



**August 28, 2019**

**To:** Finance and Administration Committee

**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, 2019. Staff is presenting recommendations for medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance, as well as leave administration for the calendar year 2020.

**Recommendations**

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 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, 2020. The annual 2020 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. 4 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, 2020. The annual 2020 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. 4 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, 2020. The annual 2020 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. 4 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, 2020. The annual 2020 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. 9 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, 2020. The annual 2020 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. 9 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, 2020. The annual 2020 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. 1 to 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, 2020. The annual 2020 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. 7 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, 2020. The annual 2020 vision services premium costs will vary in accordance with actual enrollment.
- I. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 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, 2020. The annual 2020 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, 2020.
- K. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 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, 2020. The annual 2020 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. 2 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, 2020.

**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 employees and employees represented by the Transportation Communications International Union (TCU), which includes parts clerks and facilities technician employees. The schedule 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 Health Maintenance Organization (HMO) 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 26 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 are 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 Benefits, OCTA's health insurance broker, for its medical plans and life insurance plans effective January 1, 2020 through December 31, 2020. These rates were received by OCTA in June 2019. Staff recommends the following medical, dental, vision, life, accidental death and dismemberment, disability, administrative services for protected leaves, and supplemental life insurance.

### Medical

In 2015, the OCTA Board of Directors (Board) approved contracting with CSAC-EIA for the most competitive pricing of medical insurances for the 2016 year. OCTA's experience with CSAC-EIA for administrative and TCU employee health plans has resulted in competitive pricing below California market trends for three of the last four years. In 2016, OCTA experienced an 8.3 percent renewal increase, as compared to market trends of up to 17 percent. In 2017, the renewal rate was an increase of 2.6 percent as compared to the market trend of eight percent. In 2018, the overall medical renewal rate was a 3.6 percent increase, as compared to the market trend of 13 percent. The 2019 renewal was slightly (0.9%) above market rate due to large claims, a high increase in inpatient hospitalization in the prior year, and a two percent increase to add the Coach Operators to the group, resulting in a 7.9 percent increase in renewal rate.

For the 2020 medical rate renewal, CSAC-EIA proposes a renewal decrease of 1.35 percent for each of the Kaiser and Anthem Blue Cross (Anthem) medical insurance plans. This renewal decrease of 1.35 percent is lower than market trends of 5.5 percent increases for medical plans. Staff recommends continuing to offer the CSAC-EIA Kaiser and Anthem HMO, PPO, and CDHP plans.

### Dental

OCTA currently offers two choices of dental plans to its employees: a dental PPO and a dental HMO plan. Administrative and TCU employees and coach operators are offered a dental PPO plan with Delta Dental, contracted through CSAC-EIA. A rate increase of three percent is proposed by CSAC-EIA for the dental PPO plan, based on utilization of the plan. The dental HMO plan for administrative and TCU employees is a Delta Dental plan contracted through CSAC-EIA, while the dental HMO plan offered to coach operators is contracted directly with Delta Dental. Neither dental HMO plan has proposed an increase for calendar year 2020.

### Vision

The CSAC-EIA for Vision insurance proposed no rate increases.

### 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, life insurance of \$25,000 is

provided, as well as a \$5,000 spousal and \$500 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 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 proposed no rate increases.

#### Protected Leave Management

CSAC-EIA for Voya provides protected leave administrative services to OCTA. No rate increases are proposed for 2020.

#### Fiscal Impact

The costs for health care benefits were approved in OCTA's Fiscal Year (FY) 2019-20 Budget, assuming a ten percent increase in rates beginning January 1, 2020. Based on staff recommendations for calendar year 2020, OCTA's cost for health and life insurance benefits for the administrative, TCU, and coach operator employees will be approximately one percent lower than last calendar year and within the budgeted amount for FY 2019-20. Since the renewals are on a calendar year basis, OCTA will address the FY 2020-21 amounts, along with the other assumptions utilized in the budget, during the next budgeting cycle.

### **Summary**

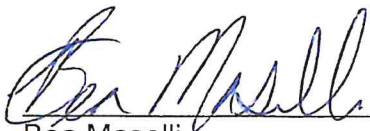
Staff is recommending that the Chief Executive Officer be authorized to negotiate and execute amendments to the existing contracts with CSAC-EIA for medical, dental, and vision insurance, and with Delta Dental for dental insurance, as well as negotiate and execute amendments with CSAC-EIA for life, accidental death and dismemberment, short-term and long-term disability and supplemental life insurance, 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 Delta Dental Health Maintenance Organization, Agreement No. C-8-1869 Fact Sheet
- H. California State Association of Counties – Excess Insurance Authority Vision Service Plan, Agreement No. C-1-2997 Fact Sheet
- I. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1897 Fact Sheet
- J. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1898 Fact Sheet
- K. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1899 Fact Sheet
- L. California State Association of Counties – Excess Insurance Authority VOYA, Purchase Order No. C-7-1900 Fact Sheet

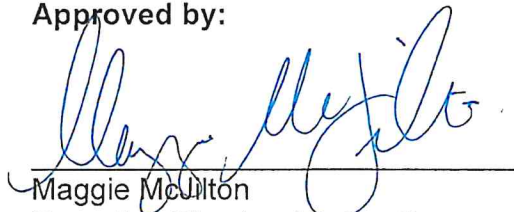
- M. Orange County Transportation Authority Financial Summary, January 1, 2020
- N. Orange County Transportation Authority Monthly Rate Comparison – 2020 vs. 2019
- O. Orange County Transportation Authority Administrative & TCU Monthly Employee Cost for 2020
- P. Orange County Transportation Authority Coach Operators Monthly Employee Cost for 2020

Prepared by:

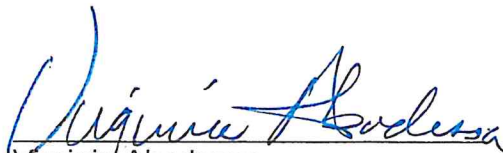


Bea Maselli  
Section Manager, Benefits  
714-560-5825

Approved by:



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



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