

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	12/13/10	Open	Action	12/07/10

Subject: Health and Welfare Benefits for 2011

## ISSUE

Whether or not to approve the 2011 contracts with RT's health and welfare benefits providers.

## RECOMMENDED ACTION

Adopt Resolution No. 10-12-\_\_\_, Conditionally Approving Contracts with Kaiser, Health Net, Delta Dental, and Delta Care USA for 2011.

## FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	4,221,102*
Budget Source:	Operating	Next FY:	\$	4,016,077
Funding Source:	Federal/State/Local	Annualized:	\$	8,032,154
<b>Cost Cntr/GL Acct(s) or Capital Project #:</b>	GL Accts: 520003 and 520004	Total Amount:	\$	8,032,154

Total Budget: \$ 8,032,154

\*The budget assumption was based on the settlement of all labor agreements. This cost estimate is based on the existing agreements with ATU and IBEW that are currently in negotiations and do not reflect the reductions assumed in the budget. This cost exceeds the current budget for FY 2011 by \$513,015. This budget to actual variance will be adjusted through the mid-year budget revision process in February 2011.

## DISCUSSION

### Medical Benefits

During late 2009 and early 2010, RT completed a cost/benefit analysis to determine if returning to the CalPers system of medical benefits would provide relief from the significant premium increases experienced over the past several years. The analysis showed that returning to CalPers was a prudent decision and three employee groups (AEA, MCEG and AFSCME) re-entered CalPers in the summer of 2010.

Based on the Resolutions adopted by the Board to return to the CalPers system, continuation of medical plans and adoption of the CalPers for 2011 requires no further action.

Approved:

Presented:

FINAL 12/7/10

General Manager/CEO

Chief Administrative Officer/EEO Officer

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The remaining two groups, ATU and IBEW, will continue under their previous health care providers at least until their contract negotiations are completed. In the meantime, RT must maintain the current contracts with Health Net and Kaiser.

## **Dental**

All RT employees receive District paid dental benefits through RT's current provider Delta Dental. In August 2010, RT staff was informed that the dental rates would increase by 19.2% for the upcoming contract year. Since an increase of this magnitude appeared unwarranted, a decision was made to allow RT's benefit broker Keenan & Associates to market the dental program to providers other than Delta Dental.

The results of the dental program marketing are outlined in Attachment A, with MetLife as the successful proposer. Signing a contract with MetLife will save the District in excess of \$90,000 in the first year and an estimated \$50,000 in the second contract year.

RT staff has initiated discussions with all employee groups to approve the replacement of Delta Dental. To date, discussions are positive and it appears RT will make the transition to Met Life by March 1, 2011. To ensure continuity of care, a two-month extension of the current Delta Dental contract must be executed.

Once the negotiations with the Unions and MetLife conclude, RT staff will present a subsequent issue paper asking for the approval of a two-year contract with MetLife Dental Services.

## **Vision, Life Insurance, Cafeteria Plan (FSA and COBRA)**

All contracts are multi-year contracts and therefore, not subject to renewal on January 1, 2011. Attachment A contains an overview of our 2010 medical, dental and vision rates, as well as the proposed 2011 rates and a summary of Keenan's recommendations.

Staff recommends approval of the contracts and amendments with RT's health care providers at the rates set forth in Exhibit 1 to the Resolution.

RT has not received copies of the contracts or amendments described herein by any of the providers. Consequently, RT Legal has been unable to verify that the rates included in attached Exhibit 1 are consistent with the terms of the actual agreements RT will be required to execute to continue the coverages described herein. RT has been advised that the contract documents will be provided to RT after January 1, 2011. Thus, RT staff recommends that the Board approve the contracts and amendments conditioned upon review and verification by RT's Chief Legal Counsel that the rates and terms described in Exhibit 1 are included in the contracts and amendments provided to RT for its signature. Staff further recommends that upon a finding by the Chief Legal Counsel that the agreements incorporate the terms contained in Exhibit 1, the General Manager/CEO be authorized to execute such agreements.

**Sacramento Regional Transit District  
2011 Health & Welfare Benefits Renewal  
Executive Summary**

On behalf of Sacramento Regional Transit District, Keenan & Associates is pleased to present the 2011 renewals for your medical and ancillary Benefit plans.

**Renewal Objectives**

With the migration of employees into the CalPERS health care system, Keenan's primary concern regarding the renewal for Sacramento Regional Transit District was to obtain affordable medical plan rates for the remaining IBEW and ATU employees.

**Health Care Trends**

As in the past several years, medical plan costs are projected to increase nationally in the low to high double digits. Reasons for the trend increases include: increasing medical technology costs, increasing hospital costs, the increasing cost and utilization of prescription drugs and the high cost of medical malpractice insurance for both doctors and hospitals. Also, as in the past, trends in California remain slightly higher than the national average due in part to the cost of seismic retrofitting of California hospitals. In addition to these trend increases, the passing of the Patient Protection and Affordable Care Act will likely increase the cost to employer sponsored insurance coverage by 1.5% to 4.0%.

Keenan & Associates is forecasting the following Trend rates for Medical, Dental and Vision benefits.

<u>Medical</u>	<u>Dental</u>	<u>Vision</u>
HMO 11.0% to 13.0%	PPO 7.0%	4.3%
PPO 13 %	Prepaid 6.5%	
POS 13.5 %		

**2011 Kaiser Medical Renewal**

Kaiser offered a 2.3% renewal increase for the 2011 plan year. The renewal was based on a census of employees that were not enrolled in CalPERS. With the AEA and MCEG groups moving to CalPERS, the low option plan was discontinued. The proposed renewal adjustments for the remaining plan are as follows:

HMO (\$10 Office Visit)  
Active employees – 2.3%  
Early Retirees - 2.3%  
Senior Advantage – 3.1%

### **Claims Experience & Plan Enrollment**

Due to the change in the population, claims experience was not a component of the renewal for 2011. Rather, the District's renewal was largely manually rated.

### **Patient Protection and Affordable Care Act**

Sacramento Regional Transit will renew its medical plans as a non-grandfathered plan. Essentially this means the mandated components of the Patient Protection and Affordable Care Act to be added to the plan will include no-cost preventive care, no lifetime maximums and no annual limit on durable medical equipment.

### **Keenan & Associates Recommendations**

Kaiser's proposed 2011 renewal is below Kaiser's stated trend for Northern California. Keenan & Associates' recommendation is for the District to accept the renewal as proposed.

### **Health Net**

Health Net's renewal proposal came in between a low of 9.1% for the Seniority Plus plan to a high of 117% on the California and Out of State PPO plans. With the reduction in the Health Net population and the possibility of the remaining employees moving to CalPERS, Health Net was unwilling to make further rate concessions. As with Kaiser, the movement of the AEA and MCEG employees to CalPERS eliminated the need for a low option HMO plan. The proposed renewal adjustments are as follows:

HMO -Actives	15.9%
HMO - Early Retirees	24.7%
Medicare COB	25.3%
EPO	61.6%
OOS & CA PPO	117.2%
Seniority Plus	9.1%

### **Keenan & Associates Recommendations**

Health Net's final renewal proposal is warranted based on the remaining population on each of the different plans. Consequently, we recommend that the District accept the Health Net renewal for the 2010 plan year.

### **Delta Dental**

Sacramento Regional Transit District currently offers both a dental PPO plan and the Delta Dental DHMO plan to all employees. The initial renewal was quoted based on Sacramento Regional Transit maintaining the current Guaranteed Administrative contract which allowed the District to build subsidy dollars. The original proposed renewal for 2011 was a 19.2% increase. Keenan subsequently marketed the Dental Programs and received several bids from other prominent carriers. After learning of the intent to go to market for a competitive quote, Delta Dental reduced the renewal increase to 13.3% while still maintaining the Guaranteed Administrative contract.

### **Dental Plan Marketing**

Keenan requested quotes from Premier, The Standard, The Guardian and MetLife. The Guardian was unable to match the current incentive level compensation and declined to quote. Premier and The Standard's final proposals were not rate competitive. MetLife has the ability to match the current benefits, offer a comparable DHMO and save the District up to \$98,000 a year. They also offered a 7% cap on the 2012 renewal.

Subsequent to receiving these quotes, Delta Dental made another offer to move the current plan contract to a fully insured contract in order to reduce the rates to a 12.4% increase and also offered a 7% cap on the 2012 renewal.

### **Keenan & Associates Recommendation**

There are slight differences in the PPO networks between MetLife and Delta. Delta has 36 more PPO providers that are currently being utilized by Sacramento Regional Transit District employees, than MetLife. Although there may be some adjustments to make a change to MetLife, the overall savings makes it worth considering. If a change in carriers is not made for the 2011 plan year, we recommend that the District begin to look as cost saving plan design changes for the 2012 plan year.

### **VSP**

There are no changes in the vision plan and the current rates remain in effect through the 2011 plan year.

### **Prudential Life Insurance**

There are no changes in the life insurance plan and the current rates remain in effect through the 2012 plan year.

### **MetLife Long Term Disability**

There are no changes in the LTD plan and the current rates remain in effect through the 2011 plan year.

### **National Benefit Service**

There are no changes and the rates remain the same through the 2011 plan year.

### **Summary**

Keenan & Associates is grateful for the opportunity to work as the District's Health & Welfare Consultant. As such we are happy to explore additional alternatives that will help the District maintain excellent employee benefits while reducing overall costs.

My team and I are available to meet with the District's benefit staff, executive staff or Board as you deem appropriate.

RESOLUTION NO. 10-12-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 13, 2010

**CONDITIONALLY APPROVING CONTRACTS WITH KAISER, HEALTH NET, DELTA DENTAL, AND DELTA CARE USA FOR 2011**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Agreements with Kaiser and Health Net commencing January 1, 2011 and expiring December 31, 2011, at the 2011 rates set forth in Exhibit 1, are hereby approved, conditioned upon review and verification by RT's Chief Legal Counsel that the rates in Exhibit 1 are incorporated into the agreement.

THAT, the Sixth Amendment to the Agreement between Sacramento Regional Transit District with Delta Dental of California whereby the term is extended to March 1, 2011, at the 2010 rates set forth in Exhibit 1, is hereby approved, conditioned upon review and verification by RT's Chief Legal Counsel that the rates in Exhibit 1 are incorporated into the agreement.

THAT, the Fourth Amendment to the DeltaCare USA Group Dental Service Contract by and between Sacramento Regional Transit District with Delta Dental of California whereby the term is extended to February 28, 2011, at the rates set forth in Exhibit 1, is hereby approved, conditioned upon review and verification by RT's Chief Legal Counsel that the rates in Exhibit 1 are incorporated into the agreement.

THAT, the General Manager/CEO is hereby authorized and directed to execute the above contracts upon satisfaction of the foregoing contingencies.

\_\_\_\_\_  
STEVE MILLER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary

**Sacramento Regional Transit District  
2011 Renewal Overview  
Exhibit 1**

<b>DELTA DENTAL PPO AND DMO PLANS</b>				
<b>BENEFIT PLAN</b>	<b>EE ONLY</b>	<b>EE + ONE</b>	<b>FAMILY</b>	<b>% CHANGE</b>
<b>Division 0011</b>				
<b>70-100%; \$50 deductible; 3x for family; \$1500/\$1000 annual maximum</b>				
Current Rate	\$46.94	\$85.20	\$136.85	
Renewal Rate	\$52.74	\$95.74	\$153.78	12.4%
<b>Divisions 0012, 0013, 0014</b>				
<b>70-100%; \$50 Lifetime Deductible Per Person; \$1500/\$1000 Annual Max</b>				
Current Rate	\$50.60	\$92.34	\$145.60	
Renewal Rate	\$56.86	\$103.74	\$163.60	12.4%
<b>DeltaCare USA</b>				
Current Rate	\$17.72	\$30.84	\$46.62	
Renewal Rate	\$17.74	\$31.82	\$47.08	2.7%
<b>HEALTH NET</b>				
<b>BENEFIT PLAN</b>	<b>EE ONLY</b>	<b>EE + ONE</b>	<b>FAMILY</b>	<b>% CHANGE</b>
<b>HMO Plan 32D \$10 OV; \$100 ER; \$10/15/35 Rx</b>				
<b>Actives</b>				
Current	\$582.56	\$1,252.36	\$1,717.18	
Renewal	\$674.90	\$1,451.02	\$1,990.94	15.9%
<b>Early Retirees</b>				
Current	\$772.90	\$1,661.74	\$2,280.08	
Renewal	\$963.90	\$2,072.42	\$2,843.54	24.7%
<b>EPO Plan 61D - \$10 OV; \$100 ER; \$10/15/35 Rx</b>				
<b>Actives</b>				
Current	\$582.56	\$1,252.36	\$1,717.18	
Renewal	\$941.56	\$2,024.36	\$2,777.60	61.6%
<b>OOS and CA PPO 6D2</b>				
<b>80-60%; \$10/\$20/\$35 Rx</b>				
<b>Early Retirees</b>				
Current	\$675.22	\$1,451.70	\$1,991.86	
Renewal	\$1,466.26	\$3,152.46	\$4,325.46	117.2%
<b>OOS PPO 6D2</b>				
<b>Medicare COB</b>				
Current	\$416.06	\$832.12	N/A	
Renewal	\$521.32	\$1,042.64	N/A	25.3%
<b>Seniority Plus 57Q</b>				
Current	\$337.96			
Renewal	\$368.64			9.1%
<b>KAISER HEALTH PLANS</b>				
<b>\$10 OV; \$50 ER; \$1500/\$3000 OOP; \$10/\$15 Rx</b>				
<b>Actives</b>				
Current Rate	\$549.90	\$1,099.78	\$1,556.20	
Renewal Rate	\$562.38	\$1,124.76	\$1,591.54	2.3%
<b>Early Retirees</b>				
Current Rate	\$793.04	\$1,586.08	\$2,244.30	
Renewal Rate	\$811.00	\$1,622.00	\$2,295.14	2.3%
<b>Senior Advantage</b>				
Current Rate	\$309.76			
Renewal Rate	\$319.30			3.1%
<b>PLANS WITH NO INCREASE IN 2011</b>			<b>Rates</b>	
Vision Service Plan	Rates guaranteed until December 31, 2011		Composite: \$13.70	
Prudential Life Insurance	Rates guaranteed until December 31, 2012		Life - .30/\$1000 AD&D - .031/\$1000	
MetLife LTD	Rates guaranteed until December 31, 2011		.24/\$100 of payroll	
<b>National Benefit Services</b>				
Continuous Contract for COBRA and Flexible Spending Administration				
The rates outlined above are intended as a rate comparison only. Final rates are subject to actual enrollment, plan design(s) selected, and underwriting approval.				