year. Based on the CalPERS 2004 rate increases, the County will again realize significant cost savings for 2004 as a result of contracting with the carriers directly.

(Continued on Page Two)

Barbara D. Thorne for Ron Komers

Ronald W. Komers
Asst. County Executive Officer/
Human Resources Director

FINANCIAL DATA:

CURRENT YEAR COST: -0-

ANNUAL COST: -0-

NET COUNTY COST: N/A

IN CURRENT YEAR BUDGET: N/A

BUDGET ADJUSTMENT: NO

FOR FY: 2003/2004

SOURCE OF FUNDS: County Flex Benefits dollars allocated to employees' health benefits.

C.E.O. RECOMMENDATION:

APPROVE

[Signature]

COUNTY EXECUTIVE OFFICER SIGNATURE

Consent Policy
 Policy
 Consent

Department Recommendation:
Per Executive Office:

Prev. Agn. Ref.

Dist. *ALL*

AGENDA NO.

3.54

Based on 2003 enrollment to date, the County projects a total savings of \$2,890,000 over the CalPERS costs for the 2003 plan year. The projection for 2004 is further cost savings of around \$4,450,000 over what County employees would have to pay, had the County continued in the CalPERS system in 2004 (refer to Attachment A for details). Over the two year period, this equates to a combined savings of \$7,340,000. During the transition last year, employees experienced minimal disruption because most were able to retain the health plan in which they were enrolled under CalPERS. There has been very favorable employee feedback on the Human Resources Benefits Information Line about the new plans provided through this direct-contracting arrangement. No changes in plan options or benefit plan design have been made to any of the medical plans for 2004. We project this will result in far fewer employees making changes to their benefit plans during the upcoming annual enrollment period, which will assist in minimizing the additional administrative burden on Human Resources that the annual enrollment period has historically created.

For those bargaining units continuing in the CalPERS system, medical rates have increased as outlined in Attachment A. CalPERS continues to reduce benefits and increase co-payments for certain services under the HMO plans, including emergency room and prescription drug co-payments. The County of Riverside is pleased to have been able to maintain all benefit levels for its medical plans for 2004.

For County retirees over age 65 who participate in a retiree medical plan (retirees under 65 use the employee plans), there is a rate increase for all plans in 2004. There will be no changes in benefit levels. The rates will increase 5% - 22.6% for PacifiCare's Medicare replacement and Medicare supplement plans (also outlined in Attachment A). Exclusive Care has underwritten a separate retiree plan for retirees over 65 for 2004 -- Senior Exclusive Care (the plan offered previously was the same as the employees' plan). This plan will coordinate with Medicare, and retirees who live outside Riverside County will also be able to enroll in a Senior Exclusive Care out-of-area plan. The rates are competitive with the other retiree plans offered by the County. The Kaiser Senior Advantage Medicare replacement plan has experienced a very large increase in the rate categories of single retiree and two-party over 65. This is due to an underwriting error by Kaiser in the rating of its plan in 2003. Kaiser has had to adjust these categories for 2004 to correct the deficit in premiums collected in 2003.

Dental plan rates for 2004 have also been negotiated (refer to Attachment A). The three United Concordia dental plans will not have a rate increase in 2004 because these plans have experienced stable utilization. The Local Advantage Basic plan was frozen to new membership last year due to the negative loss ratio; claims continue to outweigh premiums despite plan design changes implemented for 2003. The Basic plan will therefore be terminated effective January 1, 2004. Current participants will be automatically rolled to the Local Advantage Plus plan, and will confirm their selection by completing their benefits election form, selecting an alternate dental plan option if desired. The Local Advantage Plus plan has experienced a rate increase to account for continued high utilization, although utilization is stabilizing. The plan will be expanded to include additional dentists for 2004 to provide employees living in geographic areas not currently covered by the network the opportunity to join the plan. The new Freedom Dental plan implemented last May will see a small increase based on dental industry trend only, since no valid claims experience is yet available. Human Resources includes an administration fee in all medical and dental rates for 2004 to cover administrative expenses incurred by HR.

Riverside County spends nearly \$70 million on its health benefits program each year, and holds benefit fairs during the annual enrollment period to ensure optimum communication of our valuable benefits programs to all employees. Human Resources will be holding additional benefit fairs this year at County sites where benefit fairs have not been held in the past. Human Resources is placing an

emphasis on employee wellness and health education in the annual enrollment communication materials, as well as providing information to educate employees about taking full advantage of their health benefits. Additionally, HR is focusing on collaborating with its health plan partners to implement additional wellness programs as well as intensive disease management programs for employees identified with high-risk diseases such as diabetes, coronary artery disease, asthma and depression. Now that all County medical plans are self-funded or experience-rated, it is important to emphasize that maintaining an employee population that is as healthy as possible can have a positive impact on controlling future costs of our medical plans.

ATTACHMENT A

County of Riverside
2004 Medical Renewal Rates
Active Employees and Early Retirees

	Enrollment as of May, 2003	County of Riverside			CalPERS				
		2003 Current	2004 Renewal	\$S Increase	Percent Increase	2003 Current	2004 Renewal	\$S Increase	Percent Increase
Exclusive Care									
Single	1466	\$186.22	\$206.00	\$19.78	10.6%	N/A	N/A	N/A	N/A
Two-Party	581	\$381.98	\$420.00	\$38.02	10.0%	N/A	N/A	N/A	N/A
Family	1068	\$447.18	\$528.00	\$80.82	18.1%	N/A	N/A	N/A	N/A
Annual Sub-total	3115	\$11,670,204	\$13,319,040	\$1,648,836.00	14.1%	N/A	N/A	N/A	N/A
Health Net									
HMO									
Single	493	\$218.82	\$252.00	\$33.18	15.2%	<u>Blue Shield HMO</u> \$269.25	<u>Blue Shield HMO</u> \$317.22	\$47.97	17.8%
Two-Party	228	\$470.88	\$543.00	\$72.12	15.3%	\$536.50	\$632.44	\$95.94	17.9%
Family	284	\$646.52	\$747.00	\$100.48	15.5%	\$696.86	\$821.57	\$124.71	17.9%
Annual Sub-total	1005	\$4,786,212	\$5,522,256	\$736,044.00	15.4%	\$5,435,640	\$6,406,944	\$971,304.00	17.9%
Kaiser									
HMO									
Single	1754	\$255.50	\$287.00	\$31.50	12.3%	\$261.21	\$307.42	\$46.21	17.7%
Two-Party	749	\$509.22	\$572.00	\$62.78	12.3%	\$520.42	\$612.84	\$92.42	17.8%
Family	473	\$661.38	\$743.00	\$81.62	12.3%	\$675.95	\$796.09	\$120.14	17.8%
Annual Sub-total	2976	\$13,708,632	\$15,399,180	\$1,690,548.00	12.3%	\$14,012,172	\$16,497,384	\$2,485,212.00	17.7%
PacificCare									
HMO									
Single	1,601	\$218.82	\$250.00	\$31.18	14.2%	<u>Blue Shield HMO</u> \$269.25	<u>Blue Shield HMO</u> \$317.22	\$47.97	17.8%
Two-Party	683	\$470.88	\$538.00	\$67.12	14.3%	\$536.50	\$632.44	\$95.94	17.9%
Family	687	\$646.52	\$740.00	\$93.48	14.5%	\$696.86	\$821.57	\$124.71	17.9%
Annual Sub-total	2,971	\$13,393,212	\$15,313,008	\$1,919,796.00	14.3%	\$15,314,904	\$18,050,928	\$2,736,024.00	17.9%
PPO									
Single	354	\$295.84	\$378.00	\$82.16	27.8%	<u>PERSChoice/PERSCare</u> \$298.00 / \$550.00	<u>PERSChoice/PERSCare</u> \$351.41 / \$546.77	\$53.41 / -\$3.23	17.9% / -0.59%
Two-Party	130	\$591.68	\$757.00	\$165.32	27.9%	\$594.00 / \$1,098.00	\$700.82 / \$1,091.54	\$106.82 / -\$6.46	17.9% / -0.59%
Family	86	\$769.58	\$985.00	\$215.42	28.0%	\$772.00 / \$1,427.00	\$910.47 / \$1,418.40	\$138.47 / -\$8.60	17.9% / -0.59%
Annual Sub-total	570	\$2,973,960	\$3,803,184	\$829,224.00	27.9%	\$2,989,248	\$3,525,674	\$536,425.92	17.9%
Grand Total	10,637	\$46,532,220	\$53,356,668	\$6,824,448.00	14.7%	(PPO Subtotals based on lower cost plan) \$49,422,168	\$57,799,970	\$8,377,801.92	17.0%
Average/Month		\$364.55	\$418.01	\$53.46					

County Savings vs. CalPERS - Yearly
Avg. Monthly/Employee

\$2,889,948.00
\$22.64

\$4,443,301.92
\$34.81

\$1,553,353.92
\$12.17

Assumptions:
Health Net - right to modify rates if actual enrollment changes by more than 15%.
PacificCare - right to modify rates if actual enrollment changes by more than 15%.

County of Riverside
2004 Medical Renewal Rates
Over Age 65 Retirees

	2003 Current	2004 Renewal	Dollar Increase	Percent Increase
Kaiser Senior Advantage				
Retiree Only	\$121.94	\$274.00	\$152.06	124.7%
Retiree & Spouse, One Medicare	\$375.52	\$559.00	\$183.48	48.9%
Retiree & Spouse, Two Medicare	\$241.88	\$546.00	\$304.12	125.7%
Retiree & Spouse, One Medicare, Deps.	\$527.74	\$730.00	\$202.26	38.3%
Retiree & Spouse, Two Medicare, Deps.	\$394.04	\$717.00	\$322.96	82.0%
PacifiCare Secure Horizons				
Retiree Only	\$221.02	\$232.00	\$10.98	5.0%
Retiree & Spouse, One Medicare	\$437.82	\$480.00	\$42.18	9.6%
Retiree & Spouse, Two Medicare	\$440.04	\$462.00	\$21.96	5.0%
Retiree & Spouse, One Medicare, Deps.	\$648.68	\$722.00	\$73.32	11.3%
Retiree & Spouse, Two Medicare, Deps.	\$650.90	\$704.00	\$53.10	8.2%
PacifiCare Senior Supplement (CA)				
Retiree Only	\$334.84	\$384.00	\$49.16	14.7%
Retiree & Spouse, One Medicare	\$628.68	\$760.00	\$131.32	20.9%
Retiree & Spouse, Two Medicare	\$667.68	\$766.00	\$98.32	14.7%
Retiree & Spouse, One Medicare, Deps.	\$808.58	\$991.00	\$182.42	22.6%
Retiree & Spouse, Two Medicare, Deps.	\$847.58	\$997.00	\$149.42	17.6%
PacifiCare Senior Supplement (Out-of-Aea)				
Retiree Only	\$334.84	\$384.00	\$49.16	14.7%
Retiree & Spouse, One Medicare	\$628.68	\$760.00	\$131.32	20.9%
Retiree & Spouse, Two Medicare	\$667.68	\$766.00	\$98.32	14.7%
Retiree & Spouse, One Medicare, Deps.	\$808.58	\$991.00	\$182.42	22.6%
Retiree & Spouse, Two Medicare, Deps.	\$847.58	\$997.00	\$149.42	17.6%
Senior Exclusive Care (Riverside)				
Retiree Only	N/A	\$270.00	N/A	N/A
Retiree & Spouse, One Medicare	N/A	\$554.00	N/A	N/A
Retiree & Spouse, Two Medicare	N/A	\$544.00	N/A	N/A
Retiree & Spouse, One Medicare, Deps.	N/A	\$726.00	N/A	N/A
Retiree & Spouse, Two Medicare, Deps.	N/A	\$715.00	N/A	N/A
Senior Supplement Exclusive Care (Outside Riverside)				
Retiree Only	N/A	\$380.00	N/A	N/A
Retiree & Spouse, One Medicare	N/A	\$756.00	N/A	N/A
Retiree & Spouse, Two Medicare	N/A	\$764.00	N/A	N/A
Retiree & Spouse, One Medicare, Deps.	N/A	\$995.00	N/A	N/A
Retiree & Spouse, Two Medicare, Deps.	N/A	\$989.00	N/A	N/A

County of Riverside
2004 Dental Renewal Rates
Active Employees

	2003 Current	2004 Renewal (Plan Terminated)	Dollar Increase	Percent Increase
Local Advantage Basic				
Single	\$20.60	N/A	N/A	N/A
Two-Party	\$28.88	N/A	N/A	N/A
Family	\$51.34	N/A	N/A	N/A
Local Advantage Plus				
Single	\$37.48	\$41.08	\$3.60	9.6%
Two-Party	\$68.46	\$82.74	\$14.28	20.9%
Family	\$102.24	\$123.00	\$20.76	20.3%
Local Advantage Blythe				
Single	\$26.46	\$29.00	\$2.54	9.6%
Two-Party	\$44.08	\$53.30	\$9.22	20.9%
Family	\$68.32	\$82.20	\$13.88	20.3%
United Concordia - PPO				
Single	\$41.06	\$41.06	\$0.00	0.0%
Two-Party	\$74.34	\$74.34	\$0.00	0.0%
Family	\$108.78	\$108.78	\$0.00	0.0%
United Concordia DHMO - TCA21				
Single	\$18.14	\$18.14	\$0.00	0.0%
Two-Party	\$28.18	\$28.18	\$0.00	0.0%
Family	\$44.82	\$44.82	\$0.00	0.0%
United Concordia DHMO - TCA36				
Single	\$13.22	\$13.22	\$0.00	0.0%
Two-Party	\$20.40	\$20.40	\$0.00	0.0%
Family	\$32.26	\$32.26	\$0.00	0.0%
Freedom Dental Plan				
Single	\$62.60	\$67.36	\$4.76	7.6%
Two-Party	\$115.10	\$123.88	\$8.78	7.6%
Family	\$170.28	\$183.22	\$12.94	7.6%

County of Riverside
2004 Dental Renewal Rates
All Retirees

	2003 Current	2004 Renewal	Dollar Increase	Percent Increase
Local Advantage Basic		(Plan Terminated)		
Single	\$21.60	N/A	N/A	N/A
Two-Party	\$29.88	N/A	N/A	N/A
Family	\$52.34	N/A	N/A	N/A
Local Advantage Plus				
Single	\$38.48	\$42.08	\$3.60	9.4%
Two-Party	\$69.46	\$83.74	\$14.28	20.6%
Family	\$103.24	\$124.00	\$20.76	20.1%
Local Advantage Blythe				
Single	\$27.46	\$30.00	\$2.54	9.3%
Two-Party	\$45.08	\$54.30	\$9.22	20.5%
Family	\$69.32	\$83.20	\$13.88	20.0%
United Concordia - PPO				
Single	\$42.06	\$42.06	\$0.00	0.0%
Two-Party	\$75.34	\$75.34	\$0.00	0.0%
Family	\$109.78	\$109.78	\$0.00	0.0%
United Concordia DHMO - TCA21				
Single	\$19.14	\$19.14	\$0.00	0.0%
Two-Party	\$29.18	\$29.18	\$0.00	0.0%
Family	\$45.82	\$45.82	\$0.00	0.0%
United Concordia DHMO - TCA36				
Single	\$14.22	\$14.22	\$0.00	0.0%
Two-Party	\$21.40	\$21.40	\$0.00	0.0%
Family	\$33.26	\$33.26	\$0.00	0.0%
Freedom Dental Plan				
Single	\$63.60	\$68.36	\$4.76	7.5%
Two-Party	\$116.10	\$124.88	\$8.78	7.6%
Family	\$171.28	\$184.22	\$12.94	7.6%