

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

109



FROM: Human Resources Department

SUBMITTAL DATE:
August 4, 2011

SUBJECT: 2012 Medical, Dental and Vision Plan Rates; and Benefit Changes for Riverside County Employees and Early Retirees

RECOMMENDED MOTION: That the Board of Supervisors 1) approve the 2012 Medical, Dental and Vision plan rates listed in Attachment A through D for active employees and early retirees; and 2) approve the Group Insurance Policy Amendment No. 5 to extend the renewal period for the Medical Eye Services plans through January 1, 2014.

BACKGROUND: Since January 2003, the County has contracted directly with health plan carriers for the majority of County employees and retirees. To assist with the cost of health benefits, the County provides Flexible Benefit Credits. The Flexible Benefit Credit amount is determined by the applicable Memorandum of Understanding (MOU) governing each bargaining unit, the Resolution for Exempt Management, Management, Confidential, and other Unrepresented Employees, or the County Salary Ordinance No. 440.

Barbara A. Olivier
Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/2012

SOURCE OF FUNDS: Employee and Retiree Health Premiums	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:
Robert Tremaine

County Executive Office Signature

- Policy
- Consent
- Policy
- Consent

Dept. Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:**

3.61

Rates and Benefit Changes

The Human Resources Department in conjunction with the Joint Health Labor Management Committee (the "Committee") comprised of Service Employees International Union (SEIU), Laborers International Union of North America (LIUNA), and management representatives and retirees, collaborated with Aon Hewitt, our benefits consultant, to request renewal rates from the current health plan carriers for calendar year 2012.

A comprehensive Request for Proposal (RFP) was conducted in 2010 for qualified medical and dental organizations to offer cost effective options to County employees and retirees. As result of the RFP process, the County offered two new plans to employees and retirees in 2011; Health Net and Delta Dental. The Committee has reviewed and concurs with the 2012 rates recommended by Human Resources.

Medical Plans

Active Employee Rate Changes

According to Aon Hewitt, the national market trend for 2011 is estimated to average 10.7%. Rate renewals are based on the County's group-specific claims experience and anticipated market trend of medical costs. The initial rates proposed for 2012 included increases of 13.4% for Kaiser Permanente, 18.48% for Health Net HMO, 15.32% for Health Net PPO and 8% for Exclusive Care.

Human Resources and Aon Hewitt engaged Health Net in negotiations to minimize an increase of the 2012 rates and to maintain premiums at the lowest levels. As a result of our negotiations, the County has been successful in obtaining an average rate increase for active employees of 9.4% for the 2012 calendar year. Health Net agreed to honor their 12.5% rate cap for their second contract year with the County, despite significantly higher claims experience and more than an 18.62% reduction in membership.

Underwriting analysis of Exclusive Care claims supports an 8% rate increase for the 2012 calendar year. In order to mitigate the adverse impact on membership in this difficult economic climate, Human Resources, after in depth consultation with Aon Hewitt underwriters, recommends an offset of plan reserves equivalent to 5% of the current premium to reduce the increase to 3%. The offset of reserves provides temporary relief to plan members. Human Resources will also recommend prudent utilization of reserves in future years. However, once reserves are exhausted, rates will increase by more than market trend and premiums will return to a level that covers claims and administrative expenses.

Health Net HMO and Kaiser Permanente 2012 calendar rates continue to be below comparable CalPERS plan rates within the Inland Empire. The 2012 CalPERS medical plan rates are provided as a point of comparison and reference in Attachment D. The County continues to realize significant savings by offering its own medical plans. Participation in CalPERS plans would require the County to provide coverage for employees continuing into retirement with a minimum contribution amount set by The Public Employees' Medical & Hospital Care Act (PEMHCA). The minimum health premium contribution is adjusted annually by the CalPERS Board to reflect any change in the medical care component of the Consumer Price Index. The minimum health premium contribution is set at \$112.00 for calendar year 2012; in sharp contrast to the County's lower negotiated contributions. In the most recent analysis, it was estimated that the impact of the County transitioning to CalPERS plans would result in the County's GASB 45 OPEB liability increasing by \$65M and the County's annual contribution increasing by \$9M.

Early Retiree Medical Rates (non-Medicare)

Calendar year 2011 was the first year in which the County established separate medical rates for all non-Medicare retirees, thereby ending the “implicit subsidy” incurred by allowing non-Medicare retirees to receive health coverage at the same premium as active employees. The average rate increase for non-Medicare eligible retirees is less than 6.6%. Rates are listed in Attachment D.

In an effort to address the growing concern of health care cost for early retirees, Human Resources took proactive measures to apply for the federal Early Retiree Reinsurance Program (ERRP). The ERRP is part of Health Care Reform law which instituted the program to provide organizations like the County partial reimbursement for providing health coverage to retirees between age 55 - 64 (and not Medicare eligible). The program is funded at \$5 billion dollars and is available to organizations across the nation. Employers may submit claims and receive up to 80% reimbursement of costs between \$15,000 and \$90,000 for covered individuals (including enrolled spouses and/or dependents). Reimbursements are contingent upon County plans utilization of cost-saving measures for chronic and high-cost medical conditions.

Human Resources is actively working with Aon Hewitt to pursue reimbursement for eligible expenses under this program. Detailed claims reports and aggregate costs were submitted to ERRP on behalf of the County in 2011. Our requested reimbursement for \$834,000 is currently pending approval.

The ERRP rules strictly limit the use of reimbursed funds. Employers are required to use the reimbursement to offset increases in health benefit premiums or benefit costs. The County will utilize funds received from the program by applying them as an actuarial gain to the County’s historic claims analysis. The gain will be reflected as an adjustment to anticipated future increases for the plan, reducing cost for participants beginning with the 2013 plan year. While the program expires January 1, 2014, Human Resources will continue to monitor the program, submit claims and evaluate reimbursed cost to continue to provide early retirees with affordable benefits.

Retiree rates for the Medicare “Risk” plans offered by Health Net, Kaiser and SCAN will be available after the Centers for Medicare and Medicaid Services (CMS) releases its reimbursement rates to the health plans, which usually occurs in September. These rates will be presented to the Board at that time.

Dental Plans

There are no benefit changes recommended for the County’s Dental Health Maintenance Organizations (DHMO) and Preferred Provider Organization (PPO) plans.

The Delta Dental DHMO plans are fully insured and include set copayments. These plans were not scheduled for a rate increase for calendar year 2012. However, in order to correct the underfunding of dental administrative fees which occurred in 2011, these plans will have an average increase of 1.2% to collect proper funding of administrative fees.

The Delta Dental PPO is a self-funded plan that utilizes several discounted dental networks to provide cost savings. Underwriting analysis of Delta PPO claims supports an 8.5% rate increase for calendar year 2012. Alternatively, Human Resources recommends an offset of plan reserves to provide a rate pass for this plan in 2012.

The Local Advantage and Local Advantage Blythe dental plans are self-funded DHMO plans that utilize local providers including: Riverside Dental Group and Hospitality Dental Group. The Local Advantage plans will not incur rate increases for the 2012 plan year. The dental plan rates for 2012 are contained in Attachment B for active employees and retirees.

Vision

The Medical Eye Services (MES) vision plans provide a voluntary vision program offered to employees covered by the Service Employee's International Union (SEIU), Laborers International Union of North America (LIUNA) and the Riverside Sheriffs' Association members in the Public Safety Unit (PSU). Human Resources is recommending the Board's approval of Amendment No. 5 included as Attachment F, to extend the policy renewal for these plans through January 1, 2014 to secure a two year rate guarantee for these plans.

The County provides an employer-paid self-funded plan through contract with Vision Service Plan (VSP) to Elected Officials, members of the Deputy District Attorney Association (DDAA), Law Enforcement Management Unit (LEMU), Resident Physicians and employees classified as Exempt Management, Management, Confidential and Unrepresented.

Underwriting analysis of VSP claims supports a 6.5% rate increase for the 2012 calendar year. Alternatively, Human Resources recommends an offset of plan reserves to provide a rate pass for this plan in 2012. The offset of reserves provides temporary relief to County departments. The vision plan rates for 2012 are provided in Attachment C for active employees and retirees.

Wellness

The County's Optimal Health and Wellness Program (OHWP) will continue to offer wellness programs to reduce the cost of healthcare and the rate of absenteeism in the workplace by providing employees the opportunity and incentives to improve their health and wellness. The program is designed to reward healthy lifestyle choices based on verifiable action plans. The program offers approximately 493 instructor-led classes in addition to 9 webinars accessible to employees via the internet 24-hours a day/7days a week. These classes and webinars cover a variety of wellness topics to educate participants while they earn action plan points towards rewards.

OHWP rewards are funded entirely by donations from the County's medical plan carriers. Kaiser and Exclusive Care will continue their current funding levels for the 2012 plan year to the wellness program. A \$3.50 per month administrative fee is included in Medical plan premiums to fund the incentive rewards that are provided as a reduction in employee's medical premiums in the year following their participation in the OHWP. Human Resources anticipates OHWP will result in lower utilization of services and in an overall decrease in health premiums.

Conclusion

The annual cost of medical, dental, and vision plans for active employees will increase from \$114 million in 2011 to an estimated \$124 million in 2012, an increase of \$9 million or 8.19%. Employees pay premiums for medical, dental and vision coverage with their Flexible Benefits Credits supplemented by their own contributions, resulting in no direct cost to the County for changes in rates for calendar year 2012.

If approved, plan rates will be communicated to employees during Annual Enrollment, which is scheduled October 3, 2011 through October 27, 2011 for active employees and October 10, 2011 through November 4, 2011 for retirees. CalPERS' Annual Enrollment is scheduled from October 10, 2011 through November 4, 2011.

County of Riverside
2012 Medical Monthly Rates
Actives Rates

Active Employees	Enrollment	2011 Current	2012 Proposed	Dollar Increase	Percent Increase
Exclusive Care (EPO)					
<i>EPO - Actives Only</i>					
Single	3094	\$376.10	\$389.17	\$13.07	3.50%
Two-Party	864	\$763.98	\$784.87	\$20.89	2.70%
Family	1266	\$960.16	\$985.00	\$24.84	2.60%
Sub-Total	5224	\$3,039,295	\$3,129,237	\$89,942	3.00%
Health Net (EOA)					
<i>HMO - Actives Only</i>					
Single	2007	\$480.48	\$539.85	\$59.37	12.40%
Two-Party	562	\$955.46	\$1,074.21	\$118.75	12.40%
Family	772	\$1,240.44	\$1,394.81	\$154.37	12.40%
Sub-Total	3341	\$2,458,912	\$2,763,978	\$305,067	12.40%
Kaiser Permanente					
<i>HMO - Actives Only</i>					
Single	2382	\$463.50	\$524.50	\$61.00	13.20%
Two-Party	583	\$920.50	\$1,043.50	\$123.00	13.40%
Family	657	\$1,195.50	\$1,354.50	\$159.00	13.30%
Sub-Total	3622	\$2,426,152	\$2,747,626	\$321,474	13.30%
Health Net (PPO)					
<i>PPO - Actives Only</i>					
Single	25	\$671.98	\$774.08	\$102.10	15.20%
Two-Party	3	\$1,338.46	\$1,542.67	\$204.21	15.30%
Family	2	\$1,738.34	\$2,003.81	\$265.47	15.30%
Sub-Total	30	\$24,292	\$27,988	\$3,696	15.20%
Annual Total	12187	\$95,092,299	\$104,025,947	\$8,933,648	9.40%

County of Riverside
 2012 Dental Monthly Rates
 Actives and Retirees

2012 Rates	Total Enrollment	2011 Current	2012 Proposed	Dollar Increase	Percent Increase
Local Advantage - Plus					
Single	591	\$47.68	\$47.68	\$0.00	
Two-Party	261	\$94.90	\$94.90	\$0.00	
Family	237	\$140.52	\$140.52	\$0.00	
Sub-Total	1,089	\$73,864	\$73,864	\$0	0.0%
Local Advantage - Blythe					
Single	13	\$34.02	\$34.02	\$0.00	
Two-Party	12	\$61.56	\$61.56	\$0.00	
Family	9	\$94.32	\$94.32	\$0.00	
Sub-Total	34	\$1,655	\$1,655	\$0	0.0%
Delta Dental PPO					
Single	2,561	\$43.58	\$43.58	\$0.00	
Two-Party	1,633	\$78.02	\$78.02	\$0.00	
Family	1,536	\$113.68	\$113.68	\$0.00	
Sub-Total	5,730	\$332,271	\$332,271	\$0	0.0%
Delta Dental DHMO 10A					
Single	3,575	\$18.34	\$20.34	\$2.00	
Two-Party	1,929	\$27.98	\$29.98	\$2.00	
Family	2,200	\$44.00	\$46.00	\$2.00	
Sub-Total	7,704	\$94,952	\$99,268	\$4,316	
Delta Dental DHMO 11A					
Single	537	\$13.24	\$15.24	\$2.00	
Two-Party	244	\$19.98	\$21.98	\$2.00	
Family	229	\$31.08	\$33.08	\$2.00	
Sub-Total	1,010	\$16,632	\$18,352	\$1,720	
Annual Total	15,567	\$6,232,497	\$6,304,929	\$72,432	1.2%

County of Riverside
2012 Vision Renewal Monthly Rates

2012 Rates	Enrollment	2011 Current	2012 Renewal	Dollar Increase	Percent Increase
Vision Service Plan					
Self-Funded Fee		13% of claims	13% of claims	N/A	N/A
Recommended funding level		\$12.91	\$12.91	\$0.00	0.0%
Sub-Total	2137	\$27,589	\$27,589	\$0	0.0%
MES - Hardware only					
Single	336	\$7.98	\$7.98	\$0.00	0.0%
Two-Party	98	\$12.72	\$12.72	\$0.00	0.0%
Family	87	\$17.54	\$17.54	\$0.00	0.0%
Sub-Total	521	\$5,453	\$5,453	\$0	0.0%
MES - Exam & Hardware					
Single	3999	\$9.46	\$9.46	\$0.00	0.0%
Two-Party	1809	\$14.28	\$14.28	\$0.00	0.0%
Family	2200	\$19.32	\$19.32	\$0.00	0.0%
Sub-Total	8008	\$106,167	\$106,167	\$0	0.0%
Annual Total	10,666	\$1,670,504	\$1,670,504	\$0	0.0%

County of Riverside
2012 Early Retirees (Unsubsidized) Medical Monthly Rates

Early Retirees (Unsubsidized Rates)	Enrollment	2011 Current	2012 Proposed	Dollar Increase	Percent Increase
Exclusive Care (EPO)					
<i>EPO - Early Retirees (Unsubsidized Rates)</i>					
Single	86	\$628.95	\$658.58	\$29.63	4.7%
Two-Party	20	\$1,283.69	\$1,342.08	\$58.39	4.5%
Family	1	\$1,614.86	\$1,687.79	\$72.93	4.5%
Sub-Total	107	\$81,378	\$85,167	\$3,788	4.7%
Health Net (EOA)					
<i>HMO - Early Retirees (Unsubsidized Rates)</i>					
Single	192	\$728.72	\$819.56	\$90.84	12.5%
Two-Party	45	\$1,455.42	\$1,637.10	\$181.68	12.5%
Family	12	\$1,891.46	\$2,127.64	\$236.18	12.5%
Sub-Total	249	\$228,106	\$256,557	\$28,451	12.5%
Kaiser Permanente					
<i>HMO - Early Retirees (Unsubsidized Rates)</i>					
Single	604	\$712.00	\$712.00	\$0.00	0.0%
Two-Party	36	\$1,421.00	\$1,421.00	\$0.00	0.0%
Family	3	\$1,846.00	\$1,846.00	\$0.00	0.0%
Sub-Total	643	\$486,742.00	\$486,742.00	\$0.00	0.0%
Health Net (PPO) In-State (CA)					
<i>PPO - Early Retirees (Unsubsidized Rates)</i>					
Single	12	\$896.26	\$1,033.26	\$245.73	15.3%
Two-Party	4	\$1,629.55	\$1,878.89	\$447.67	15.3%
Family	0	\$2,336.02	\$2,693.59	\$634.93	15.3%
Sub-Total	16	\$17,273.32	\$19,915	\$2,641.36	15.3%
Health Net (PPO) Out-of-State					
<i>PPO - Early Retirees (Unsubsidized Rates)</i>					
Single	26	\$809.16	\$984.56	\$158.63	21.7%
Two-Party	3	\$1,471.03	\$1,790.25	\$289.15	21.7%
Family	0	\$2,108.70	\$2,566.49	\$407.61	21.7%
Sub-Total	29	\$25,451.25	\$30,969.31	\$5,518.06	21.7%
Annual Total	1044	\$9,554,712	\$10,180,563	\$40,399	6.60%

County of Riverside
2012 CalPERS Medical Plan Renewal Rates
Active Early Retirees

2012 Plan Rates	Other Southern California Counties			Los Angeles Region			Out-of-State Region		
	2011	2012	% Difference	2011	2012	% Difference	2011	2012	% Difference
Blue Shield HMO									
Employee Only	\$ 567.87	\$ 583.60	2.77%	\$ 496.93	\$ 510.72	2.78%		Plan Not Available	
Two-Party	\$ 1,135.74	\$ 1,167.20	2.77%	\$ 993.86	\$ 1,021.44	2.78%		Plan Not Available	
Family	\$ 1,476.46	\$ 1,517.36	2.77%	\$ 1,292.02	\$ 1,327.87	2.77%		Plan Not Available	
Blue Shield NetValue									
Employee Only	\$ 488.62	\$ 501.93	2.72%	\$ 427.58	\$ 439.25	2.73%		Plan Not Available	
Two-Party	\$ 977.24	\$ 1,003.86	2.72%	\$ 855.16	\$ 878.50	2.73%		Plan Not Available	
Family	\$ 1,270.41	\$ 1,305.02	2.72%	\$ 1,111.71	\$ 1,142.05	2.73%		Plan Not Available	
Kaiser Permanente									
Employee Only	\$ 477.95	\$ 512.76	7.28%	\$ 434.00	\$ 465.63	7.29%	\$ 785.28	\$ 816.47	3.97%
Two-Party	\$ 955.90	\$ 1,025.52	7.28%	\$ 868.00	\$ 931.26	7.29%	\$ 1,570.56	\$ 1,632.94	3.97%
Family	\$ 1,242.67	\$ 1,333.18	7.28%	\$ 1,128.40	\$ 1,210.64	7.29%	\$ 2,041.73	\$ 2,122.82	3.97%
PERSCare PPO									
Employee Only	\$ 819.18	\$ 943.26	15.15%	\$ 787.24	\$ 906.39	15.14%	\$ 1,010.68	\$ 1,163.70	15.14%
Two-Party	\$ 1,638.36	\$ 1,886.52	15.15%	\$ 1,574.48	\$ 1,812.78	15.14%	\$ 2,021.36	\$ 2,327.40	15.14%
Family	\$ 2,129.87	\$ 2,452.48	15.15%	\$ 2,046.82	\$ 2,356.61	15.14%	\$ 2,627.77	\$ 3,025.62	15.14%
PERS Choice PPO									
Employee Only	\$ 516.28	\$ 526.19	1.92%	\$ 496.15	\$ 505.63	1.91%	\$ 636.97	\$ 649.16	1.91%
Two-Party	\$ 1,032.56	\$ 1,052.38	1.92%	\$ 992.30	\$ 1,011.26	1.91%	\$ 1,273.94	\$ 1,298.32	1.91%
Family	\$ 1,342.33	\$ 1,368.09	1.92%	\$ 1,289.99	\$ 1,314.64	1.91%	\$ 1,656.12	\$ 1,687.82	1.91%

*Includes Riverside, Orange, San Diego and Imperial counties

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

Executive Offices: 70 Pine Street, New York, NY 10270
(212) 770-7000

(a capital stock company, herein referred to as the Company)

Policyholder: County of Riverside
Policy Number: VCP 9522302

GROUP INSURANCE POLICY AMENDMENT NO. 5

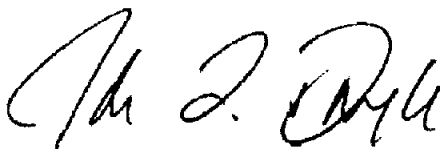
This Policy Amendment is attached to and made part of the Policy effective January 1, 2012 at 12:01 AM, Standard Time at the address of the Policyholder. Any changes in coverage apply only with respect to covered losses that occur on or after that date. Any changes in premium apply as of the first premium due date on or after the effective date of this Policy Amendment.

It is hereby understood and agreed that the policy is renewed for the period commencing January 1, 2012 and ending January 1, 2014.

In all other regards the Policy shall remain the same

This Policy Amendment expires concurrently with the Policy and is subject to all of the provisions, limitations and conditions of the Policy except as they are specifically modified by this Policy Amendment.

The President and secretary of National Union Fire Insurance Company of Pittsburgh, Pa. witness this Amendment:



President



Secretary