



August 23, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Agreements for Health Insurance Services

A handwritten signature in blue ink, appearing to be "Darrell Johnson", is written over the "From:" line and extends into the "Subject:" line.

Overview

The Orange County Transportation Authority currently has agreements with various companies to provide medical, dental, vision, life, accidental death and dismemberment, and disability plans for administrative employees and employees represented by the Transportation Communications International Union, with supplemental life insurance for all eligible employees and their families. These agreements expire on December 31, 2017. Staff is presenting recommendations for medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance for the calendar year 2018.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3649 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Kaiser Permanente Health Plan, Inc., on a cost per employee basis, for prepaid medical services through December 31, 2018. The annual 2018 Kaiser Permanente Health Plan, Inc., premium cost will vary in accordance with actual enrollment.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3650 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for prepaid medical services through December 31, 2018. The annual 2018 Anthem Blue Cross health maintenance organization premium costs will vary in accordance with actual enrollment.

- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3651 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for preferred provider organization medical services through December 31, 2018. The annual 2018 Anthem Blue Cross preferred provider organization premium costs will vary in accordance with actual enrollment.
- D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-5-3652 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Anthem Blue Cross, on a cost per employee basis, for a consumer driven health plan through December 31, 2018. The annual 2018 Anthem Blue Cross consumer driven health plan premium costs and health savings account expenses will vary in accordance with actual enrollment.
- E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-1-2996 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Delta Dental, on a cost per employee basis, for preferred provider organization dental services through December 31, 2018. The annual 2018 Delta Dental preferred provider organization premium costs will vary in accordance with actual enrollment.
- F. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-1-2995 between the Orange County Transportation Authority and Delta Dental, on a cost per employee basis, for health maintenance organization dental services through December 31, 2018. The annual 2018 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.
- G. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-1-2997 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for Vision Service Plan, on a cost per employee basis, for vision services through December 31, 2018. The annual 2018 vision services premium costs will vary in accordance with actual enrollment.

- H. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1897 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for VOYA for life and accidental death and dismemberment insurance through December 31, 2018. The annual 2018 life and accidental death and dismemberment premium costs will vary in accordance with actual volume in the plan.
- I. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1898 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for VOYA to provide supplemental life insurance to employees at their own expense through December 31, 2018.
- J. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1899 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Authority for VOYA for short-term and long-term disability insurance through December 31, 2018. The annual 2018 short-term and long-term disability premium costs will vary in accordance with actual volume in the plan.
- K. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-7-1900 between the Orange County Transportation Authority and California State Association of Counties – Excess Insurance Activity for VOYA with Compsych to provide administrative leave through December 31, 2018.

Background

Since 2011, staff has focused on developing and maintaining a long-term strategy to contain rising healthcare costs as a multi-year program. The goal is to develop and maintain a sustainable and strategic long-term benefits program that is both cost effective and meets the needs of the employees. The long-term strategy consists of four basic components: 1) provide an equitable cost-sharing structure; 2) manage utilization; 3) educate employees to be better healthcare consumers; and 4) implement a health risk management program.

An equitable employee contribution schedule was developed which rewards tenure within the Orange County Transportation Authority (OCTA) and allows employees to share in the cost as they share in the benefits. Employees who

select the more expensive Preferred Provider Organization (PPO) plan pay a higher percentage of the premium than those electing the lower cost plans.

A consumer driven health plan (CDHP), along with a health savings account, was implemented as a fourth medical plan option. The CDHP model is one that supports employee engagement and encourages employees to be connected to health care dollars, thereby increasing use of generic drugs, reducing emergency visits, and increasing participation in wellness programs. In 2017, the CDHP has the second largest enrollment, with a total of 126 participants. The PPO plan, which is the most expensive plan, has the lowest enrollment of 59 participants. Cost savings continue to increase as employees migrate to the CDHP plan, which has a 26 percent lower premium than the PPO plan.

Discussion

OCTA received proposals from California State Association of Counties – Excess Insurance Authority (CSAC-EIA) for its medical plans effective January 1, 2018 through December 31, 2018. These rates were received by OCTA in early July 2017. Staff recommends the following medical, dental, vision, life, accidental death and dismemberment, disability, administrative services for protected leaves, and supplemental life insurance.

Medical

OCTA is part of CSAC-EIA health care pool and will continue to be for the next year. The CSAC-EIA for Kaiser Permanente Health Plan, Inc. (Kaiser), proposed a renewal premium increase of 2.7 percent, which is lower than last year's renewal of 4.3 percent and lower than the market trend of 5.2 percent increase outside of the CSAC-EIA pool. Approximately 35 percent of the administrative and Transportation Communications International Union (TCU) employees currently utilize Kaiser. Staff recommends continuing to offer Kaiser as one of the medical plan options. A one-year amendment to the contract is requested as Kaiser allows only a one-year term extension.

The CSAC-EIA for Anthem Blue Cross (Anthem) proposed a renewal premium increase of 4.2 percent for the health maintenance organization (HMO) plan, which is lower than the market trend of 12.2 percent increase outside the CSAC-EIA pool. The Anthem PPO and CDHP renewal increases are 4.3 percent. The renewal rates are based on demographics, utilization, and market trends. Staff recommends continuing to offer the Anthem HMO, PPO, and CDHP plans.

Dental

OCTA currently offers two choices of dental plans to its employees. The PPO is offered through CSAC-EIA for Delta Dental, and the HMO is offered directly through Delta Dental. The CSAC-EIA for the Delta Dental PPO proposed a rate decrease of 7.9 percent, and the Delta Dental HMO proposed a rate increase of 3.0 percent.

Vision

The CSAC-EIA for vision insurance proposed no rate increases. The 2018 rate includes an enhanced benefit of computer glasses for employees.

Life Insurance

OCTA provides eligible employees with life insurance, as well as accidental death and dismemberment insurance. The benefit amount is equal to two times the annual salary of the employee to a maximum of \$500,000. CSAC-EIA for Voya life insurance proposed no rate increases.

Supplemental Life Insurance

OCTA offers voluntary supplemental life insurance to all eligible employees at their own expense. CSAC-EIA for Voya proposed no rate increases.

Disability Insurance

OCTA provides employees with short-term and long-term disability insurance. It provides a monthly benefit amount while an employee is on an approved disability leave. CSAC-EIA for Voya proposes no rate increase for short-term disability and a rate increase of 7.1 percent for long-term disability.

Protected Leave Management

CSAC-EIA for Voya provides protected leave administrative services to OCTA. No rate increases are proposed for 2018.

Fiscal Impact

Health care benefits costs were approved in OCTA's Fiscal Year (FY) 2017-18 Budget, assuming a 12 percent increase in rates beginning January 1, 2018. Based on staff recommendations for calendar year 2018, OCTA's cost for health care benefits for the administrative and TCU employees will be

approximately 2.8 percent higher than last calendar year and well within the budgeted amount for FY 2017-18. Since the renewals are on a calendar year basis, OCTA will address the FY 2018-19 amounts, along with the other assumptions utilized in the budget, during the next budgeting cycle.

Summary

Staff is recommending that the Chief Executive Officer be authorized to negotiate and execute amendments to the existing contracts with CSAC-EIA for medical, dental, and vision insurance, and with Delta Dental for dental, as well as negotiate and execute agreements with CSAC-EIA for life, accidental death and dismemberment, short-term and long-term disability, supplemental life, and protected leave management.

Attachments

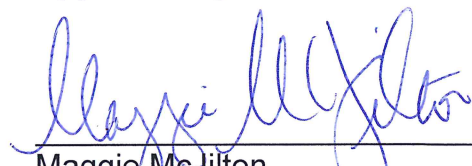
- A. California State Association of Counties – Excess Insurance Authority Kaiser Permanente Health Plan, Inc., Agreement No. C-5-3649 Fact Sheet
- B. California State Association of Counties – Excess Insurance Authority Anthem Blue Cross Health Maintenance Organization, Agreement No. C-5-3650 Fact Sheet
- C. California State Association of Counties – Excess Insurance Authority Anthem Blue Cross Preferred Provider Organization, Agreement No. C-5-3651 Fact Sheet
- D. California State Association of Counties – Excess Insurance Authority Anthem Blue Cross Consumer Driven Health Plan, Agreement No. C-5-3652 Fact Sheet
- E. California State Association of Counties – Excess Insurance Authority Delta Dental Preferred Provider Organization, Agreement No. C-1-2996 Fact Sheet
- F. Delta Dental Health Maintenance Organization, Agreement No. C-1-2995 Fact Sheet
- G. California State Association of Counties – Excess Insurance Authority Vision Service Plan, Agreement No. C-1-2997 Fact Sheet
- H. 2018 Financial Summary
- I. 2018 Monthly Rate Comparison

Prepared by:

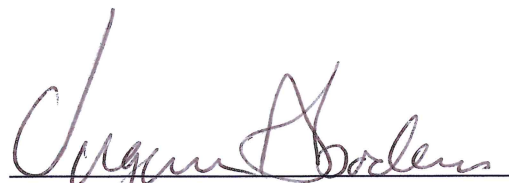


Bea Maselli
Section Manager, Benefits
714-560-5825

Approved by:



Maggie McJilton
Executive Director, Human Resources and
Organizational Development
714-560-5824



Virginia Abadessa
Director, Contracts Administration and
Materials Management
714-560-5623