



County of San Mateo

Inter-Departmental Correspondence

Department: HUMAN RESOURCES

File #: 18-205

Board Meeting Date: 3/13/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Donna Vaillancourt, Human Resources Director
Lisa Okada, 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, United Health Care, and Blue Shield of California, for the provision of health coverage for County employees, retirees, and their dependents for the term of January 1, 2018 through December 31, 2018 with the aggregate amount not to exceed \$123.5 million.

BACKGROUND:

Approximately 5,123 of 5,684 active benefit-eligible County employees (90 percent) participate in one of the County's medical plans. Among participating employees, 63 percent are with Kaiser, and 37 percent are with Blue Shield. Approximately 2,239 of 4,526 County retirees (49.5 percent) participate in one of the County's retiree medical plans. Among retired enrollees on County health plans, 50.5 percent are with Kaiser, 47 percent with Blue Shield, and 2.5 percent with Secure Horizons, a plan with United Health Care.

DISCUSSION:

Agreements with Kaiser, Blue Shield, and United Health Care 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 to 60 days after the effective date, and retroactive execution is industry standard.

In 2017, the County's labor-management Benefits Committee recently completed the request for proposals (RFP) for the medical plans currently provided by Blue Shield of California and United Health Care. (The Kaiser plans, our most popular and least expensive plan options, were not part of the RFP process.) The Benefits Committee and Human Resources-Employee Benefits staff unanimously agreed to retain the same providers for the same plans.

The new 2018 rate increases are nine percent for all Blue Shield plans due to our RFP process, saving the County and employees \$3.8 million annually. The initial utilization review indicated our rates were projected to be 11.2 percent and 27.9 percent.

Part of the reason for the lower Blue Shield rates is directly related to the addition of Blue Shield's Trio HMO plan to the list of choices available to County employees and retirees. The Trio HMO offers the same benefits as the current Access+ HMO plan but its premiums are 14 percent lower. The Trio HMO premiums are lower because the Trio network of doctors and hospitals have agreed to lower reimbursement rates and to using new systems that focus on coordinating care and keeping members healthy, both of which are anticipated to result in lower costs.

The County's approximate blended aggregate rate increase of 5.7 percent consists of varying rate increases among the different health plan options, including nine percent for the Blue Shield HMO plan, Blue Shield HDHP plan, and Blue Shield PPO plan, 4.1 percent for the Kaiser HMO plan, and four percent for the Kaiser HDHP plan.

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

Approval for this resolution 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:

Measure	2016 Actual	2017 Actual	2018 Projected
Average annual County contribution to an active employee's health premium	\$14,662	\$14,435	\$15,646

FISCAL IMPACT:

The County's projected 2018 calendar year cost for the employer share of health insurance for active employees, retirees, and their dependents is \$95.6 million and the employees share is \$27.9 million for a total of \$123.5 which includes a five percent allowance for workforce and retirement growth.