

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

RESOLUTION NO. 2013-106

**APPROVE MODIFICATIONS TO THE DISTRICT'S
MEDICAL BENEFITS PLANS FOR NON-REPRESENTED EMPLOYEES**

November 15, 2013

WHEREAS, the Board of Directors (Board) of the Golden Gate Bridge, Highway and Transportation District (District) provides medical benefits plans for non-represented employees, and these plans must be restructured to economically meet the requirements of the Affordable Care Act (the Act); and,

WHEREAS, the Act is intended to provide affordable insurance to a greater portion of the general population, and to achieve this goal, it presumes any standard plan design offered will be reduced by shifting more of the claim liability to the members; and,

WHEREAS, to assist employers, health care reform created an inducement, known as "Excise Tax Liability," which goes into effect in 2018; and,

WHEREAS, for any employer-sponsored plan that costs more than the threshold amount of a "Bronze" plan, the excess value of the plan will be taxed at a 40% rate, with the tax burden fully on the employer; and,

WHEREAS, "Bronze" plans are plans valued at the baseline thresholds of \$10,200.00 for Employee Only levels and \$27,500.00 for all other rate tiers (Employee + One and Family), and they cover approximately 60% of anticipated medical costs; and,

WHEREAS, all of the District's current plans are valued at the "Platinum" level, which cover more than 90% of anticipated medical costs and, if the District were to continue offering only "Platinum" plans to its employees, the projected Excise Tax Liability in 2018 is estimated between \$2 and \$3 million per year initially; and,

WHEREAS, given the significance of this liability, staff met with the District's insurance broker, Mercer, to investigate possible plans that would align more appropriately with the "Bronze" valuation, help mitigate the projected Excise Tax Liability and still provide quality medical coverage for employees; and,

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WHEREAS, “Bronze” plans have been drafted, both in the Blue Shield and Kaiser networks; and, while the medical network would remain unchanged for the employee, the level of coverage would be modified, aligning closer with the “Bronze” level; and,

WHEREAS, under the “Bronze” plans, the same level of care would be provided to the employee, but the employee would be responsible for a greater share of the fees, such as co-pay and deductible; and,

WHEREAS, one significant benefit of a “Bronze” plan structure would be that most preventive services that employees currently use would be 100 percent covered, with no deductible or co-pay required; and,

WHEREAS, Mercer has crafted the following three “Bronze” plan designs that all generally meet the “Bronze” valuation threshold and result in significant decreases in plan premiums: Blue Shield “Bronze” PPO, Blue Shield “Bronze” HMO and Kaiser “Bronze” HMO; and,

WHEREAS, the present “Platinum” level medical plans will still be available to existing non-represented employees, and the proposed “Bronze” plans will be offered alongside the present plans as part of the annual Open Enrollment process; and,

WHEREAS, given the increase in employees’ out-of-pocket costs under a “Bronze” plan compared to existing plans, it is recommended that a District-funded Health Reimbursement Account (“HRA”), or “medical debit card,” be established for each participating employee; and,

WHEREAS, employees would use the District-provided funds in their health reimbursement account to pay for qualified medical expenses (as defined by the IRS and plan design) and help offset some of the additional expenses that are inherent in high-deductible plans; and,

WHEREAS, in order to encourage employee transition to “Bronze” plans and to give employees some certainty about managing their health care costs, it is recommended that employees who enroll in a “Bronze” plan receive an amount equal to their respective “Bronze” plan stipulated out-of-pocket maximums in their HRA in Year One of their enrollment in a “Bronze” plan; and,

WHEREAS, in subsequent years, the District’s contribution to the employee’s HRA would be reduced to an amount equal to the annual deductible stipulated in the employee’s respective “Bronze” plan design; and,

WHEREAS, it is recommended that those who enroll in the Kaiser “Bronze” plan receive an additional stipend to reflect the significantly lower cost of the plan relative to the Blue Shields “Bronze” plans; and,

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WHEREAS, it is recommended that the following HRA funding levels be established for employees who elect to enroll in a “Bronze” plan:

Year One (2014)

Coverage Type	Blue Shield “Bronze” HMO	Blue Shield “Bronze” PPO	Kaiser “Bronze” HMO	
Employee	\$5,000	\$5,500	\$6,250	+ \$750 stipend
Employee plus One	\$10,000	\$11,000	\$12,500	+ \$1,000 stipend
Family	\$15,000	\$11,000	\$12,500	+ 2,200 stipend

Annual Funding in Years Thereafter*

Coverage Type	Blue Shield “Bronze” HMO	Blue Shield “Bronze” PPO	Kaiser “Bronze” HMO	
Employee	\$2,000	\$4,000	\$4,500	+ \$750 stipend
Employee plus One	\$4,000	\$8,000	\$9,000	+ \$1,000 stipend
Family	\$6,000	\$8,000	\$9,000	+ 2,200 stipend

**These amounts are annual contributions and may be subject to change.*

and,

WHEREAS, unexpended funds in these accounts would be rolled over each year, as long as the employee remains with the District and enrolled in a “Bronze” plan; however, if an employee opts out of a “Bronze” plan in the future, he/she would not be allowed to cash out their unexpended funds; and,

WHEREAS, HRA funding is not taxable to the employee; however, the additional stipend for employees enrolled in the Kaiser “Bronze” plan is taxable as regular income and not PERSable for purposes of pension calculations; and,

WHEREAS, it is recommended that employees enrolled in a “Bronze” plan pay a premium share contribution (a percentage of premium based on an employee’s wages) at rates equal to those of other plans offered by the District; and,

WHEREAS, because the “Bronze” plans have significantly lower premiums than the existing “Platinum” plans, the employee’s contribution, which is based on the cost of the plan, would be lower; and,

WHEREAS, consistent with current District policy, it is recommended that new hires in a non-represented position be required to enroll in a “Bronze” HMO plan for a minimum of two complete Open Enrollment periods, in order to better manage health care costs; and,

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WHEREAS, the financial impact is difficult to project because the District cannot control or predict which plans its employees will choose; however, assuming that all non-represented employees move from their current plan to the corresponding "Bronze" plan, the District would save approximately \$529,000.00, over a five-year period; and,

WHEREAS, the Rules, Policy and Industrial Relations Committee, at its meeting of November 14, 2013, has so recommended; now, therefore, be it

RESOLVED that the Board of Directors of the Golden Gate Bridge, Highway and Transportation District (District) hereby approves modifications to the District's Medical Benefits Plans (Plans) for non-represented employees, as follows:

- (a) Adds three new high-deductible "Bronze" Plans, to include the Blue Shield "Bronze" Preferred Provider Organization (PPO), the Blue Shield "Bronze" Health Maintenance Organization (HMO) and the Kaiser "Bronze" (HMO), with corresponding modified pharmacy plans;
- (b) Establishes the same premium-sharing contribution rates for the "Bronze" Plans as those in place for existing District's Medical Benefit Plans;
- (c) Requires all new hires in a non-represented position to be enrolled in a "Bronze" HMO Plan for a minimum of two complete open enrollment periods;
- (d) Approves the implementation of a Health Reimbursement Account for enrollees in a "Bronze" Plan, and, in addition, provides an annual stipend for those employees enrolled in the Kaiser "Bronze" HMO plan; and,
- (e) Authorizes any corresponding changes in policies to support the implementation of these new Plans.

ADOPTED this 15th day of November 2013, by the following vote of the Board of Directors:


AYES (16): Directors Arnold, Breed, Cochran, Fredericks, Moylan, Pahre, Reilly, Sears, Snyder, Sobel, Theriault, Wiener and Yee; Second Vice President Stroeh; First Vice President Grosboll; President Eddie

NOES (0): None

ABSENT (3): Directors Belforte, Campos and Rabbitt



James C. Eddie
President, Board of Directors

ATTEST: 
Janet S. Tarantino
Secretary of the District