



**August 27, 2018**

**To:** Members of the Board of Directors  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Agreements for Health Insurance Services

**Overview**

The Orange County Transportation Authority currently has agreements with various companies to provide medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life plans for administrative employees and employees represented by the Transportation Communications International Union and coach operators represented by Teamsters Local 952 Union. These agreements expire on December 31, 2018. Staff is presenting recommendations for medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance for the calendar year 2019.

**Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 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, 2019. The annual 2019 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. 3 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, 2019. The annual 2019 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. 3 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, 2019. The annual 2019 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. 3 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, 2019. The annual 2019 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. 8 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, 2019. The annual 2019 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. 8 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, 2019. The annual 2019 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.
- G. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1869 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 health maintenance organization dental services through December 31, 2019. The annual 2019 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.
- H. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 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, 2019. The annual 2019 vision services premium costs will vary in accordance with actual enrollment.

- I. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to 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, 2019. The annual 2019 life and accidental death and dismemberment premium costs will vary in accordance with actual volume in the plan.
- J. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to 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, 2019.
- K. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to 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, 2019. The annual 2019 short-term and long-term disability premium costs will vary in accordance with actual volume in the plan.
- L. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Purchase Order No. C-7-1900 between Orange County Transportation Authority and California State Association of Counties – Excess Insurance Activity for VOYA with Compsych to provide employee leave administration through December 31, 2019.

***Background***

Staff continues to focus 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 that rewards tenure within the Orange County Transportation Authority (OCTA) for administrative and Transportation Communications International Union (TCU) employees 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.

The Consumer Driven Health Plan (CDHP), along with a Health Savings Account, 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. Cost savings continue to increase as employees migrate to the CDHP plan which has a 22 percent lower premium than the PPO plan.

OCTA assumed responsibility for the administration of health and life insurance benefits for coach operators beginning July 1, 2018. The health and life insurance options offered to coach operators is similar to benefits previously available through the Teamsters Local 952 Union/Labor Alliance.

### ***Discussion***

OCTA received proposals from California State Association of Counties – Excess Insurance Authority (CSAC-EIA) and Burnham Insurance for its medical plans and life insurance plans effective January 1, 2019 through December 31, 2019. These rates were received by OCTA in July 2018. Staff recommends the following medical, dental, vision, life, accidental death and dismemberment, disability, administrative services for protected leaves, and supplemental life insurance.

#### **Medical**

OCTA contracted directly with Kaiser Permanente Health Plan, Inc. (Kaiser) for the six months beginning July 1, 2018 through December 31, 2018 for coach operator medical insurance due to competitive rates in the short-term. After careful analysis of the information received for the 2019 calendar year, OCTA staff recommends the medical insurance offering provided by CSAC-EIA for coach operators.

In 2015, OCTA staff recommended and the Board approved contracting with CSAC-EIA for the most competitive pricing of medical insurances. OCTA's experience over the past three years with CSAC-EIA for administrative employee health plans has resulted in competitive pricing at below California market trends. The overall medical renewal rate for 2018 was 3.6 percent whereas the market trend was 13 percent. In 2017, the renewal rate was 2.6 percent and the market trend was eight percent. The first year with CSAC-EIA in 2016 was an 8.3 percent renewal with market trends of up to 17 percent.

The 2018 CSAC-EIA renewal is an increase of ten percent overall as compared to market trends of six to seven percent. CSAC-EIA proposed an 11.5 percent increase to Kaiser for the coach operator plan due to large claims and high increase in inpatient hospitalization in the past year. Alternately, Kaiser proposed a direct premium rate increase of eight percent for the same reasons. OCTA staff recommends the additional cost of the Kaiser plan in CSAC-EIA for the first year to strategically manage rates going forward as the CSAC-EIA pool has offered rates at well below market trends in past years.

Additionally, coach operators will be offered the CSAC-EIA Anthem Blue Cross (Anthem) health maintenance organization (HMO) plan and the PPO plan options as of January 1, 2019. Staff recommends offering the CSAC-EIA Kaiser, Anthem HMO, and PPO plans to coach operators.

For the administrative and TCU employee medical plans, CSAC-EIA for Kaiser proposed a renewal premium increase of two percent, which is lower than last year's renewal of 2.7 percent and lower than the market trend of six to seven percent increase outside of the CSAC-EIA pool. OCTA will offer a new chiropractic/acupuncture benefit to the Kaiser plan and will remove the optical benefit to allow employees to elect the Vision Service Plan (VSP) enhanced benefit. Staff recommends continuing to offer Kaiser as one of the medical plan options with noted plan enhancements. A one-year amendment to the contract is requested because Kaiser only allows renewals on an annual basis.

CSAC-EIA for Anthem proposed a renewal premium increase of 7.9 percent for the HMO, PPO, and CDHP plans, which is just above the market trend of six to seven percent increase outside the CSAC-EIA pool. The above market premium increase is attributable to offering coach operators the Anthem HMO and PPO plan options. 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.

CSAC-EIA will offer Delta Dental HMO for the first time in 2019. After careful review, OCTA staff recommends the CSAC-EIA for Delta Dental HMO plan for administrative and TCU employees. This plan offers lower copays and increased dental benefits at minimal additional premium cost.

The CSAC-EIA for the Delta Dental PPO plan for administrative and TCU employees received a rate decrease of 1.2 percent. OCTA staff recommends dental program enhancements to add night guards to basic services and provide benefit coverage for temporomandibular disorders (TMJ). With these changes, the premium rate proposal is a decrease of 0.2 percent.

The CSAC-EIA for the Delta Dental PPO plan and the Delta Dental direct HMO plan offered to coach operators proposed no rate increases.

#### Vision

The CSAC-EIA for vision insurance proposed no rate increases. The 2019 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. For administrative and TCU employees, the benefit amount is equal to two times the annual salary of the employee to a maximum of \$500,000. For coach operators, the life insurance also includes a spousal and child life insurance benefit. 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 administrative employees with short-term disability insurance and long-term disability insurance to TCU and administrative employees. It provides a monthly benefit amount while an employee is on an approved disability leave. CSAC-EIA for Voya proposes no rate increases.

#### Protected Leave Management

CSAC-EIA for Voya provides protected leave administrative services to OCTA. No rate increases are proposed for 2019.

**Fiscal Impact**

The costs for health care benefits were approved in OCTA's Fiscal Year (FY) 2018-19 Budget assuming a 10 percent increase in rates beginning January 1, 2019. Based on staff recommendations for calendar year 2019, OCTA's cost for health and life insurance benefits for the administrative, TCU, and coach operator employees will be approximately 9.3 percent higher than last calendar year and within the budgeted amount for FY 2018-19. Since the renewals are on a calendar year basis, OCTA will address the FY 2019-20 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. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1897 Fact Sheet
- I. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1898 Fact Sheet
- J. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1899 Fact Sheet
- K. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1900 Fact Sheet
- L. Orange County Transportation Authority 2019 Financial Summary
- M. Orange County Transportation Authority, Monthly Rate Comparison – 2018 vs. 2019

**Prepared by:**



Bea Maselli  
Section Manager, Benefits  
714-560-5825



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

**Approved by:**



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