



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources



Date: November 5, 2012

Board Meeting Date: December 11, 2012

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: Donna Vaillancourt, Human Resources Director
Rey Guillen, Interim Benefits Manager

Subject: Renewal of Agreements with Health Insurance Companies

RECOMMENDATION:

Adopt a Resolution authorizing:

- A) The Human Resources Director to execute renewal agreements with Blue Shield of California for the provision of health coverage for County employees, retirees and their dependents for the term of January 1, 2013 through December 31, 2013, in an amount not to exceed \$53 million; and
- B) Waiving the Request for Proposal process and authorizing the Human Resources Director to execute renewal agreements with Kaiser Permanente and Secure Horizons for the provision of health coverage for County employees, retirees and their dependents for the term of January 1, 2013 through December 31, 2013, in an amount not to exceed \$47 million

BACKGROUND:

Approximately 4,473 out of 5,022 active County employees (or 89%) participate in one of the County's medical plans. A total of 52% of employees are with Kaiser and 48% are with Blue Shield. Approximately 2,047 out of 4,175 County retirees (or 51%) participate in one of the County's retiree medical plans. Approximately 48% of retirees on a County health plan are with Kaiser, 48% with Blue Shield, and 4% with Secure Horizons. Each year, the County aggressively negotiates health plan renewals in an effort to control increasing benefit costs to the County. The cost of healthcare continues to increase dramatically. Benefit costs have generally increased between 10% and 12% for both HMOs and PPOs in Northern California. Factors fueling increased costs include: Health Care Reform mandates to cover more people and add benefits; increased use of new medical technologies; pressure on health insurance plans and the private sector to absorb higher costs as funding for public programs like Medicare and Medicaid decreases; increased utilization due to the economic environment; and prescription drug utilization and high cost drugs.

DISCUSSION:

Agreements with Kaiser, Blue Shield and Secure Horizons will be forthcoming prior to January 1, 2013, and will be reviewed by the County's benefits consultant and the County Counsel's office at that time. Authorization for the Human Resources Director to execute such renewal agreements upon approval by the consultant and the County Counsel's office is being recommended in order to ensure timely benefit renewals.

The Human Resources Department conducted a comprehensive medical Request for Proposals (RFP) for the 2013 plan year for the County's health plans currently managed by Blue Shield of California. The RFP was sent to the six medical plan carriers that operate in the greater Bay Area, including the incumbent carrier (Blue Shield). Responses were received from Blue Shield, Aetna and Anthem (Blue Cross). Cigna, United Healthcare and Health Net declined to bid.

The results of the RFP were shared with a joint labor/management committee who decided that the County's incumbent carrier (Blue Shield) continues to offer the best value to both the County and the County's employees and retirees.

With regards to the plans currently managed by Kaiser Permanente and Secure Horizons, Staff believes that a Waiver of the RFP process is in the best interests of the County. This is because no other health plan providers currently offer similar health models to those offered by Kaiser and Secure Horizons.

The County's 2013 premium rates for Kaiser, Blue Shield HMO, and Blue Shield POS represent an average increase of 3.9% as compared to the prior year. The County continues to work with each health plan on specific initiatives to help improve employee health. In 2013, the County will continue to offer employees an enhanced wellness program in partnership with the health plans which will include incentives for participation in health screenings and health risk assessments. Both Kaiser and Blue Shield have agreed to provide the County with contributions to partially fund these incentives for a period of three years.

In addition to authorization to execute the renewals, the Human Resources Department requests your Board to authorize 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	2010	2011	2012	2013 projected
Average annual County contribution to an active employee's health premium	\$11,800	\$12,600	\$12,468	\$13,045

FISCAL IMPACT:

The County's current year cost for health insurance for active employees is approximately \$62.4 million, an increase of approximately 3.9%. The County's current year cost for health insurance for retired employees is approximately \$8.7 million, an increase of approximately 5.0%. County costs for both active and retiree health have already been included in the FY2012-13 budget.