



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Human Resources



**Date:** November 14, 2013

**Board Meeting Date:** December 10, 2013

**Special Notice / Hearing:** None

**Vote Required:** Majority

**To:** Honorable Board of Supervisors

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

**Subject:** Renewal of Agreements with Health Insurance Providers

**RECOMMENDATION:**

Adopt a Resolution authorizing the Human Resources Director to execute renewal agreements with Kaiser Permanente, Secure Horizons, Blue Shield of California and The Health Plan of San Mateo (HPSM) for the provision of health coverage for County employees, retirees and their dependents, for the term of January 1, 2014 through December 31, 2014 with the aggregate amount not to exceed \$63.2 million.

**BACKGROUND:**

Approximately 4,453 of 5,006 active County employees (or 88.9%) participate in one of the County's medical plans. Fifty-two point five percent (52.5%) of enrollees are with Kaiser, 47.5% are with Blue Shield and 26 employees are enrolled in HPSM's HealthWorx plan. Approximately 2,110 of 4,415 County retirees (or 47.8%) participate in one of the County's retiree medical plans. Forty-nine percent of retired enrollees on a County health plan are with Kaiser, 47.25% with Blue Shield, and 3.74% with Secure Horizons.

**DISCUSSION:**

Agreements with Kaiser, Blue Shield, Secure Horizons and HPSM will be forthcoming prior to January 1, 2014, 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 County's aggregate rate increase of 12% consists of varying rate increases among the different health plan options, including 6.3% for the Kaiser HMO plan and 13.3% for the Blue Shield HMO plan. Most concerning of all the rate increases is the Blue Shield

Point-of-Service (POS) plan increase of 32.7%. The enrollment in the POS plan has dropped from 1,125 in 2009 to 587 in 2013. It is the nature of health plan enrollment that lower utilizers migrate to less-expensive plans, leaving higher utilizers in plans whose rates increase exponentially, eventually leading to plan closure. Utilization records indicate that a popular feature of the POS plan is the acupuncture and chiropractic benefit. In anticipation of enrollees' continued migration away from the POS plan, the same acupuncture/chiropractic benefit has been added to the HMO plan in order to make the HMO plan more attractive to current POS enrollees. In early 2014, Human Resources will work with all health plan stakeholders to develop a strategy for addressing the escalating costs of the POS plan to both the County and the plan enrollees.

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	2011	2012	2013	2014 Projected
Average annual County contribution to an active employee's health premium	\$12,600	\$12,468	\$12,641	\$14,179

**FISCAL IMPACT:**

County costs for both active and retiree health have been included in the FY2013-14 Adopted Budget. The County's budget for health insurance for active employees and retirees is \$62.9 million, an increase of approximately 11.7% over last year's actual costs of \$56.3 million.