



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources



Date: February 5, 2015

Board Meeting Date: March 17, 2015

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: Donna Vaillancourt, Human Resources Director
Jay Castellano, Interim Benefits Manager

Subject: Request for approval of contract renewals with Health Insurance Providers

RECOMMENDATION:

Adopt a resolution authorizing the Human Resources Director to retroactively execute renewal agreements with Kaiser Permanente, Secure Horizons, Blue Shield of California, and The Health Plan of San Mateo for the provision of health coverage for County employees, retirees and their dependents, for the term of January 1, 2015 through December 31, 2015, with the aggregate amount not to exceed \$74.8 million.

BACKGROUND:

Approximately 4,683 of 5,290 active County employees (or 88.5%) participate in one of the County's medical plans. Kaiser has 55.7% of enrollees, Blue Shield has 44.29% of enrollees, and The Health Plan of San Mateo's (HPSM) HealthWorx plan has 24 enrollees. Approximately 2,068 of 4,495 County retirees (or 46%) participate in one of the County's retiree medical plans. Kaiser has 50% of retired enrollees, Blue Shield has 46.80% of retired enrollees, and Secure Horizons has 3.20% of retired enrollees.

DISCUSSION:

Agreements with Kaiser, Blue Shield, Secure Horizons and HPSM will be reviewed by the County's benefits broker and the County Counsel's office. Authorization for the Human Resources Director to execute such renewal agreements retroactively upon approval by the broker and the County Counsel's office is being recommended. Due to the uniqueness of "open enrollment periods" related to employer-sponsored benefits—health insurance, in particular—new contracts are typically issued 30-60 days after the effective date, and retroactive execution is industry standard.

The County's approximate blended aggregate rate increase of 1.04% consists of varying rate increases and decreases among the different health plan options, including

7.70% for the Blue Shield HMO plan, 4.24% for the Blue Shield HDHP plan, 2.02% for the Blue Shield POS plan, -4.98% for the Kaiser HMO plan, and -4.99% for the Kaiser HDHP plan.

In addition to authorization to execute the renewals, the Human Resources Department requests Board authorization for the Human Resources Director or the Director's designee to execute amendments to the agreements which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the agreements' term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

The Contractors have assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other agreement provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits. County Counsel has reviewed and approved the Resolution as to form.

Approval for this amendment contributes to Shared Vision 2025 outcome of Collaborative Community by partnering with health insurance companies that are committed to working with the County to control health benefit costs for the County's active employees, retirees and their dependents.

PERFORMANCE MEASURE(S):

Measure	2014 Actual	2015 Projected
Average annual County contribution to an active employee's health premium	\$13,290.25*	\$13,428.47

***Methodology:** 2014 total County contribution to active employees' health premium/ December 2014 active employee enrollments

FISCAL IMPACT:

The County's projected cost for health insurance for active employees and retirees is \$73.5 million for FY 2014-2015, an increase of approximately 5% over last fiscal year's actual costs of \$70 million. This 5% projected increase takes into account the 1% blended aggregate plan rate increase mentioned in the Discussion section and also 4% allowance for workforce and retirement growth.