



Agenda Report

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SUBJECT:

2023 BENEFITS INSURANCE RENEWAL

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve the Orange County Sanitation District 2023 Benefits Insurance Renewal for the amount of \$12,387,614 for active employees and \$1,559,844 for retiree-paid health premiums, for an overall not-to-exceed amount of \$13,947,458, as specified below:

- A. WORKTERRA (medical, dental, and vision plans; and Employee Assistance Program [EAP]) - Not to Exceed \$11,827,618;
- B. The Standard (basic life, short- and long-term disability) - Not to Exceed \$488,596;
- C. The Standard (EMT & Manager disability) - Not to Exceed \$30,000;
- D. BenefitWallet (Health Savings Accounts [HSA]) - Not to Exceed \$41,400;
- E. WORKTERRA (additional retiree costs, recouped from retirees through premium payments) - Not to Exceed \$1,559,844; and
- F. Approve a contingency of \$697,373 (5%).

BACKGROUND

In accordance with collective bargaining agreements, the Orange County Sanitation District (OC San) has a contractual obligation to provide healthcare and welfare insurance benefits to employees and eligible dependents.

Over the years, Human Resources (HR) has implemented ongoing cost-containment measures to include: joining a risk-sharing pool under Public Risk Innovation, Solutions, and Management (PRISM)*, making plan design changes to align with best practices, bundling insurance coverages, and negotiating rate guarantees.

** In June 2020, California State Association of Counties - Excess Insurance Authority (CSAC-EIA) officially rebranded and changed their name to Public Risk Innovation, Solutions, and Management (PRISM).*

OC San, in conjunction with the health insurance broker, Alliant, began the renewal process for the agreed to benefits in April and received quotes in June. After negotiating with the insurance carriers, OC San was able to secure competitive rates without compromising the level of benefits provided to employees and eligible dependents.

The cost of the active employee insurance coverage will increase by 8.4% overall for the 2023 Plan Year (actual costs from \$11,431,548 to \$12,387,614).

The PRISM pool made a change to their methodology this year. Previously, each agency was eligible for an agency-specific increase or decrease to the PRISMHealth pooled renewal every year based on their plan utilization and claims history. This has worked in OC San's favor in the past, as OC San typically has one of the lowest health insurance utilization rates in the pool, resulting in one of the largest decreases from the overall pooled renewal. Beginning this year, the PRISMHealth Board of Directors voted to implement these adjustments every other year rather than every year. OC San is not eligible for an adjustment for the 2023 plan year and will therefore receive the overall pooled renewal without an agency-specific adjustment. The significance of the PRISMHealth pooled increase for the 2023 plan year compared to prior years is due primarily to two factors. First, there was a downturn in utilization during the first two years of the COVID-19 pandemic, resulting in much smaller increases to premiums than typical years, and even significant decreases in premiums for some agencies such as OC San. OC San experienced an overall decrease of 10.7% (\$1,164,588) over the last two years. During the past year, there has been a rebound in utilization as more members are seeking services again, which has driven rates back up. Additionally, in the past year, there was a higher than expected number of high-cost claimants (i.e., individuals with medical claims exceeding \$1M) in the PRISMHealth pool as a whole.

Although the past few years have seen larger swings in rates due to the lowered utilization during the first portion of COVID-19 and the resulting rebound, the pooled renewals over the last several years average out to the normal rate of approximately +4% per year that PRISMHealth has been accustomed to.

Employees share in the cost of medical and dental insurance. For medical insurance coverage, employees contribute 20% of the premium costs, with the exception of those enrolled in employee-only HMO coverage who contribute 10% of the premium cost. For dental coverage, all employees contribute 20% of the premium costs. OC San covers the cost of vision insurance, basic life insurance, short-term disability, long-term disability (only for those employees with at least five years of service), EMT and Manager disability, and Employee Assistance Program services.

In the 2022 plan year, OC San moved to a new carrier for Life and Disability insurance. This has resulted in a 23.8% decrease in premiums compared to the previous carrier, along with a rate guarantee through 2024.

A contingency budget in the amount of \$697,373, or 5%, of the total cost for employee and retiree benefits insurance, is requested. This contingency budget may be utilized in the event there are unforeseen additional costs due to fluctuations such as employees retiring/resigning, hiring of new

employees, overall changes to staff numbers as employees are placed on and off plans throughout the year, changes in employee plan selection during the open enrollment period scheduled for October 2022 for the 2023 plan year, additions of dependents or spouse/partners, changes in employees' eligibility, and other factors.

OC San retirees have the option to remain on OC San's medical and/or dental insurance. A majority of retirees opting to retain OC San insurance are responsible for 100% of their premiums. However, a portion of retirees hired prior to July 1, 1988, receive a limited duration of OC San-paid medical insurance upon retirement. Retirees falling within this group receive 2.5 months of OC San-paid medical insurance for each year of continuous service. Employees hired after July 1, 1988 are ineligible for this benefit. Therefore, the benefit will reduce and eventually expire over time as the remaining employees within this group retire and as the limited duration of each eligible retiree's benefit is completed. Out of the \$1,861,389 for retiree insurance coverage, the cost for retirees in this group is \$301,545 and is factored into Item A of the Recommendation.

Out of the \$1,861,389 for retiree insurance coverage, \$1,559,844 is expected to be reimbursed by the retirees. Although these costs are paid by the retirees themselves and are not expected to be paid by OC San, we are incorporating the item herein for transparency purposes and to ensure adequate funding as we pay in advance and are reimbursed at a later date by the retiree.

In prior years, the overall increase to insurance was 4.1% for Plan Year 2019, 0.1% for Plan Year 2020, -1.4% for Plan Year 2021, and -8.8% for Plan Year 2022.

RELEVANT STANDARDS

- Offer competitive compensation and benefits
- Comply with OC San Policy 4.1 - Insurance

PROBLEM

OC San has a contractual obligation to provide healthcare and welfare insurance benefits to employees and eligible dependents, and any benefit changes are subject to the meet and confer process with the unions. Additionally, OC San is required to hold an annual benefits open enrollment period every October to provide employees and eligible dependents the opportunity to make changes to their benefit elections, for an effective date of January 1 of the year thereafter. Insurance contracts are required to be finalized in August 2022, ahead of open enrollment.

PROPOSED SOLUTION

Approve the benefits insurance renewals with the respective carriers and the contingency, as described above, to ensure continued coverage for employees and eligible dependents.

TIMING CONCERNS

Insurance renewal deadlines are in August to finalize preparations for the October benefits open enrollment and for continued coverage for OC San employees and eligible dependents, in accordance with collective bargaining agreements and personnel policies.

RAMIFICATIONS OF NOT TAKING ACTION

Without Board approval, OC San cannot finalize the contracts with the insurance carriers in August for the 2023 Plan Year. A lapse in payment to the insurance carriers would result in the interruption of medical, dental, vision, EAP, life, and disability coverage and services to employees and eligible dependents; and OC San would not be meeting its obligation to provide these benefits as provided for in collective bargaining agreements and personnel policies.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION

PRISM Risk Sharing Pool

In May 2015, the Board of Directors approved moving OC San's medical insurance from direct contracts with the carriers to joining the insurance risk sharing pool under PRISM. The association with PRISM resulted in immediate and future cost savings to OC San in medical insurance premiums and dictated a change from fiscal to calendar-based plan year, from January through December. Staff typically presents the benefits renewal information to the Board of Directors annually every July, for an effective date of January 1 of the year thereafter. The move to PRISM has proven to be beneficial based on the rate increases OC San has received in the past several years.

Medical Insurance

OC San's medical benefits are designed to help maintain wellness and protect employees and their families from major financial hardship in the event of illness or injury. OC San offers a choice of medical plans through Anthem Blue Cross and Kaiser Permanente.

HMO (Health Maintenance Organization) plans offer comprehensive coverage. Employees have a choice between the Anthem Blue Cross HMO or the Kaiser HMO plan. The PPO (Preferred Provider Organization) plan through Anthem Blue Cross offers a network of doctors and healthcare facilities that provide services to plan members at special discounted rates. OC San also offers two high deductible plans: a high deductible HMO plan through Kaiser and a high deductible PPO plan through Anthem Blue Cross to eligible employees.

Dental Insurance

OC San provides the Delta Dental plan to all benefit eligible employees.

Vision Insurance

OC San currently provides vision insurance to all benefit eligible employees through Vision Service Plan (VSP).

Basic Life Insurance

Life insurance provides protection for an employee's beneficiary in the event of death. All benefit eligible full-time and part-time employees automatically receive Basic Life and Accidental Death & Dismemberment insurance coverage. The benefit amount is \$50,000 for employees, and three times salary for managers and executives. Coverage is currently offered through The Standard.

Short-Term Disability Insurance

The short-term disability insurance plan protects employees when non-work related illness or injury makes it impossible for them to work for a short period of time. Under the plan, income may be continued for up to 26 weeks. OC San pays the entire cost of coverage for regular full-time and part-time employees. Coverage is currently offered through The Standard.

Long-Term Disability Insurance

The long-term disability insurance plan protects employees when an illness or injury makes it impossible for them to work for an extended period of time. Under the plan, employees who are disabled for more than 90 days are eligible to receive a benefit of 67% of their basic monthly pay up to \$5,000/month. OC San pays the entire cost of coverage for regular full-time and part-time employees with five or more years of service. Coverage is currently offered through The Standard.

Executive Disability

This additional long-term disability insurance plan provides increased income protection for executives and managers. Under the plan, eligible employees who are disabled for more than 90 days due to a non-work related illness or injury are eligible to receive an additional benefit of \$3,100/month. The first \$5,000/month is covered by OC San group long-term disability plan benefit. Coverage is offered through The Standard.

Health Savings Account

Eligible employees who elect the Anthem High Deductible Health Plan (HDHP) are simultaneously enrolled in a Health Savings Account (HSA) which provides a method for the employee to save for health-related expenses. OC San currently makes an annual contribution to the HSA based on the increased deductible and the savings generated by employees electing the HDHP plan compared to the PPO plan.

Employee Assistance Program

The EAP plan protects employees and family members when they need help with personal problems such as marital and relationship problems; stress, anxiety, and depression; grief and loss; or substance abuse. Coverage is offered through ComPsych.

CEQA

N/A

FINANCIAL CONSIDERATIONS

The funds for the renewal of these insurances are derived from OC San Operating Budget.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A