

MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



**23.1**

1:30 p.m. being the time set for a workshop discussion on the County Medical Plan Review and Recommendations for Employees Covered by the Management Resolution, All Districts:

Lisa Brandl gave a PowerPoint presentation.

- Provide quality and affordable healthcare to County employees, while stabilizing premiums
- Offer competitive benefit incentives to recruit quality candidates and retain existing employees
- Explore eligibility expansion of the CalPERS Health Program for employees covered under the Management Resolution
- CalPERS Health Program is mutually exclusive from the CalPERS Retirement Plan
- County was previously in CalPERS health program between 1989 – 2002 and initially provided less expensive premiums than County Plans
- The County withdrew most employee groups and there were a few exceptions from CalPERS in 2003 and began experiencing dramatic savings in annual premiums
- After withdrawing premiums were lower, but then County premiums began to rise and continue to rise
- CalPERS has since modified its pricing methods and they've been successful in achieving greater discounts in premiums than previously experienced
- Decline in County enrollment in the HMO and PPO plan options resulting in adverse selections
- Employees with medical issues are driving up the cost of the plans combined with high utilization our small pool of participation which is about 20,000 employees, the cost will go up

Brenda Diederichs gave a PowerPoint Presentation.

- Implementation of the Affordable Care Act requires the County to pay to administer the administrative duties, however, moving to CalPERS removes that responsibility as it is included in the CalPERS program
- Increases in aging population social factors and lifestyles such as poor health and prevention habits that influence rates, increasing price utilization of prescription drugs, increase in medical technology costs, increase in patient demand for service, hospital cost and medical malpractice costs.

CalPERS Health Program

- CalPERS has 3 bargaining units
- Largest public purchaser of health benefits in California and second largest employer purchaser in the nation after the Federal Government Retirement system
- Provides benefit to more than 1.3 million public employees, retirees and their families
- CalPERS health program is completely separate from the CalPERS retirement system
- Takes care of Affordable Care Act requirements
- High cost claims do not affect coverage or premiums because of the large risk pool

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COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



Continued on page 2

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CalPERS Health Program Continued

- Offers 4 healthcare plan options outside the State for retirees
- New regions – Riverside County is in region 3 which is the lowest premium rated region

Flex Benefit Medical Waiver Contributions Received as Cashback

Other Postemployment benefits (OPEB)

Smoothing

Impact on Retirements for Employees Covered by Management Resolution

- Riverside County insurance plans are too expensive to buy insurance so employees are working longer in order to afford medical benefits and waiting until Medicare eligible age of 65
- Cost savings will allow employees to retire sooner so that will allow for new hires at the Tier III rates
- Affordable health care coverage during retirement so employees don't have to work longer
- Portable coverage for employees moving out of State

Option 1: Remain with Current Benefits

- Employees who cover dependents will continue to bear higher rates of medical coverage
- Medical Plan rates will continue to climb
- Sustainability of Medical Plans remain in jeopardy
- Negative impact to recruitment and retention of employees
- Employees continue to receive flexible benefit credit cash back

Option 2: Market for New Providers

- May encounter premium increase in year 2 and beyond to recover losses from initial savings
- Claims experience will be a major factor in quoted rates
- Modest or no improvement in premiums to potentially impact recruitment and retention concerns
- Major disruption to employees, retirees and County when changing plans
- Many vendors have declined to bid on County health plans
- Potential short-term savings may receive a static or reduced rate with new provider in year 1, with increases to recover losses in future years

Continued on page 3

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COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



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Option 3 Move Management Group to CalPERS

- Reduction in premium for employees without impacting employer cost
- Utilization of plan benefits and high cost claims do not impact the rates
- CalPERS premiums are lower than all County plans including PPO plans
- Provides portability for retirees who move out of California
- Compliance with Affordable Care Act administered by CalPERS
- OPEB Liability impact on bond ratings on management employees is not significant

Option 4 Implement Smoothing on Option 3

- Additional affordability for employees covering dependents without impacting employer cost
  - Addresses concerns regarding recruitment and retention of employees
  - Some employees will not receive flexible benefit credits as taxable cash
- 

Continued on Page 4

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COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



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On motion of Supervisor Jeffries, seconded by Supervisor Hewitt and duly carried, IT WAS ORDERED that the recommendation from Human Resources to 1. Approve moving Management/Confidential/Unrepresented Unit out of County health care program and into CalPERS health program; 2. Approve the grandfathering of the pool of employees eligible and/or participating in the current Medical Waiver program; 3. Approve a new tier to the Medical Waiver program of \$200 per month for employees who do not enroll in a medical plan and upon proof of enrollment in alternate qualifying medical coverage; 4. Approve discontinuing the taxable cash credit after insurance selections have been made and redirect the funds to smooth the rates of two party and family rates.

(Note: A decision is needed by June 25<sup>th</sup> Board date to complete necessary administrative requirements and to ensure accurate communication to employees during Open Enrollment for 2020 Plan Year)

Roll Call:

Ayes: Jeffries, Spiegel, Washington and Hewitt  
Nays: None  
Absent: Perez

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I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on June 18, 2019 of Supervisors Minutes.

WITNESS my hand and the seal of the Board of Supervisors  
Dated: June 18, 2019  
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in  
and for the County of Riverside, State of California.

(seal)

By: *Merrain Miller* Deputy

AGENDA NO.  
23.1

xc: H.R.

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



**ITEM**  
23.1  
(ID # 10116)

**MEETING DATE:**

Tuesday, June 18, 2019

**FROM :** HUMAN RESOURCES:

**SUBJECT:** HUMAN RESOURCES: Workshop Discussion on County medical plan review and recommendations for employees covered by the Management Resolution; All Districts. [\$0] (Note to COB: Workshop Presentation at 1:30 PM)

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Direct the Human Resources Department to return at the next Board meeting to implement the Board's recommendations concerning the CalPERS health plan and other healthcare benefit-related changes for the Exempt Management, Management, Confidential, and Unrepresented group.

**ACTION:** Policy


**ACTION:**


  
Brenda Niedrichs, Assistant CEO / Human Resources Director 6/11/2019

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**MINUTES OF THE BOARD OF SUPERVISORS**

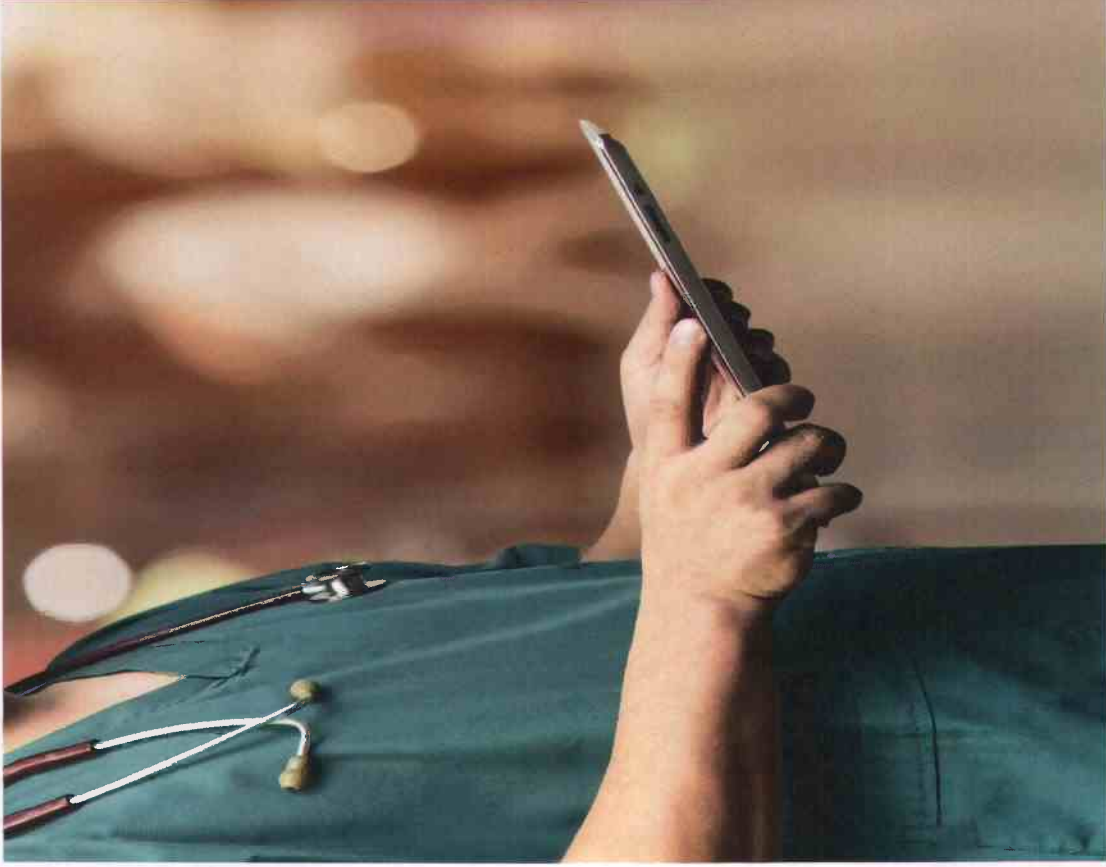
SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA

  
Inelda Dulos Santos 6/11/2019



# Board Workshop County Medical Program Review and Recommendations

June 18, 2019



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- IX. Premium Smoothing
- X. Impact on Retirements
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- XII. Recommendations
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## OBJECTIVES

Provide quality and affordable healthcare to County employees, while stabilizing premiums

Offer competitive benefit incentives to recruit quality candidates and retain existing employees



## OBJECTIVES

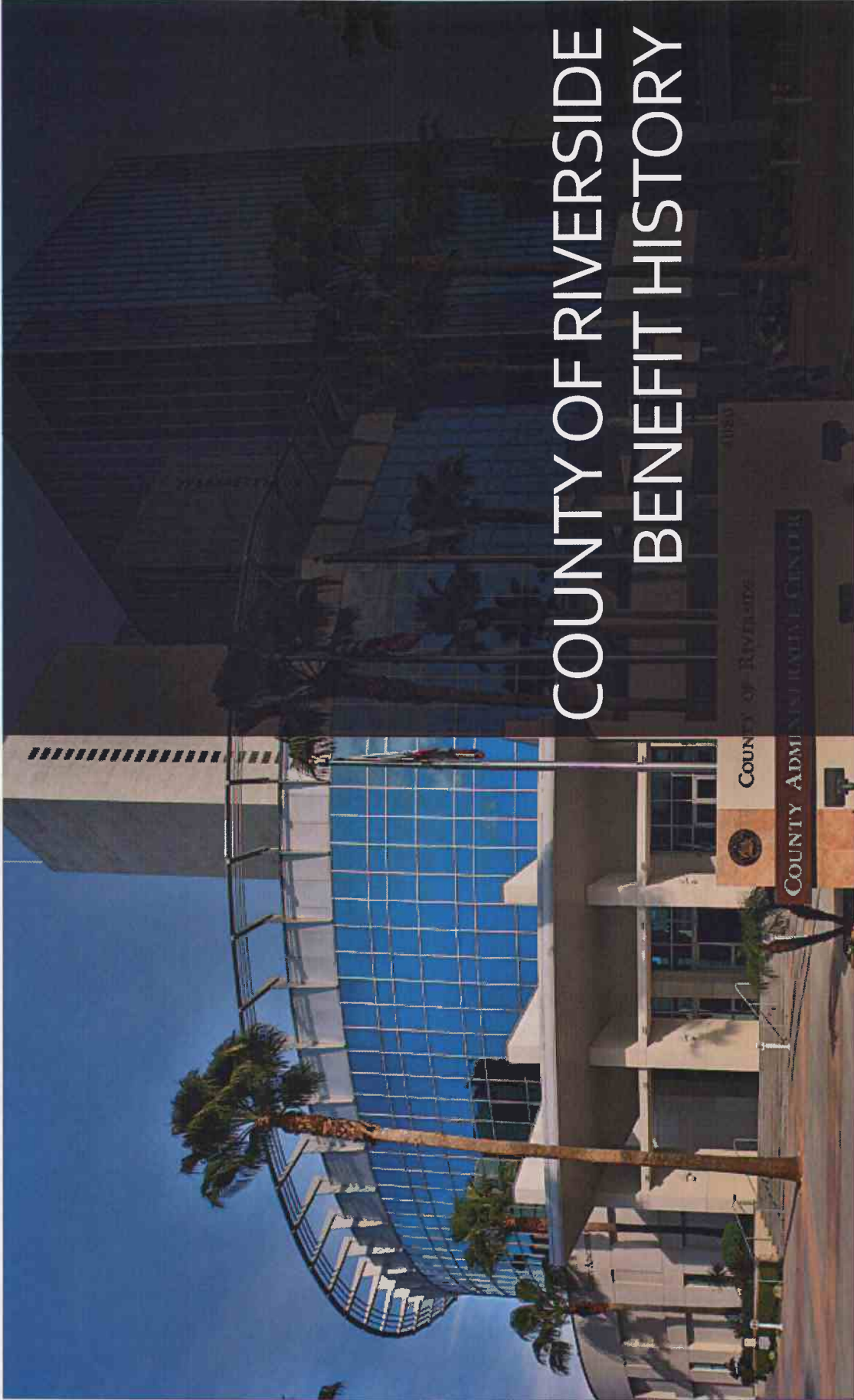
Explore eligibility expansion of the CalPERS Health Program for employees covered under the Management Resolution

Important Note: The CalPERS Health Program is mutually exclusive from the CalPERS Retirement Plan. Contracting employers are not required to participate in the retirement program in order to participate in the CalPERS Health Program.

- Provide historical overview of County's healthcare program
- Present analysis and costing of viable healthcare options
- Propose recommendations for changes to the healthcare program for employees covered by the Management Resolution
- Request direction from Board for future action



## TODAY'S AGENDA



# COUNTY OF RIVERSIDE BENEFIT HISTORY

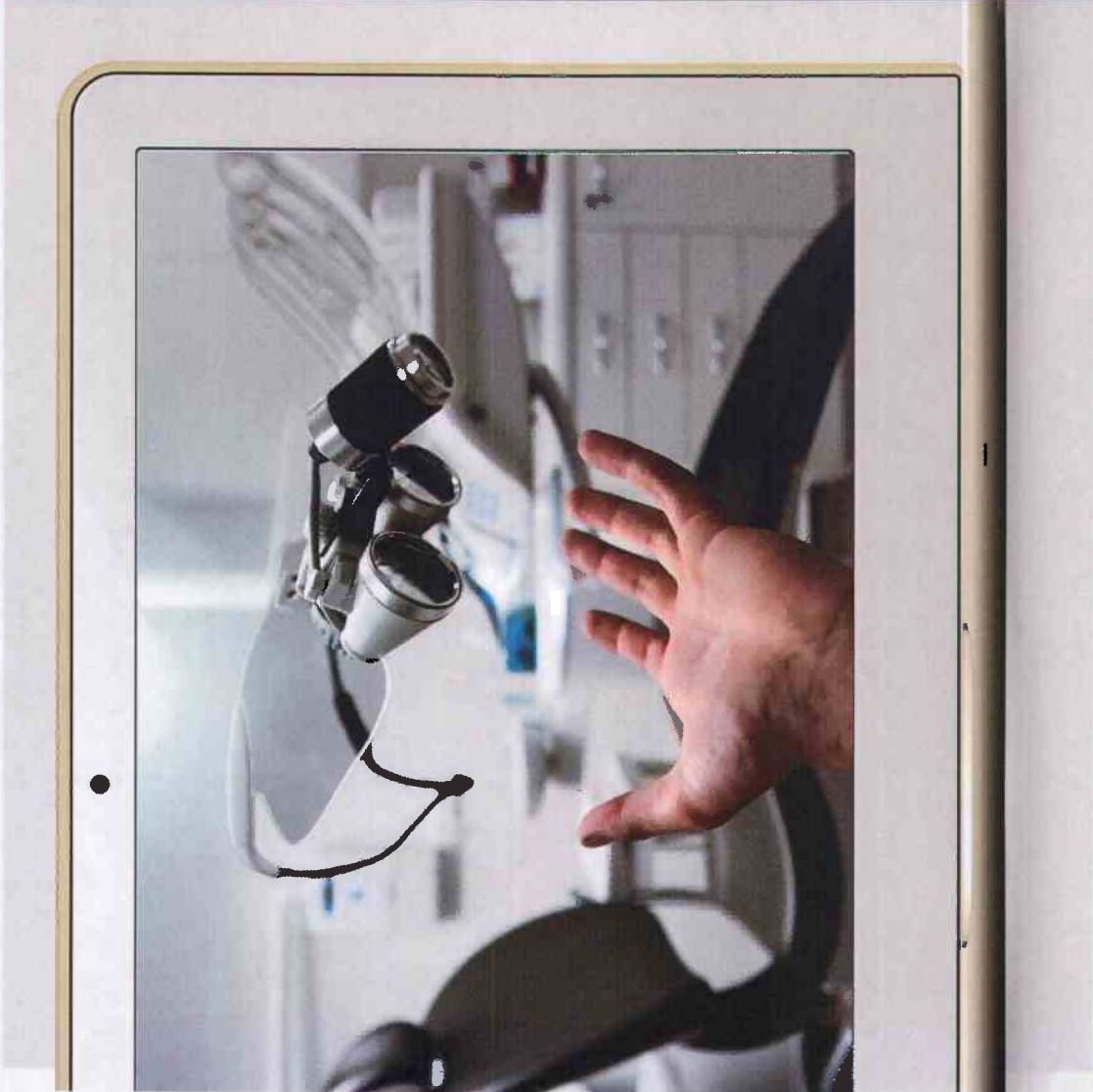
## County Healthcare History

- County utilized CalPERS health program between 1989 – 2002 (13 years)
  - CalPERS initially provided less expensive premiums than County plans, which allowed the County to achieve cost savings for employees for a few years under CalPERS
- County withdrew most employee groups and bargaining units from CalPERS in 2003 and immediately began experiencing dramatic savings in annual premiums

## County Healthcare History

- After County withdrew from CalPERS, premiums were initially lower. However, County premiums began to increase and continue to increase
- CalPERS has since modified its pricing methods and has been successful in achieving greater discounts in premiums than previously experienced
- In addition, County is declining enrollment in the HMO and PPO plan options, resulting in adverse selection. Combined with high utilization, these negative trends are making County plans unsustainable

# HEALTHCARE TRENDS



## National Health Care Trends

- Implementation of the Affordable Care Act (ACA)
  - Additional reporting requirement fees and penalties applied to employers (adds 3-4% to premium)
- Aging population
- Social factors and lifestyle (Poor health and prevention habits)
- Increasing price and utilization of prescription drugs
- Increase in medical technology costs – Artificial Intelligence for healthcare expected to exceed \$1.7 billion by 2019 (Forbes)
- Increase in patient demand for service
- Increase in hospital costs
- Increase in medical malpractice costs



# U.S. Population by Age and Medical Spending Compared to Age of County Employees

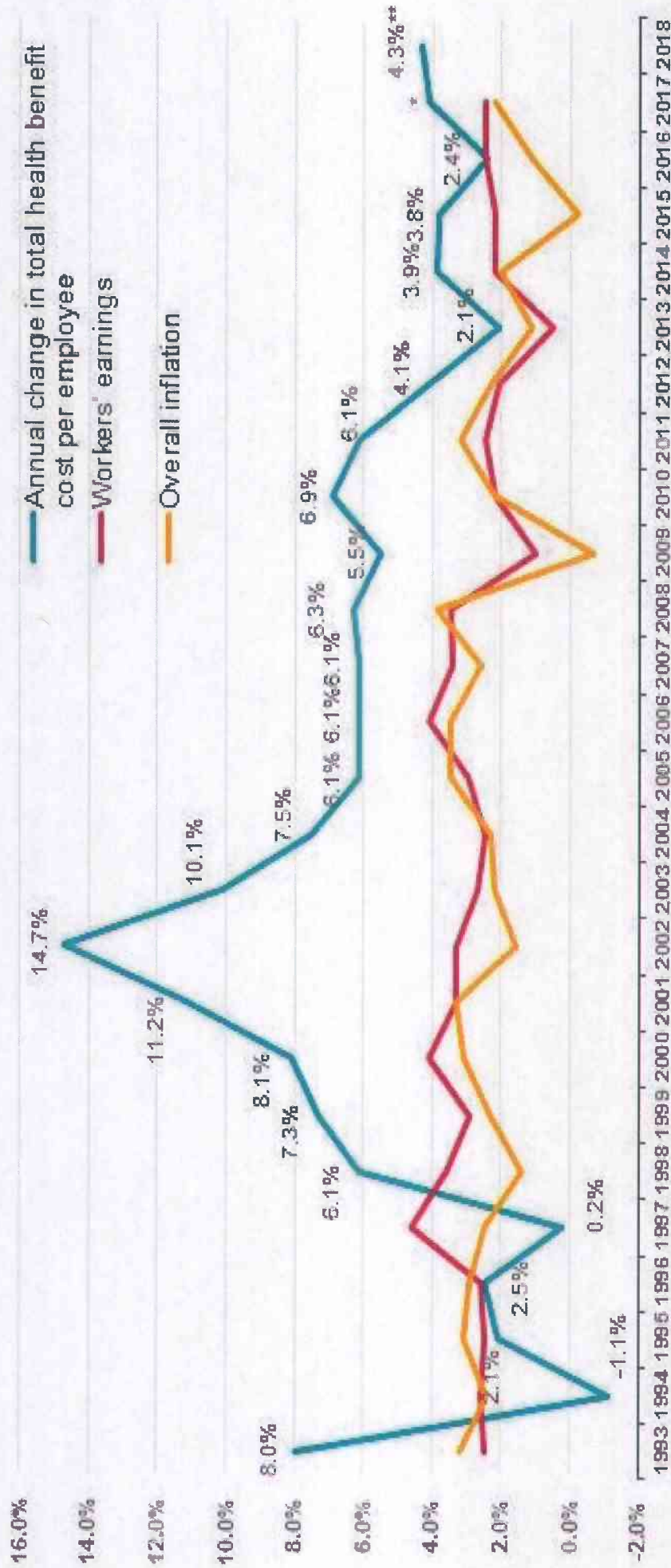
## EMPLOYEES COVERED BY THE MANAGEMENT RESOLUTION

■ Under 35 ■ 35 to 44 ■ 45 to 54 ■ 55 and over



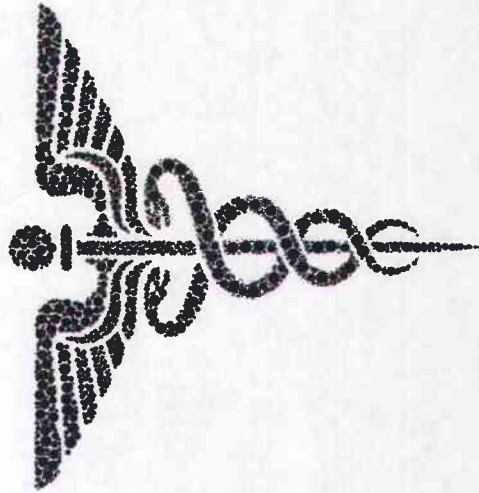
# U.S. Trend of Healthcare Costs Compared to Workers Earnings and Overall Inflation

# Change in total health benefit cost per employee compared to CPI, workers' earnings



\* The actual cost increase for 2017 will be available later this year. \*\* Projected  
 Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993-2017; Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April) 1983-2017. page 13

*Exclusive  
Care*



# CURRENT STATE OF COUNTY BENEFITS

# Medical Coverage for County Employees

Currently, three County bargaining units are covered by CalPERS Medical Plans:

- Deputy District Attorney Association (DDAA)
- Law Enforcement Executive Management Unit (LEMU)
- Riverside Sheriffs' Association Public Safety Unit (PSU)

Employee Groups/Bargaining Units covered by County plans:

- Management, Confidential and Unrepresented
- Service Employees International Union (SEIU), Local 721
- Laborers' International Union of North America (LIUNA) Local 777

Employee Groups Covered by RSA Benefit Trust

- RSA Sheriff's Association (RSA) - Law Enforcement and Corrections Units



# CaIPERS BENEFITS



## CalPERS Health Program

- CalPERS is the largest public employer purchaser of health benefits in California and the second largest employer purchaser in the nation after the federal government, providing benefits to more than **1.3 million** public employees, retirees and their families
- **The CalPERS Health Program is a separate entity from the CalPERS Retirement system and any public agency in the state can contract with them for benefits, whether or not the agency contracts for the CalPERS retirement system**
- Ensures health plan compliancy with the Affordable Care Act (ACA)

## CalPERS Health Program

- High cost claims do not affect coverage or premium rates due to being part of a larger risk pool
- CalPERS offers 4 health plan options outside of the State of California, providing healthcare portability for retirees who choose to leave the state
- New regions will enable CalPERS to provide high quality health plans to public agencies with rates that are competitively priced and in alignment with the cost of care in the market



# 2019 Comparison of Plan Choice & Single Monthly Cost

CalPERS Medical Plans		County of Riverside Plans		Savings	
Plan	Single Rate	Plan	Single Rate	Dollar	Percentage
Kaiser Permanente HMO	\$628.64	Kaiser Permanente HMO	\$668.64	\$40.00	6%
<b>United HealthCare Alliance HMO</b>	<b>\$646.66</b>	<b>United HealthCare Alliance HMO</b>	<b>\$806.64</b>	<b>\$159.98</b>	<b>20%</b>
Anthem Traditional HMO	\$830.90	United HealthCare Signature Value HMO	\$935.22	\$104.32	11%
PERSCare PPO	\$907.30	<b>United HealthCare PPO</b>	<b>\$1,806.80</b>	\$899.50	50%
<b>PERS Choice PPO</b>	<b>\$721.12</b>			<b>\$1,085.68</b>	<b>60%</b>
PERS Select PPO	\$462.72			\$1,344.08	74%
		<b>Exclusive Care EPO</b>		<b>\$587.76</b>	
<p>Note: All County employees are eligible to enroll in the Exclusive Care self-funded medical plan administered by the County, while under the CalPERS health program.</p>					
<b>Additional CalPERS Plans</b>					
Anthem Select HMO	\$625.08	Health Net Smart Care HMO	\$642.72		
Blue Shield Access + HMO	\$760.04	PORAC (only Law Enforcement)	\$774.00		
Health Net Salud y Mas HMO	\$427.82	Sharp HMO	\$593.66		

Rates reflected for County of Riverside are for Active employees only . CalPERS rates apply to both Active employees and Retirees.

# 2019 Comparison of Plan Choice & Two-Party Monthly Cost

CalPERS Medical Plans		County of Riverside Plans		Savings	
Plan	Two-Party Rate	Plan	Two-Party Rate	Dollar	Percentage
Kaiser Permanente HMO	\$1,257.26	Kaiser Permanente HMO	\$1,329.54	\$72.28	6%
<b>United HealthCare Alliance HMO</b>	<b>\$1,293.30</b>	<b>United HealthCare Alliance HMO</b>	<b>\$1,640.28</b>	<b>\$346.98</b>	<b>27%</b>
Anthem Traditional HMO	\$1,661.78	United HealthCare Signature Value HMO	\$1,902.54	\$240.76	14%
PERSCare PPO	\$1,814.58	United HealthCare PPO	<b>\$3,587.14</b>	\$2,679.84	295%
<b>PERS Choice PPO</b>	<b>\$1,442.22</b>			<b>\$2,114.92</b>	<b>149%</b>
PERS Select PPO	\$925.42			\$2,661.72	288%
		<b>Exclusive Care EPO</b>	<b>\$1,189.76</b>		

Note: All County employees are eligible to enroll in the Exclusive Care self-funded medical plan administered by the County, while under the CalPERS health program.

Additional CalPERS Plans	
Anthem Select HMO	\$1,623.00 Health Net Smart Care HMO \$1,285.42
Blue Shield Access + HMO	\$1,520.08 PORAC (only Law Enforcement) \$1,623.00
Health Net Salud y Mas HMO	\$855.62 Sharp HMO \$1,187.32

Rates reflected for County of Riverside are for Active employees only . CalPERS rates apply to both Active employees and Retirees.

# 2019 Comparison of Plan Choice & Family Monthly Cost

CalPERS Medical Plans		County of Riverside Plans		Savings	
Plan	Family Rate	Plan	Family Rate	Dollar	Percentage
Kaiser Permanente HMO	\$1,634.44	Kaiser Permanente HMO	\$1,728.28	\$93.84	6%
<b>United HealthCare Alliance HMO</b>	<b>\$1,681.30</b>	<b>United HealthCare Alliance HMO</b>	<b>\$2,128.20</b>	<b>\$446.90</b>	<b>27%</b>
Anthem Traditional HMO	\$2,160.32	United HealthCare Signature Value HMO	\$2,468.72	\$308.40	14%
PERSCare PPO	\$2,358.96			\$2,296.88	97%
<b>PERS Choice PPO</b>	<b>\$1,874.90</b>	<b>United HealthCare PPO</b>	<b>\$4,655.84</b>	<b>\$2,780.94</b>	<b>148%</b>
PERS Select PPO	\$1,203.06			\$3,452.78	287%

**Exclusive Care EPO** \$1,493.76

Note: All County employees are eligible to enroll in the Exclusive Care self-funded medical plan administered by the County, while under the CalPERS health program.

Additional CalPERS Plans	
Anthem Select HMO	\$1,625.18 Health Net Smart Care HMO \$1,671.06
Blue Shield Access + HMO	\$1,976.10 PORAC (only Law Enforcement) \$2,076.00
Health Net Salud y Mas HMO	\$1,112.32 Sharp HMO \$1,543.52

Rates reflected for County of Riverside are for Active employees only . CalPERS rates apply to both Active employees and Retirees.

# County Flexible Benefit and Post Retirement Health Care Contributions

## Groups Eligible for CalPERS Plans

## Groups Eligible for County of Riverside Plans

Bargaining Unit/Group	Active Flexible Benefit Contribution	Retiree Medical Contribution	Bargaining Unit/Group	Active Flexible Benefit Contribution	Retiree Medical Contribution
PSU Flex	\$940.00	^\$136.00	Management, Confidential and Unrepresented Flex	\$823.00	\$256.00
DDAA Flex	\$823.00	\$256.00	Two-Party/Family Subsidy	**\$25.00/\$100.00	
LEMU Flex	\$959.28	^\$136.00	SEIU Flex	\$823.00	*\$25.00
			Two-Party/Family Subsidy	**\$25.00/\$100.00	
			LIUNA Flex	\$823.00	*\$25.00
			Two-Party/Family Subsidy	**\$50.00/\$200.00	

\* Contribution is less than current minimum PEMHCA (Public Employees' Medical & Hospital Care Act)

^ Current minimum PEMHCA amount required by CalPERS

\*\*Subsidy represents an additional contribution for Two-Party and Family coverage as indicated per bargaining unit/employee group

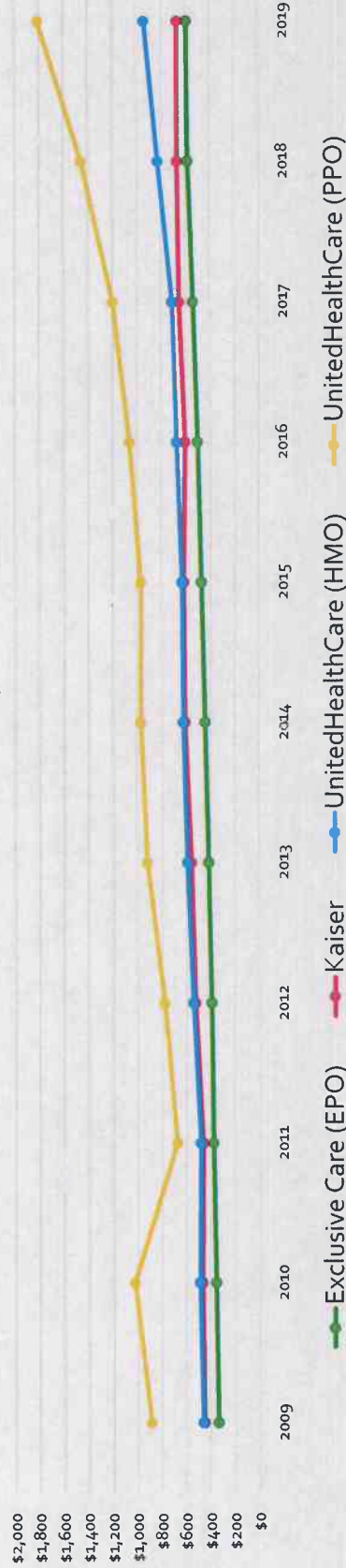
**Note:** RSA members receive medical insurance through the RSA Benefit Trust and they receive an active Flexible Benefit Contribution of \$940.00 and Retirees receive a \$25.00 Health Care Contribution.

# Historical Plan Rates - Single

## CalPERS



## County

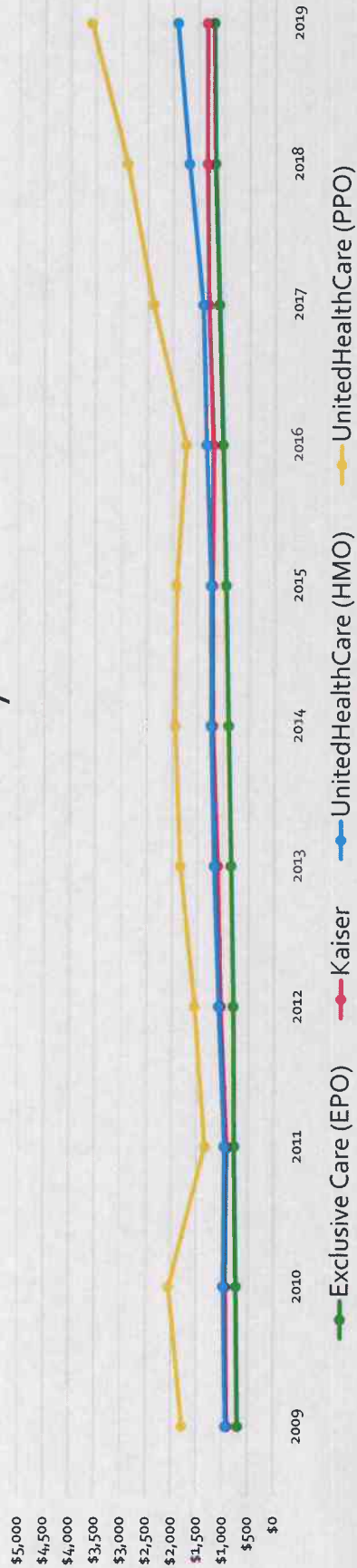


# Historical Plan Rates - Two Party

## CalPERS



## County

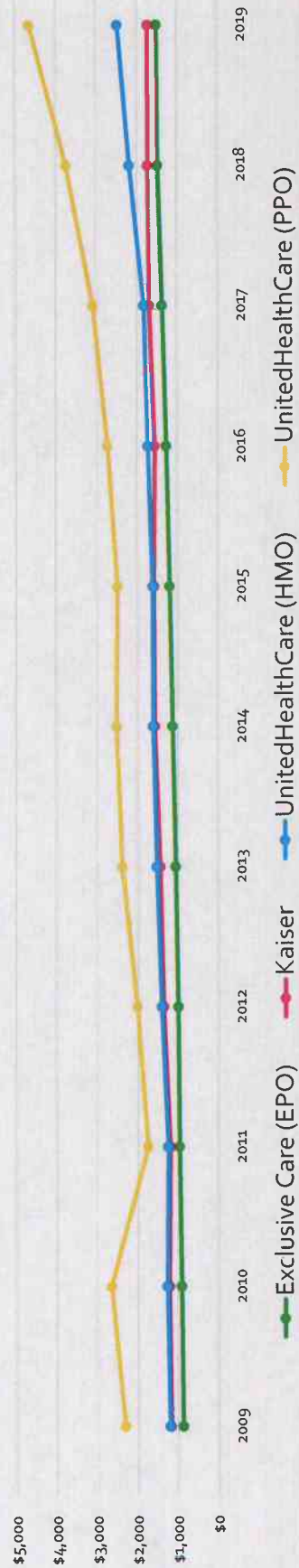


# Historical Plan Rates - Family

## CaIPERS



## County

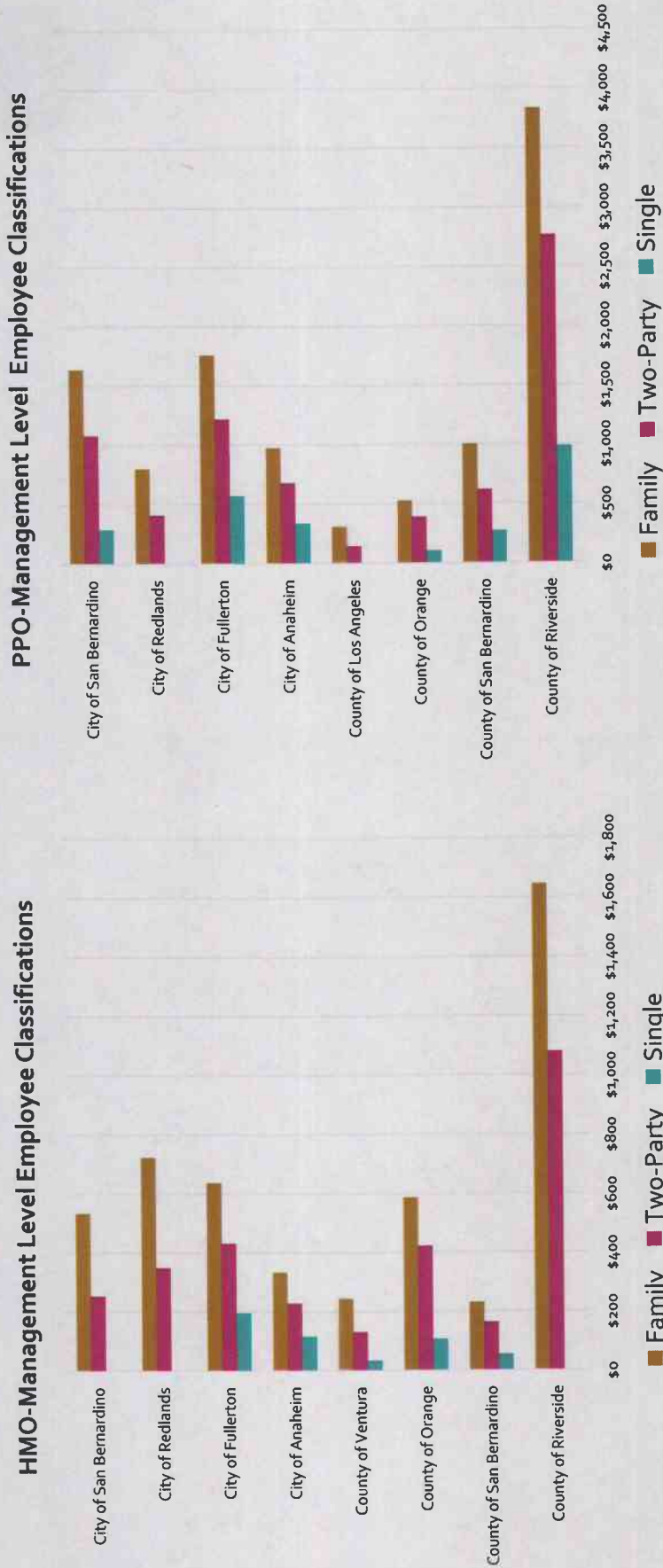


# MARKET DATA





# 2019 Employee Out-of-Pocket Cost



Note: Employees covering dependents have been paying more out-of-pocket cost than other employees. This is both an attraction, recruitment and retention concern.

# 2018 Flexible Benefit and Medical Waiver Contributions Received as Cash Back

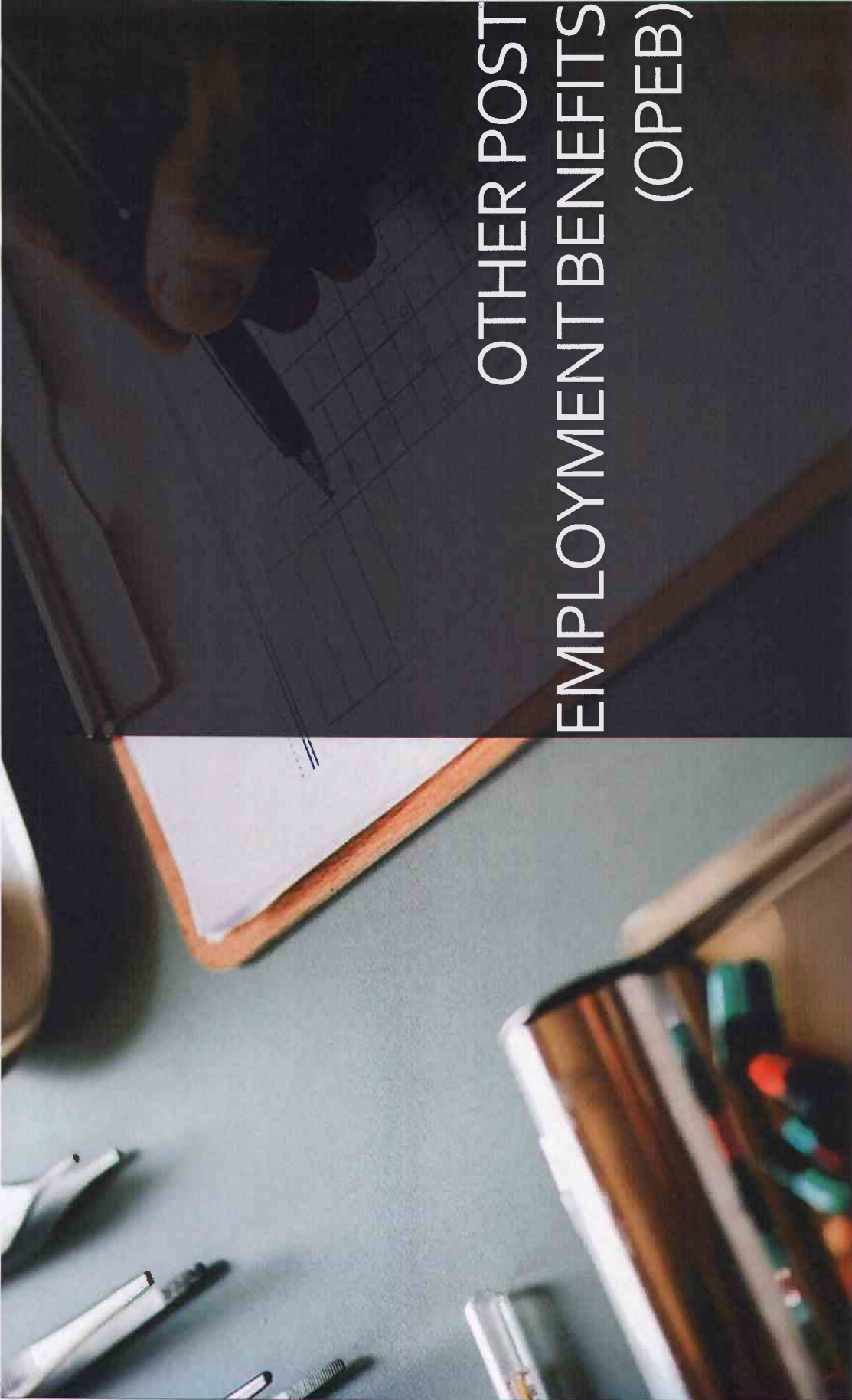
Bargaining Unit/Employee Group	Medical Waiver Cash	Excess Flex Cash	Total Cash Back Paid
Elected Officials, Management, Confidential and Unrepresented	\$ 828,390	\$ 1,064,702	\$ 1,893,092

Bargaining Unit/Employee Group	Provision	Eligible for Medical Waiver	Enrolled in Medical Waiver	Monthly Medical Waiver Contribution
Elected Officials, Management, Confidential, and Unrepresented	Hired prior to 11/13/2003	483	156	\$534.00

## Comparison of Public Agencies Medical Waiver/Cashback Provisions

Agency Name	Medical Waiver	Medical Waiver Provisions	Cash	Cash Back Provisions
County of Riverside	Yes	Between \$425.40 - \$575.40/Month	Yes	
County of San Bernardino	Yes	\$133.85/Month after	No	
County of Orange	No		No	
County of San Diego	Yes	Up to \$416/Month into Health Care FSA	Yes	Rolled into HCFSA
County of Ventura	Yes	\$565.46/Month	Yes	
County of Los Angeles	Yes	\$228 – \$244/Month	Yes	
City of Riverside	Yes	\$167/Month	Yes	
City of San Bernardino	Yes	\$250/Month	Yes	
City of Anaheim	Yes	\$125/Month	No	
City of Redlands	Yes	\$350/Month into HCFSA	Yes	Up to \$350/Monthly into HCFSA
Riverside County Superior Courts	Yes	\$128/Month	No	
Average Medical Waiver Contribution		\$287/Month		



# OTHER POST EMPLOYMENT BENEFITS (OPEB)

## Other Post Employment Benefits (OPEB)

- What is OPEB?
- Other Post-Employment Benefits (OPEB) refers to retirement benefits other than pensions, namely healthcare.
- Why is OPEB important?
  - CalPERS healthcare premiums cost the same for early retirees as for active employees. As retirees generally have higher healthcare costs than active employees, the premiums paid by the retiree is provided with a subsidy as it does not reflect the “true cost” of their coverage. This subsidy must also be reported and increases the future liability of the County.

## General Accounting and Future Liability (GASB)

Bargaining Unit	Baseline Current State		Scenario 1 Assumes no change in current participation rates		Scenario 2 Assumes 40% participation rate	
	Without Implicit Subsidy	With Implicit Subsidy	Without Implicit Subsidy	With Implicit Subsidy	Without Implicit Subsidy	With Implicit Subsidy
Management, Confidential and Unrepresented	\$16,600,000	\$16,600,000	\$18,700,000	\$28,200,000	\$23,100,000	\$36,600,000

### Implicit Subsidy

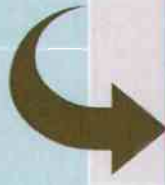
Under CalPERS health plans, retirees receive benefits prior to age 65 by paying premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premiums paid by the retiree is less than the “true cost” of coverage for retirees. This difference, although not realized by actual expense, is reflected in the Implicit Subsidy cost and reported as a footnote on financial reports as required by the GASB

# SMOOTHING OF THE EMPLOYEE PORTION OF THE PREMIUM



# Impact of Smoothing Premiums for Management & Unrepresented Group

Employee Group	Medical Waiver Cash	Excess Flex Cash	Total Cash
Elected, Management, Confidential and Unrepresented	\$828,390	\$1,064,702	\$1,893,092



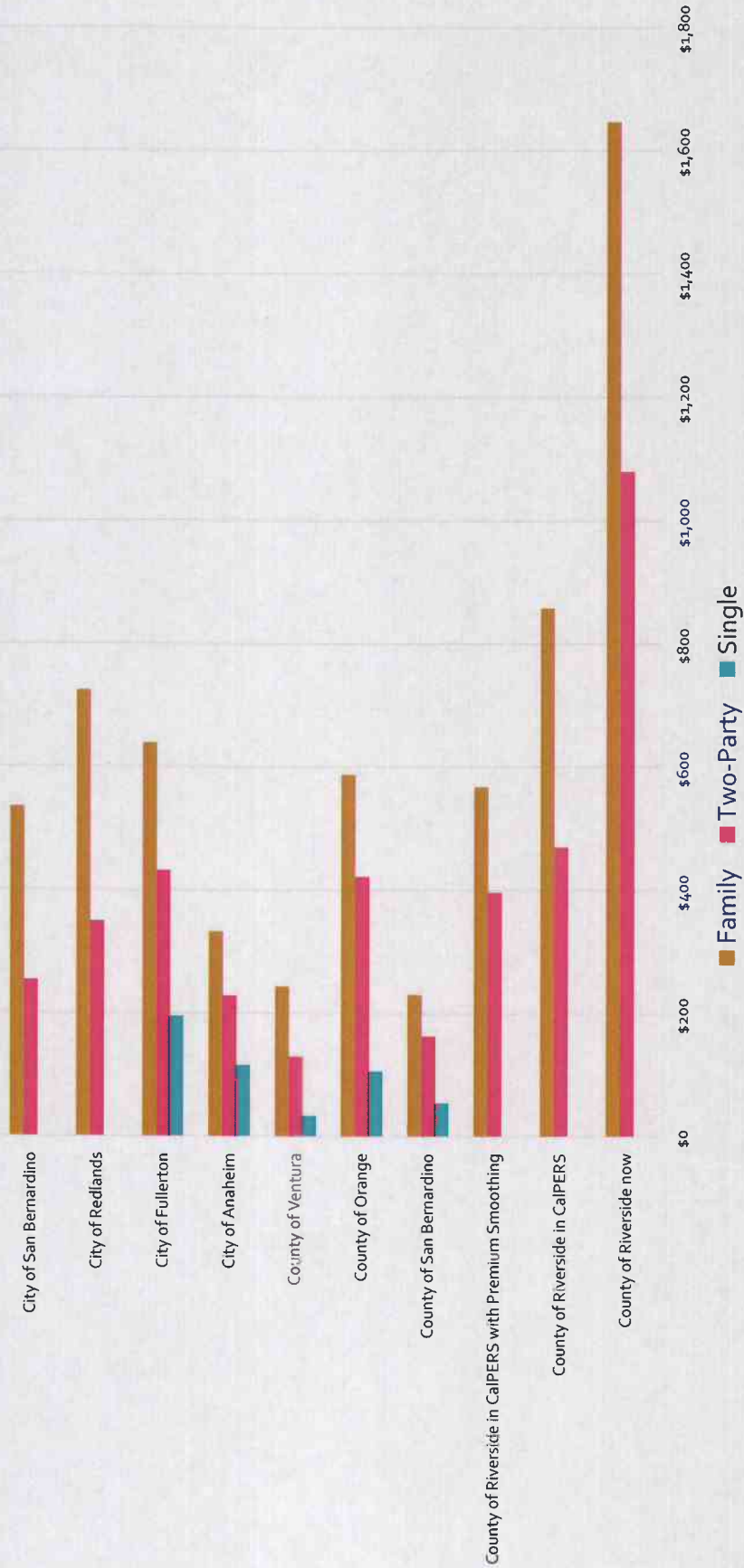
Example Family Plan	Current Monthly Cost County Plan		Monthly Cost under Contract with CalPERS Health Program			Monthly Cost under Contract with CalPERS Health Program AND Premium Smoothing		
	Premium	Employer Contribution (includes Family Subsidy \$100)	Premium	Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution	Monthly Savings
UnitedHealthCare Alliance HMO	\$2,128.20	\$923.00	\$1,681.30	\$923.00	\$758.30	\$1,114.18	\$567.12	\$638.08
UnitedHealthCare PPO / PERS Choice PPO	\$4,655.84	\$923.00	\$1,874.90	\$923.00	\$951.90	\$1,114.18	\$760.72	\$2,972.12

Disclaimer: This is an example of the effects of smoothing. Actual smoothing effects will be determined by Board direction and employee elections.



# Impact of Smoothing on County Plan Rates

## 2019 HMO Medical Plan Rates



# Impact of Smoothing on County Plan Rates, Cont.

## 2019 PPO Medical Plan Rates





# IMPACT ON RETIREMENTS

# Impact on Retirements for Employees Covered by Management Resolution

- Affordable health care may incentivize healthy retirement attrition and reduces impact on the County's pension obligation.
- Total Employees = 1,539 (as of June 6, 2019)
- Eligible to Retire = Age 50 or over with 5 or more years of service

Retirement Tier	Count
Tier I – 3%@60	494
Tier II – 2%@60	7
Tier III – 2%@62	24
Total	525

- Allows Retirement eligible employees to retire sooner because they do not need to wait until age 65 and Medicare eligible to have affordable healthcare. CalPERS offers affordable coverage that is portable.

# Cost of Retiree Medical Comparison COR vs CALPERS (Covered by Management Resolution)

County Program – Single Coverage

Plan Choices	Monthly Premium	Retiree Share
Exclusive Care	\$1,002.75	\$746.75
United Health Care Alliance HMO	\$1,258.36	\$1,002.36
Kaiser	\$969.02	\$713.02
United Health Care Signature Value HMO	\$1,459.54	\$1,203.54

CalPERS Program – Single Coverage

Plan Choices	Monthly Premium	Retiree Share
Exclusive Care	1,002.75	\$746.75
United Health Care Alliance HMO	\$646.65	\$390.65
Kaiser	\$628.63	\$372.63
Anthem HMO Traditional	\$830.89	\$574.89
Blue Shield Access +	\$760.04	\$504.04
Health Net Saludy Mas	\$427.81	\$171.81
Health NetSmartcare	\$642.71	\$386.71
Sharp	\$596.66	\$340.66
Anthem HMO Select	\$625.07	\$369.07

# Early Retiree Residing Out-of-State (Covered by Management Resolution)

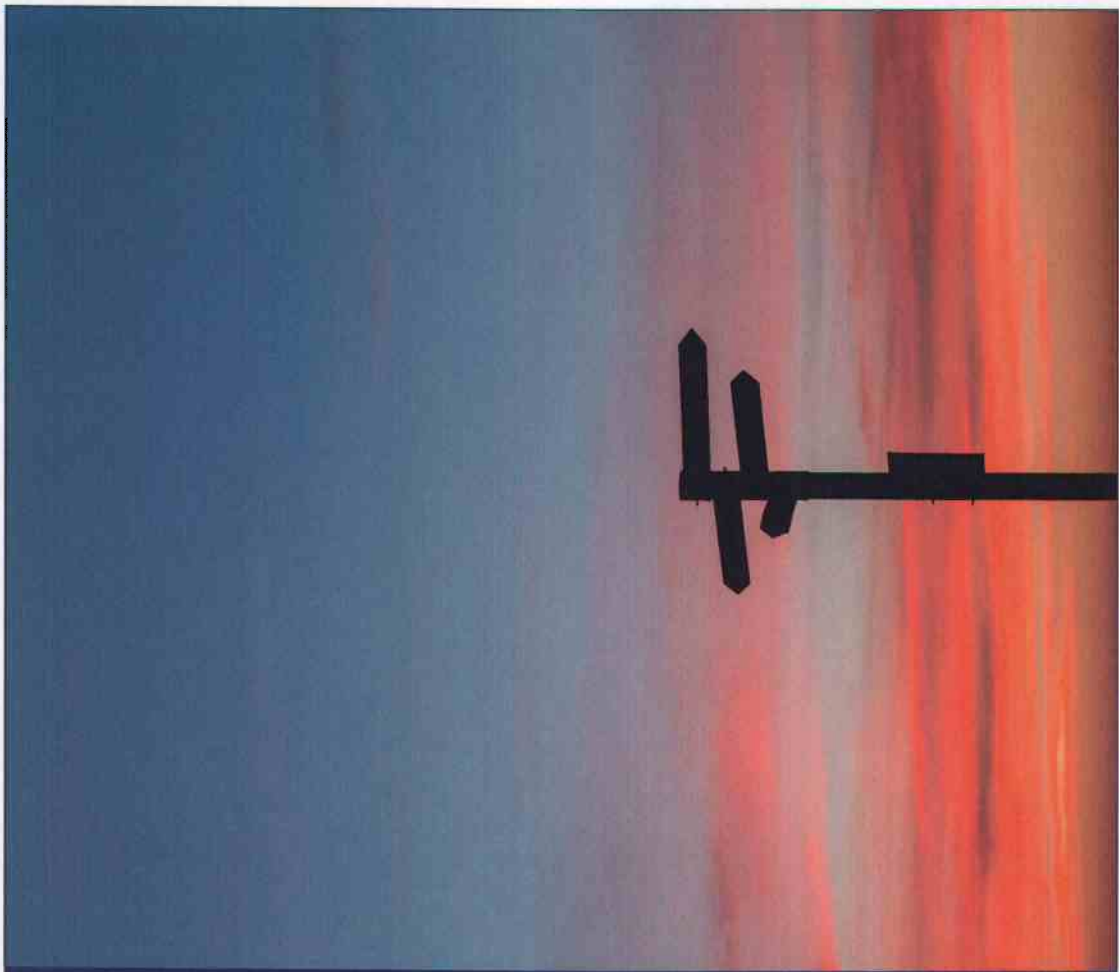
County Program - Single Coverage

Plan Choices	Monthly Premium	Retiree Share
UHC PPO	\$2,541.04	\$2,285.04

CalPERS Program – Single Coverage

Plan Choices	Monthly Premium	Retiree Share
PERS Choice	\$721.11	\$585.11
PERS Select	\$462.71	\$326.71
PERS Care	\$1,045.55	\$909.55
Kaiser Out-of-State	\$964.68	\$828.68

# OPTIONS



## Option 1: Remain with Current Benefits

- Employees who cover dependents continue to bear the higher rates for medical coverage
- Medical plan rates will continue to climb
- Renewals are adversely impacted by County utilization experience
- Sustainability of our HMO and PPO plans remain in jeopardy
- Negative impact to both recruitment and retention of future and existing employees
- Employees would continue to receive Flexible Benefit Credit cash back



## Option 2: Market for New Benefit Providers

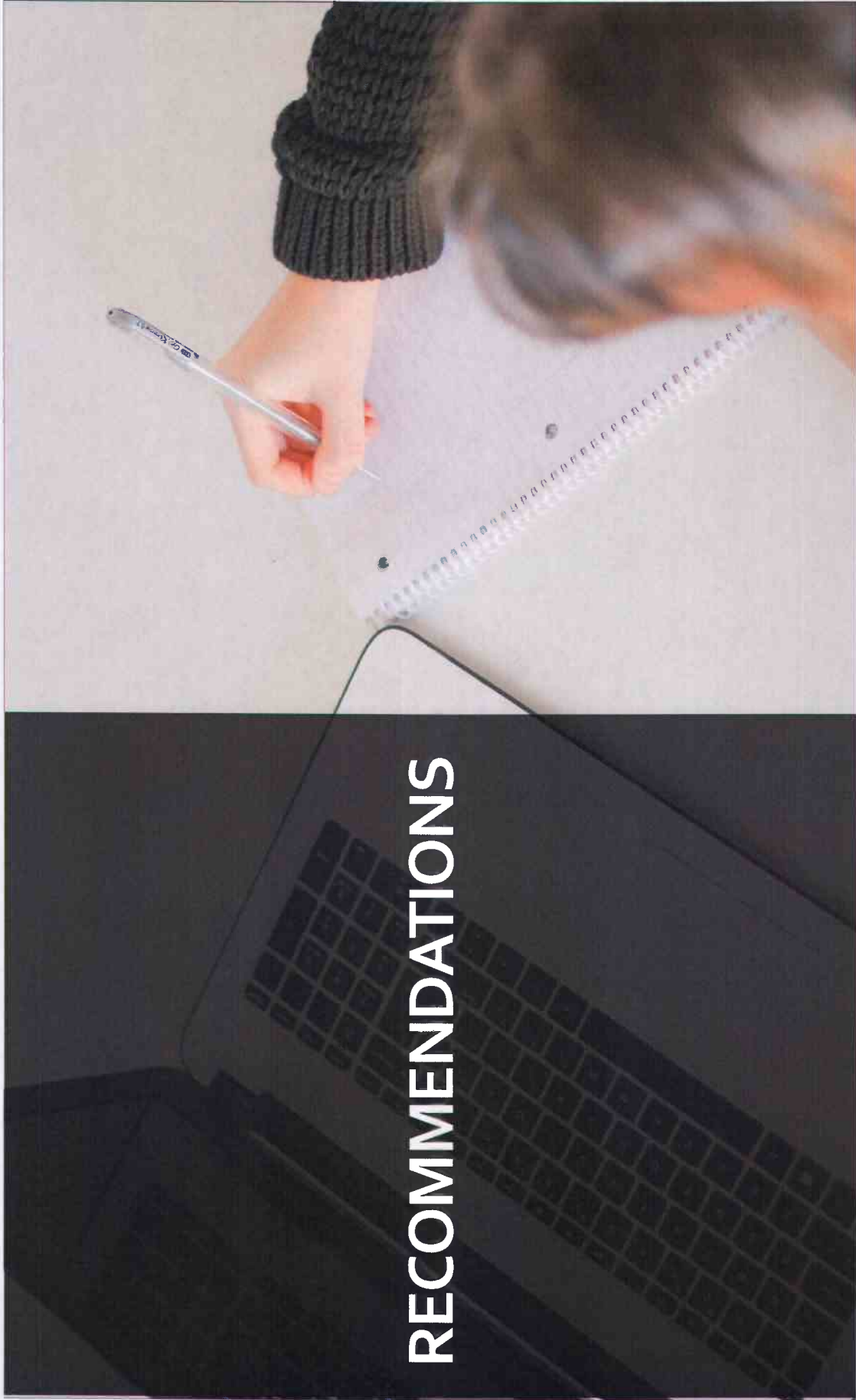
- May encounter premium increase in year 2 and beyond to recover losses from initial savings
- Claims experience will be a major factor in quoted rates
- Modest or no improvement in premiums to potentially impact recruitment and retention concerns
- Major disruption to employees, retirees and County when changing plans
- Many vendors have declined to bid on County health plans
- Potential short-term savings may receive a static or reduced rate with new provider in year 1, with increases to recover losses in future years

## **Option 3: Move Management Group to CalPERS**

- Immediate reduction in premium for employees without impacting employer cost
- County's utilization of plan benefits and high cost claims do not adversely impact our rates
- CalPERS premiums are lower than all County plans, especially for the PPO plans
- Provides portability for retirees who move outside of California
- Compliance with Affordable Care Act (ACA) administered by CalPERS
- OPEB Liability (GASB) impact on bond ratings. Impact for Management employees only is not significant

## Option 4: Implement Smoothing Option Moving Management Group to CalPERS

- Additional affordability for employees covering dependents without impacting employer cost
- Addresses the concerns regarding recruitment and retention of future and existing employees
- Some employees will not receive flexible benefit credits as taxable cash



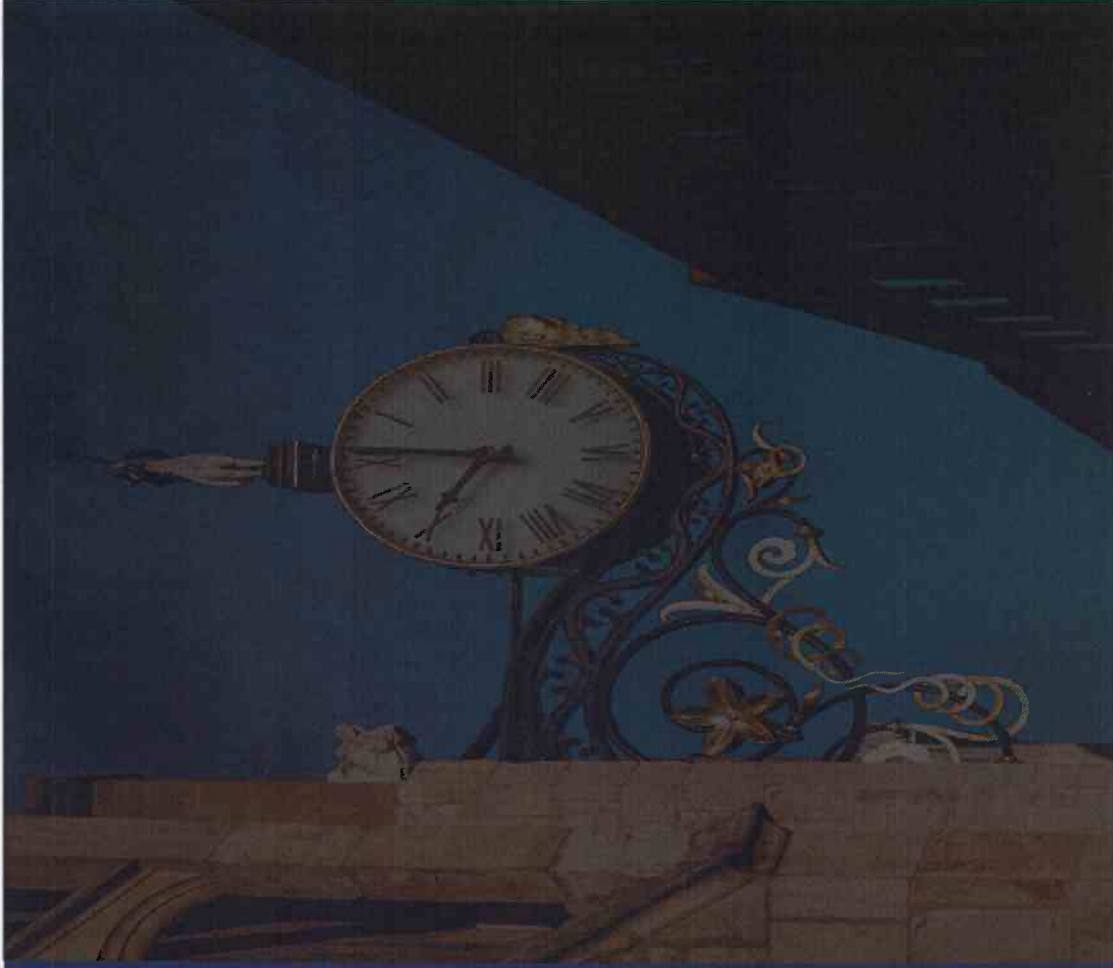
# RECOMMENDATIONS

## Recommendations

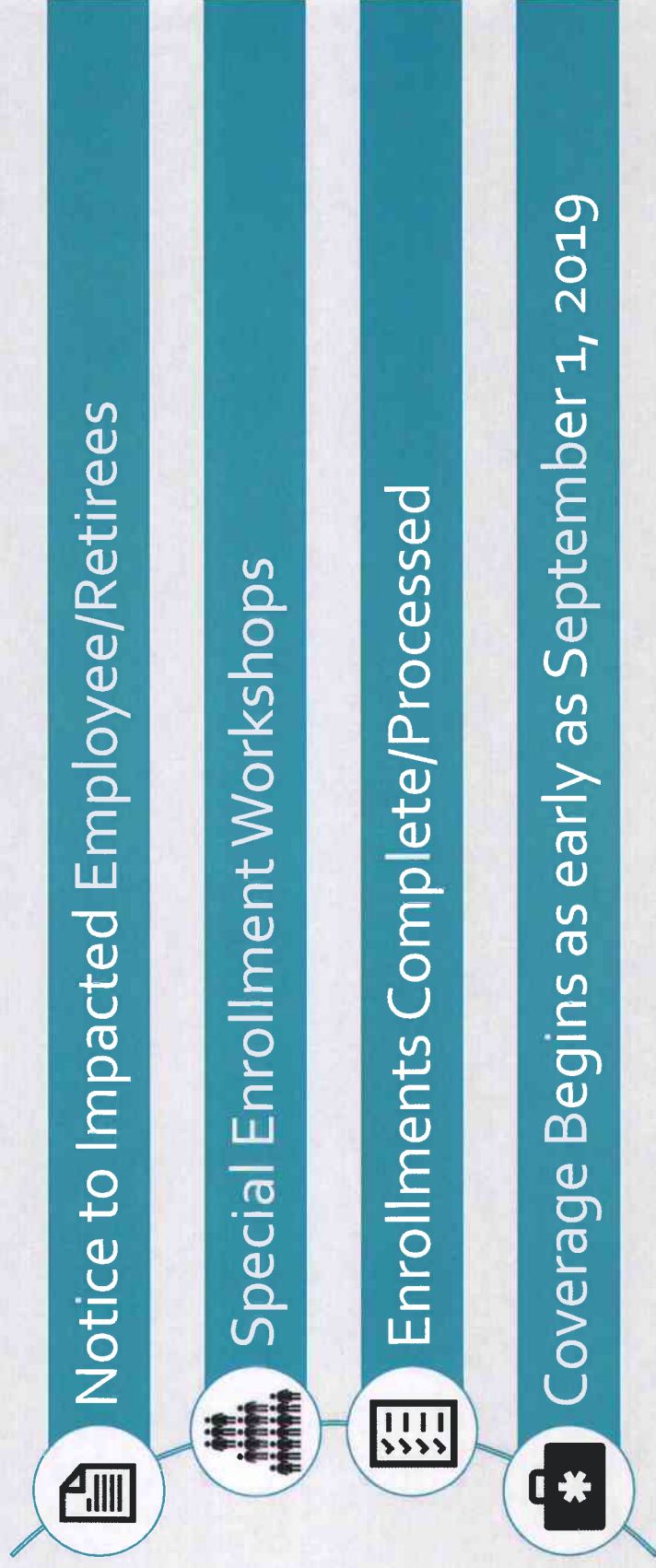
1. Approve moving the Management/Confidential/Unrepresented Unit out of County health care program and into CalPERS health program.
2. Approve the grandfathering of the pool of employees eligible and/or participating in the current Medical Waiver program. Currently there are 156 employees participating out of 483 eligible. This is a closed group with no new entrants.
3. Approve a new tier to the Medical Waiver program of \$200 per month for employees who do not enroll in a medical plan and upon proof of enrollment in alternate qualifying medical coverage.
4. Approve discontinuing the taxable cash credit after insurance selections have been made and redirect the funds to smooth the rates of two party and family rates.

Note: A decision is needed by June 25<sup>th</sup> Board date to complete necessary administrative requirements and to ensure accurate communication to employees during Open Enrollment for 2020 Plan Year.

# WHAT HAPPENS IF THE BOARD APPROVES?



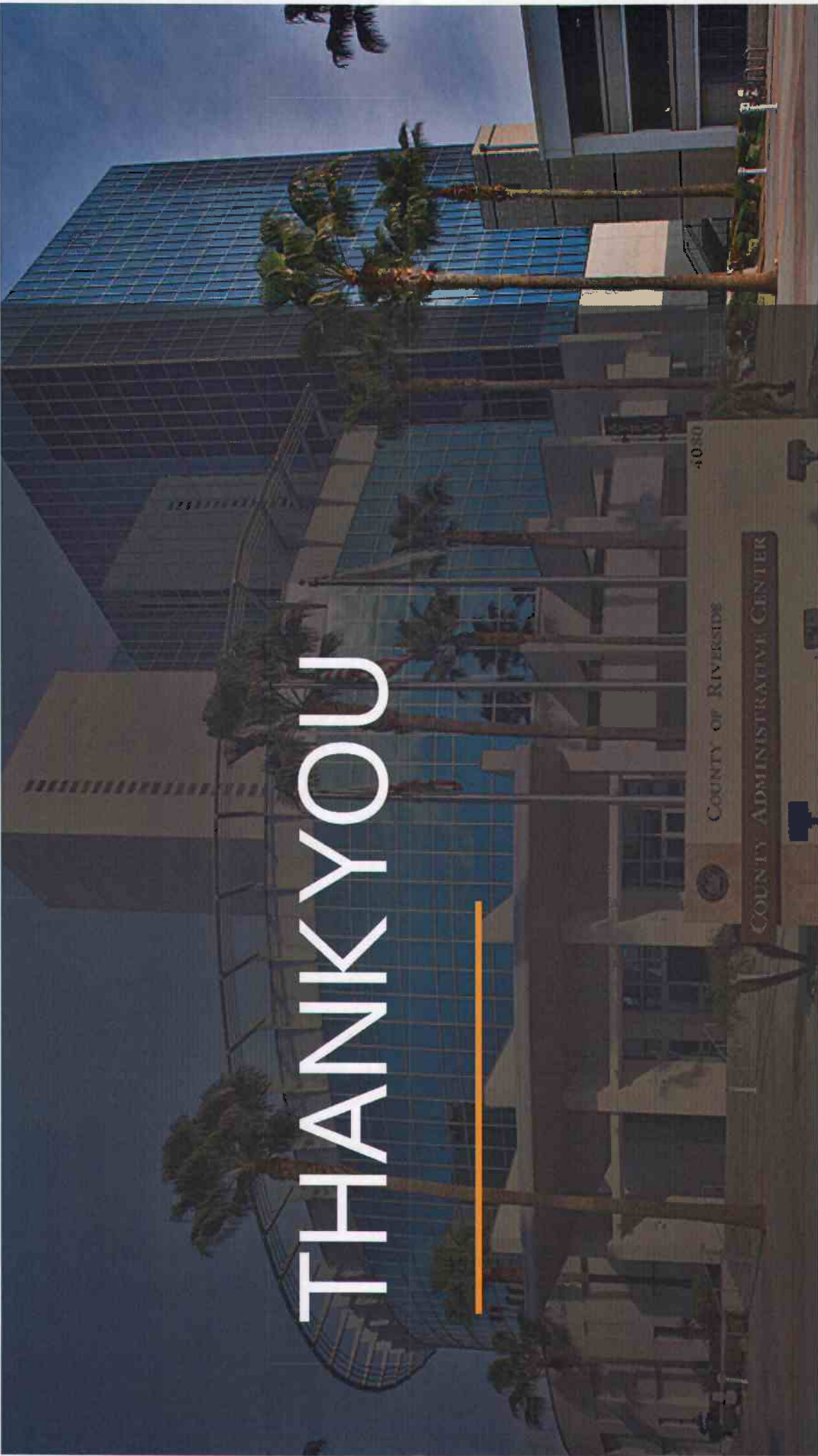
# Implementation Timeline





# BOARD DIRECTION?





THANKYOU



# Appendix

Resource Slides

## CalPERS Healthcare Regions



- Switching from five to three regions effective January 1, 2020
- Region 1 – consist of 43 Northern California counties
- Region 2 – consist of 12 counties in the southern part of the state
- Region 3 – consist of 3 counties - Los Angeles, Riverside and San Bernardino

New regions will enable CalPERS to provide high quality health plans to public agencies with rates that are competitively priced and in alignment with the cost of care in the market

# Cash Back Examples



# Cash Back Examples - COR Plans ONLY

Enrolled in County Medical Plan - SINGLE			Medical Waiver Option		
Enrollment	Monthly Cost	Annual Cash Back	Enrollment	Monthly Cost	Annual Cash Back
Flex Credit	\$823.00		Waiver Flex Credit	\$534.00	
Exclusive Care	-\$587.76		No Medical	\$0	
DeltaCare HMO	-\$22.84		DeltaCare HMO	-\$22.84	
Vision Service Plan	\$0		Vision Service Plan	\$0	
<b>Cash Back Amount</b>	<b>\$212.40</b>	<b>\$2,548.80</b>	<b>Cash Back Amount</b>	<b>\$511.15</b>	<b>\$6,133.80</b>
Enrolled in County Medical Plan - FAMILY			Enrolled in County Medical Plan - Family		
Enrollment	Monthly Cost	Employee Annual Out-of-Pocket Cost	Enrollment	Monthly Cost	Employee Annual Out-of-Pocket Cost
Flex Credit	\$823.00		Flex Credit	\$823.00	
Exclusive Care	-\$1,493.76		UHC Signature Value	-\$2,468.72	
DeltaCare HMO	-\$52.00		DeltaCare HMO	-\$52.00	
Vision Service Plan	\$0		Vision Service Plan	\$0	
<b>Employee Cost</b>	<b>\$722.76</b>	<b>\$8,673.12</b>	<b>Employee Cost</b>	<b>\$1,697.92</b>	<b>\$30,373.64</b>

# Cash Back Examples – COR vs CalPERS (Single)

Enrolled in County Kaiser Plan - Kaiser			Enrolled in CalPERS Plan - Kaiser		
Enrollment	Monthly Cost	Annual Cash Back	Enrollment	Monthly Cost	Annual Cash Back
Flex Credit	\$823.00		Flex Credit	\$823.00	
Kaiser	-\$668.84		Kaiser	-\$628.64	
DeltaCare (Dental)	-\$22.84		DeltaCare (Dental)	-\$22.84	
Vision Service Plan	\$0		Vision Service Plan	\$0	
<b>Cash Back Amount</b>	<b>\$131.32</b>	<b>\$1,575.84</b>	<b>Cash Back Amount</b>	<b>\$171.52</b>	<b>\$2,058.24</b>
Enrolled in County Plan – UHC Alliance HMO			Enrolled in CalPERS Plan – UHC Alliance HMO		
Enrollment	Monthly Cost	Annual Employee Out-of-Pocket Cost	Enrollment	Monthly Cost	Annual Cash Back
Flex Credit	\$823.00		Flex Credit	\$823.00	
UHC Alliance HMO	-\$806.64		UHC Alliance HMO	-\$646.66	
DeltaCare (Dental)	-\$22.84		DeltaCare (Dental)	-\$22.84	
Vision Service Plan	\$0		Vision Service Plan	\$0	
<b>Employee Cost</b>	<b>-\$6.48</b>	<b>-\$77.76</b>	<b>Cash Back Amount</b>	<b>\$153.50</b>	<b>\$1,842.00</b>

# Cash Back Examples – COR vs CalPERS (Family)

Enrolled in County Kaiser Plan - Kaiser			Enrolled in CalPERS Plan - Kaiser		
Enrollment	Monthly Cost	Annual Employee Out-of-Pocket Cost	Enrollment	Monthly Cost	Annual Employee Out-of-Pocket Cost
Flex Credit	\$823.00		Flex Credit	\$823.00	
Kaiser	-\$1,728.28		Kaiser	-\$1,634.44	
DeltaCare (Dental)	-\$22.84		DeltaCare (Dental)	-\$22.84	
Vision Service Plan	\$0		Vision Service Plan	\$0	
<b>Employee Cost</b>	<b>-\$928.12</b>	<b>-\$11,137.44</b>	<b>Employee Cost</b>	<b>-\$834.28</b>	<b>-\$10,011.36</b>
Enrolled in County Plan – UHC Alliance			Enrolled in CalPERS Plan – UHC Alliance		
Enrollment	Monthly Cost	Annual Employee Out-of-Pocket Cost	Enrollment	Monthly Cost	Annual Employee Out-of-Pocket Cost
Flex Credit	\$823.00		Flex Credit	\$823.00	
UHC Alliance HMO	-\$2,128.20		UHC Alliance HMO	-\$1,681.30	
DeltaCare (Dental)	-\$22.84		DeltaCare (Dental)	-\$22.84	
Vision Service Plan	\$0		Vision Service Plan	\$0	
<b>Employee Cost</b>	<b>-\$1,328.04</b>	<b>-\$15,936.48</b>	<b>Employee Cost</b>	<b>-\$881.14</b>	<b>-\$10,573.68</b>