



Agenda Report

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SUBJECT:

2024 BENEFITS INSURANCE RENEWAL

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve the Orange County Sanitation District 2024 Benefits Insurance Renewal for an overall not-to-exceed amount of \$15,189,392, as specified below:

- A. WORKTERRA (medical, dental, and vision plans; and Employee Assistance Program [EAP]) - Not to Exceed \$13,316,662;
- B. The Standard (basic life, short- and long-term disability) - Not to Exceed \$497,246;
- C. The Standard (EMT & Manager disability) - Not to Exceed \$30,000;
- D. BenefitWallet (Health Savings Accounts [HSA]) - Not to Exceed \$42,000;
- E. BPAS / Voya (Health Reimbursement Arrangement [HRA]) - Not to Exceed \$189,000;
- F. WORKTERRA (retiree-paid health premiums, recouped from retirees through monthly payments) - Not to Exceed \$1,114,484; and
- G. Approve a contingency in the amount of \$759,470 (5%).

BACKGROUND

The Orange County Sanitation District (OC San) offers healthcare and welfare insurance benefits (plans) to employees and eligible dependents in accordance with collective bargaining agreements, personnel policies, and adopted resolutions.

The renewal date for OC San's plans is January 1 of each year, with preparations starting as early as April of the prior year and insurance contracts being finalized in August. Human Resources (HR) staff works closely with OC San's broker of record, Alliant, to market the plans as needed, negotiate with insurance carriers, and obtain the most cost-effective coverage for participants.

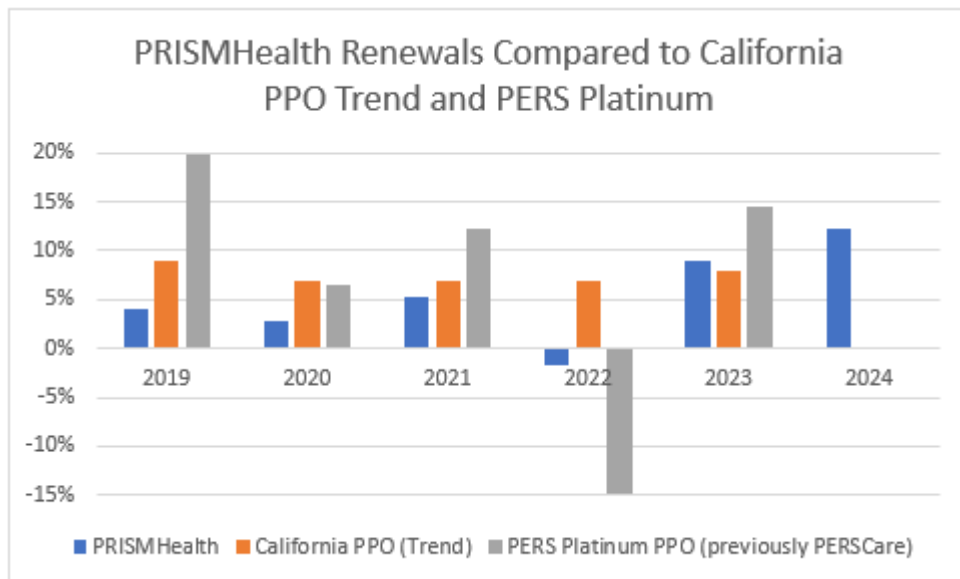
The total cost of insurance coverage for the 2024 Plan Year is \$15,189,392, which reflects an overall increase of 10.5%, or \$1,333,872, across all plans.

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, -8.8% for Plan Year 2022, and 8.4% for Plan Year 2023.

Over the years, HR has implemented ongoing cost-containment measures to include joining a risk-sharing pool under Public Risk Innovation, Solutions, and Management (PRISM) - formerly known as CSAC-EIA; evaluating utilization trends and making plan design changes; bundling insurance coverages; and competitively shopping options and negotiating rate guarantees.

The membership with PRISM, which was approved by the Board of Directors in 2015, has resulted in favorable insurance renewals since joining, in conjunction with OC San's low health insurance utilization rates and claims history in the pool. This year, PRISM experienced a substantial rebound in utilization after the COVID-19 pandemic as members resumed seeking services, which has driven rates back up from early-pandemic lows. Actual experience and trends show conditions are being diagnosed at later stages due to the delay in care, resulting in more complex treatment and higher costs. In the medical industry as a whole, key factors driving medical inflation currently include rising supply chain costs, labor shortages, deferred care and the associated rebound in services, and the discontinuation of CARES Act payments to providers.

The following chart shows the annual PRISM medical insurance renewals compared to the overall California PPO trend as well as PERS Platinum PPO (previous PERSCare) for comparison purposes.



Employees share in the cost of medical and dental insurance in accordance with the current labor agreements. 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 all other lines of coverage including vision, life, disability, EAP, HSA, and HRA.

OC San retirees have the option to remain on OC San's medical and/or dental insurance and pay 100% of their premiums. OC San incorporates the cost of this item in the insurance renewal as OC San pays in advance and is reimbursed by the retiree through monthly payments.

There is also a small segment of employees hired prior to July 1, 1988 who are eligible for OC San-paid medical insurance, for a limited duration, upon retirement as a result of a labor agreement during their time of employment. Retirees falling within this group receive 2.5 months of OC San-paid medical insurance for each year of continuous service. The number of employees eligible for this benefit continues to diminish through attrition, with 15 retirees currently receiving it, and 1 active employee who will be eligible for this benefit upon retirement.

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. The timeline to meet OC San's insurance renewal date of January 1 includes obtaining Board approval in July, finalizing insurance contracts in August, and holding the required benefits open enrollment period in October to provide employees and eligible dependents the opportunity to make changes to their benefit elections.

PROPOSED SOLUTION

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

TIMING CONCERNS

Approval will ensure OC San meets the associated deadlines to finalize insurance contracts in August and continued coverage for OC San employees and eligible dependents.

RAMIFICATIONS OF NOT TAKING ACTION

Insurance would lapse resulting in the interruption of medical, dental, vision, EAP, life, and disability, HAS, and HRA 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, personnel policies, and adopted resolutions.

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.

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 non-work related 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 to eligible employees: a high deductible HMO plan through Kaiser and a high deductible PPO plan through Anthem Blue Cross.

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 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 offered through The Standard.

Long-Term Disability Insurance

The long-term disability insurance plan protects employees when a non-work related 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 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 the 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.

Health Reimbursement Arrangement

Health Reimbursement Arrangement (HRA) enrollment is based on employee group, and only a subset of OC San's employee groups participate. This plan provides individual accounts for reimbursing participants and their eligible dependents for qualified medical expenses during retirement or following separation from OC San. OC San covers administrative costs up to \$30 per participant per year and makes a monthly contribution to employee accounts based on MOU and/or Resolution. Coverage is offered through BPAS/Voya.

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, depression; grief and loss, or substance abuse. Coverage is offered through ComPsych.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted.

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