

## Agenda Report

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**FROM:** James D. Herberg, General Manager  
Originator: Celia Chandler, Director of Human Resources

**SUBJECT:**

### **2021 BENEFITS INSURANCE RENEWAL**

### **GENERAL MANAGER'S RECOMMENDATION**

#### RECOMMENDATION:

Approve the Orange County Sanitation District 2021 Benefits Insurance Renewal for the amount of \$12,953,965 for active employees and \$958,858 for retiree-paid health premiums, for an overall not-to-exceed amount of \$13,912,823, as specified below:

- A. WORKTERRA (medical, dental, and vision plans; and Employee Assistance Program [EAP]) - Not to Exceed \$12,184,838;
- B. Prudential (basic life, short- and long-term disability) - Not to Exceed \$718,480;
- C. The Standard (EMT & Manager disability) - Not to Exceed \$30,000;
- D. BenefitWallet (Health Savings Accounts [HSA]) - Not to Exceed \$20,647;
- E. WORKTERRA (additional retiree costs, recouped from retirees through premium payments) - Not to Exceed \$958,858; and
- F. Approve a contingency of \$695,641 (5%).

### **BACKGROUND**

In accordance with collective bargaining agreements, the Orange County Sanitation District (Sanitation District) 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. HR met and conferred with the unions to secure all benefit changes, as applicable.

*\* 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).*

The Sanitation District, in conjunction with the health insurance broker, Alliant, began the renewal process for the agreed to benefits in March and received quotes in May. After negotiating with the insurance carriers, the Sanitation District 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 decrease by -1.4% overall for the 2021 Plan Year (from \$13,137,895 to \$12,953,965). Key factors contributing to the decrease included a highly favorable utilization rate and established rate guarantees on the Sanitation District's vision, disability, life insurance, and EAP plans. Employees share in the cost of medical and dental insurance. For medical insurance coverage, employees who select employee-only HMO coverage contribute 10% of the premium cost and those that select employee-only PPO-level coverage, employee-plus-one coverage, or family coverage contribute 20% of the premium costs. For dental coverage, all employees contribute 20% of the premium costs. The Sanitation District 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 EAP.

A contingency budget in the amount of \$695,641, 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 2020 for the 2021 plan year, additions of dependents or spouse/partners, changes in employees' eligibility, and other factors.

Sanitation District retirees have the option to remain on the Sanitation District's medical and/or dental insurance, and the majority of retirees are responsible for 100% of their premiums. However, a portion of retirees hired prior to July 1, 1988 receive a limited duration of Sanitation District-paid medical insurance upon retirement. Retirees falling within this group receive 2.5 months of Sanitation District-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. The cost for retirees in this group is \$810,096 and is factored into Item A of the Recommendation.

This renewal also incorporates \$958,858 in retiree insurance coverage administered by the Sanitation District for which the retirees reimburse the Sanitation District. Although these costs are paid by the retirees themselves and are not expected to be paid by the Sanitation District, we are incorporating the item herein for transparency purposes and to ensure adequate funding as we pay in advance and are reimbursed by the retiree.

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

In May 2015, the Board of Directors approved moving the Sanitation District'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 the Sanitation District 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 the Sanitation District has received in the past few years.

## **RELEVANT STANDARDS**

- Offer competitive compensation and benefits
- Comply with OCSD Policy 4.1 - Insurance

## **PROBLEM**

The Sanitation District 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. Additionally, the Sanitation District 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 2020, ahead of open enrollment.

Each year, the benefit renewal data used in cost projections is calculated based on the census data, which is required by the insurance carriers eight months in advance of the plan year. Throughout the plan year, changes in employee composition such as new hires, employee plan selection, and turnover, may result in a change in actual costs. Based on the required timelines, projected costs and actual costs will vary year to year.

## **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**

Board approval is necessary in July 2020 to ensure that the Sanitation District meets its insurance renewal deadlines in August, to finalize preparations for the October benefits open enrollment, and for continued coverage for Sanitation District employees and eligible dependents, in accordance with collective bargaining agreements and personnel policies.

## **RAMIFICATIONS OF NOT TAKING ACTION**

Without Board approval, the Sanitation District cannot finalize the contracts with the insurance carriers in August for the 2021 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 the Sanitation District 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**

### **Medical Insurance**

The Sanitation District'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. The Sanitation District 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. The Sanitation District also offers two high deductible plans: a high deductible HMO plan through Kaiser and a high deductible PPO plan through Anthem Blue Cross.

### **Dental Insurance**

The Sanitation District provides the Delta Dental plan to all benefit eligible employees.

### **Vision Insurance**

The Sanitation District 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 Prudential.

### **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. The Sanitation District pays the entire cost of coverage for regular full-time and part-time employees. Coverage is offered through Prudential.

### **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. The Sanitation District 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 Prudential.

### **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 Sanitation District group long-term disability plan benefit. Coverage is offered through The Standard.

### **Health Savings Account**

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. The Sanitation District currently makes an annual contribution to the HSA based on the increased deductible and the savings incurred 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 the Sanitation District Operating Budget.

### **ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OCSD website ([www.ocsd.com](http://www.ocsd.com)) with the complete agenda package:*

N/A