



County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN RESOURCES

File #: 22-145

Board Meeting Date: 2/22/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Rocio Kiryczun, Human Resources Director
Ann Parada, 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, Blue Shield of California, and United Health Care Secure Horizons for the provision of health coverage for County employees, retirees, and their dependents for the term of January 1, 2022 through December 31, 2022 with the aggregate amount not to exceed \$126.5 million.

BACKGROUND:

The County of San Mateo has negotiated with its labor-management Benefits Committee and unrepresented employee groups to offer six medical plans for active employees and early retirees.

In 2017, the County's labor-management Benefits Committee, which is comprised of representatives from each labor organization and unrepresented employee groups, completed the request for proposals (RFP) for the medical plans currently provided by Blue Shield of California and United Health Care Secure Horizons. (The Kaiser plans, our most popular and least expensive plan options, were not part of the RFP process.)

In 2020, the County replaced the Blue Shield Medicare COB PPO plan with the new Blue Shield Medicare Advantage Plan effective January 2021. This change provided an approximate 40% annual cost savings. The County also closed the United Healthcare Secure Horizons plan to new enrollment and grandfathered the existing membership only.

By offering health plan choices, employees can determine the best plans for themselves and their families throughout their career. Approximately 4,916 of 5,910 active benefit eligible County employees (or 83%) participate in one of the County's medical plans. A total of 67% of enrollees are with Kaiser, and 33% are with Blue Shield. Approximately 2,356 of 5,005 County retirees (or 47%) participate in one of the County's retiree medical plans. Fifty two percent (52%) of retired enrollees on a County health plan are with Kaiser, 46% with Blue Shield, and 2% with United Health Care

Secure Horizons.

DISCUSSION:

The financial terms of the renewal insurance rate agreements with Kaiser, Blue Shield, and United Healthcare Secure Horizons have been negotiated and the County is currently awaiting receipt of the subject renewal agreements. Due to the uniqueness of “open enrollment periods” related to employer-sponsored benefits-health insurance, in particular-new rate contracts are typically issued 30-60 days after the effective date, and retroactive execution is industry standard. Human Resources recommends that the Board authorize the Human Resources Director to execute such renewal agreements retroactively upon receipt.

The County’s labor-management Benefits Committee will conduct a Medical RFP in 2022 to review medical plan utilization and medical plan options.

For 2022, the County’s approximate blended aggregate rate increase of all medical plans is 1.17%. This consists of varying rate increases and decreases among the different health plan options, including increases of 4.5% for the Blue Shield Full HMO, 3.5% for the Blue Shield TRIO HMO, 7.5% for both the Blue Shield PPO and Blue Shield HDHP, and 0.08% for the Kaiser HMO and Kaiser HDHP. There was a rate decrease of 3.10% for the Blue Shield OOS PPO (for early retirees). For our retiree Medicare plans, there was a rate increase of 2.90% for the Blue Shield Medicare PPO Plan and decreases of 10.66% for the Kaiser Senior Advantage Plan and 2% for the United Health Care Secure Horizons.

The resolution has been reviewed and approved by County Counsel as to form.

PERFORMANCE MEASURE:

	2021 Actual	2022 Actual	2023 Estimate
Average annual County contribution to an active employee’s health premium	\$16,613	\$16,740	\$18,246

FISCAL IMPACT:

The County’s projected 2022 calendar year cost for the employer share of health insurance for active employees, retirees, and their dependents is \$101.6 million and the employees share is \$24.9 million for a total of \$126.5 million, which includes a 5% allowance for workforce and retirement growth.