



County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN RESOURCES

File #: 22-689

Board Meeting Date: 9/13/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Rocio Kiryczun, Human Resources Director
Kim Pearson, Benefits Manager

Subject: Request for Authority to Enter Medical Plan Agreements with Aetna Life Insurance Company

RECOMMENDATION:

Adopt a resolution authorizing the Human Resources Director or the Director's designee to execute agreements with Aetna Life Insurance Company for County health insurance plans for the period of January 1, 2023 to December 31, 2027, with the aggregate amount not to exceed \$58,000,000 in 2023 based on projected enrollment.

BACKGROUND:

The County's current providers for its medical insurance program are Kaiser and Blue Shield of California. Kaiser plan enrollment includes 5,583 employees and retirees, and enrollment in the Blue Shield plan includes 2,659 employees and retirees. The entire medical insurance program, including dependents, covers over 15,000 lives.

The current agreement with Blue Shield expires on December 31, 2022. The Human Resources Department conducted a request for proposals (RFP) in partnership with the labor-management Benefits Committee and the County's broker/consultant, Alliant Benefits Consulting. The scope of the RFP included only the non-Kaiser plan for which Blue Shield is the incumbent provider.

DISCUSSION:

Proposals were solicited from eight regional and national carriers that could offer provider networks to meet our plan participants' diverse geographic needs. Eight proposals were received with varying levels of responsiveness.

Each proposal was rated on provider network, pricing and rate guarantees, ability to match or exceed the current benefit plan design, and service and performance guarantees-individually and in the aggregate. This initial review resulted in the unanimous selection of two interview finalists: Blue Shield and Aetna.

Both finalists were asked to provide supplemental information to address key issues for the County, including the following:

- Strategies for maintaining an enrollment balance between the Kaiser and non-Kaiser plans;
- Greater access to medical providers who offer greater performance and lower costs;
- Greater access to behavioral health and substance abuse network providers; and
- Affordable options for retirees, including those who move out of state

Based on these criteria, the selection committee unanimously recommends, and the Benefits Committee supports, approval of Aetna Life Insurance Company as the non-Kaiser medical plan provider. Aetna will offer comparable plans; 4 for current employee/non-Medicare retirees (a lower cost Aetna Value Network (AVN) that includes the Sutter/Mills Peninsula provider group, an HMO plan, a HDHP plan, and a PPO plan, and 1 comparable PPO plan for Medicare-eligible retirees.

The primary reasons for recommending Aetna include the following:

- Aetna’s cost proposal for 2023 is \$3.341 million lower than Blue Shield’s 2023 proposal, generating savings for the County and plan members.
- Aetna’s lower-cost, high-performing plan (the Aetna Value Network (AVN) includes the Sutter/Mills Peninsula Medical Group. Blue Shield’s equivalent plan (TRIO) did not include Sutter/Mills. At least 1,046 plan members currently see a Sutter/Mills Peninsula provider and can participate in the lower-cost AVN plan.
- Aetna’s Medicare plan will reduce the cost to Medicare retirees by 61%, or a \$250 savings per month.
- Whereas Blue Shield offered only an expensive PPO (preferred provider organization) plan to out-of-state early retirees, Aetna offers the lower-cost HMO (health maintenance organization) nationally and AVN in 2 states; potentially saving these retirees over \$600 per month.

The transition to Aetna will be implemented during the annual open enrollment period in October/November, to be effective January 1, 2023. Benefits staff will conduct targeted communication and extensive outreach to current Blue Shield enrollees. Aetna and Benefits staff will host several information sessions at various work site locations throughout the County and we will offer several sessions for our retiree population.

This resolution would authorize the Director of Human Resources to execute the necessary agreements. These agreements are currently under review by the County’s insurance broker and the County Attorney’s Office and include non-standard language subject to compliance by the State Department of Managed Care and by Medicare. This resolution contains the County’s standard provision allowing amendment of the County’s fiscal obligations by a maximum of \$25,000 (in aggregate).

County Attorney has reviewed and approved this resolution as to form.

PERFORMANCE MEASURE:

Measure	2022 Projected	2023 Projected
Number of Value Network Providers	554 (Blue Shield TRIO)	681 (Aetna AVN)
Percentage increase compared to Kaiser rates:		

• HMO	43%	37%
• Value Network	27%	19%

FISCAL IMPACT:

The County's projected 2023 total costs for the employer share of health insurance for active employees, retirees, and their dependents would be no more than \$58,000,000 in 2023 based on projected enrollment with the current Blue Shield Plan. Future year costs depend on enrollment and plan utilization and are subject to review and negotiation by Alliant's underwriters.