



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of June 8, 2006

From: Teri W. Mantony, Deputy General Manager, Administration and Development
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **DISCUSSION AND POSSIBLE ACTION RELATIVE TO THE RENEWAL
OF THE HEALTH AND BENEFIT INSURANCE PLANS**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the following actions relative to the renewal of the District's health and benefit insurance plans:

1. **Group Life, Accidental Death & Dismemberment and Dependent Life Plan** with Minnesota Life, for a one-year term, at a cost of \$124,000.
2. **Medical Stop-Loss Coverage** with Blue Shield, for a one-year contract, at a cost of \$349,000.
3. **Kaiser Foundation Health Plan** for a one-year term, at a cost of \$3,282,000.
4. **Blue Shield of California PPO Plan** for a one-year term, on a self-funded basis, at an estimated cost of \$9,217,000.
5. **Blue Shield of California HMO Plan** for a one-year term, at an estimated cost of \$954,000.
6. **Caremark Prescription Drug Plan** for a one-year term, on a self-funded basis, at an estimated cost of \$3,711,000.
7. **United Behavioral Health Services** for a one-year term, at a cost of \$59,000.
8. **Vision Service Plan of California** on a self-funded basis, at a cost of \$301,000.
9. **Delta Dental Plan of California** on a self-funded basis, at a cost of \$1,938,000.

These renewals would be approved with the understanding that requisite funds will be included in the Fiscal Year 2006/2007 Operating Budget.

If approved, this matter will be presented to the Board of Directors at its June 9, 2006, meeting for appropriate action.

Summary

Within the last several years the District has experienced substantial budgetary deficits. Along with other budgetary adjustments, the District worked closely with its labor groups to make structural changes to the health and benefit plans and institute cost containments in all areas. Those structural changes continue to help contain health care costs increases, while maintaining excellent employee benefits.

Towers Perrin, the District's health and employee benefits consultant since July 2002, was able to build upon previous years' successes and worked with the District's Health and Benefit Insurance providers to negotiate new contracts.

- Negotiations with Blue Shield PPO resulted in a reduction of the proposed increase to the administrative fees from 6% to 5%.
- Caremark Prescription Drug Plan reduced their fees in a manner expected to save the District as much as \$125,000 within the next year.
- Delta Dental agreed to not increase their administrative fees based upon the implementation of a modified method of payment from the District.
- As a result of conducting a market review, a less expensive premium was negotiated with Minnesota Life to provide life insurance for \$124,000, for a savings of \$26,000 (17%).
- While costs went up in general, the Kaiser HMO plan had the most significant increase of 23%. This was somewhat expected. Kaiser's renewal increases during the past two years have been favorable and lower than the market trend. Recent increases in the Kaiser members' utilization have significantly impacted the renewal rates for this year.

Fiscal Impact

The cost impacts of the renewal of the District's health and benefit plans for the next fiscal year are shown below. There are no broker costs included in these numbers, and in the event any provider offers a broker commission, the amount is credited back to the District.

| HEALTH PLAN | ESTIMATED COST FY 05/06 | PROJECTED COST FY 06/07 | % CHANGE |
|---------------------------------|-------------------------------|-------------------------------|------------|
| Vision Service Plan | \$ 274,000 | \$ 301,000 | 10% |
| Delta Dental | \$ 1,835,000 | \$ 1,938,000 | 6% |
| Life | \$ 150,000 | \$ 124,000 | -17% |
| Stop-Loss | \$ 315,000 | \$ 349,000 | 11% |
| Kaiser | \$ 2,668,000 | \$ 3,282,000 | 23% |
| Blue Shield PPO | \$ 8,251,000 | \$ 9,217,000 | 12% |
| Blue Shield HMO | \$ 880,000 | \$ 954,000 | 8% |
| Caremark | \$ 3,313,000 | \$ 3,711,000 | 12% |
| UBH Employee Assistance Program | \$ 59,000 | \$ 59,000 | 0% |
| TOTAL: | \$ 17,745,000 | \$ 19,935,000 | 12% |

The District's costs for all health-related benefits are included in the Proposed FY 06/07 budget.