

AGENDA
Health Care Meeting
9:00 - noon
651 Pine Street, Martinez
March 11, 2015

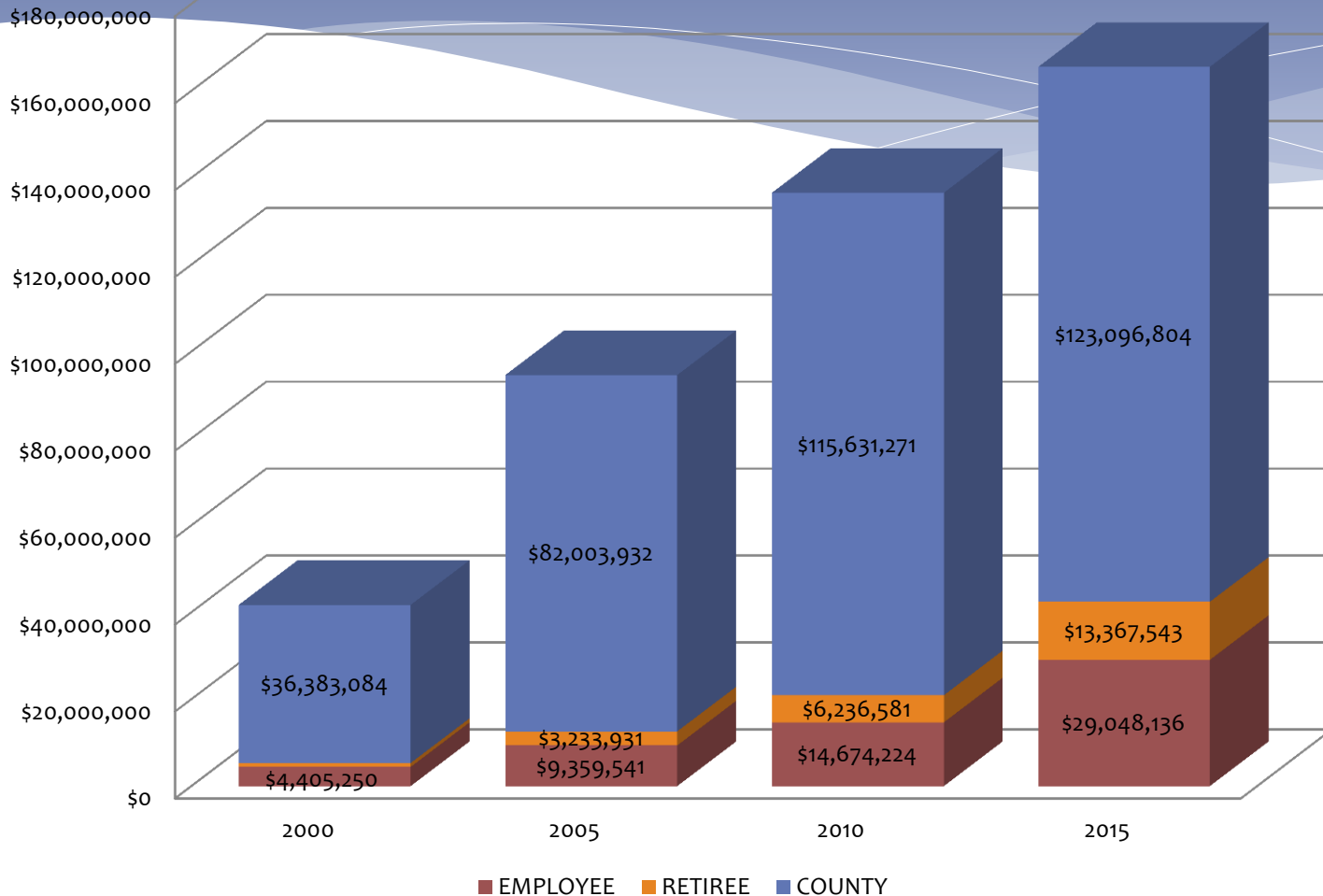
Presenters:

David J. Twa, County Administrator
Michael Schionning, FSA, MAAA, Cheiron
Jacqueline Farren, Buck Consulting
David J. Twa, County Administrator
Question and Answer Period

Health Care Re-opener and Health Insurance Information Contra Costa County

Current Health Care Costs are Insupportable

400% Growth over Last 15 Years

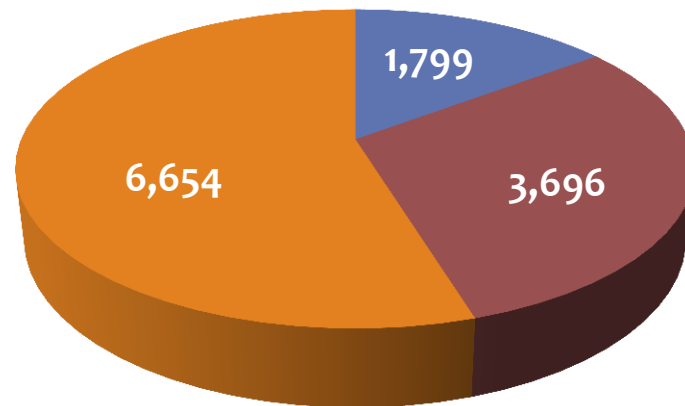


Neither the County nor our Employees can afford to shoulder the burden of ever-increasing health care costs

- * Since 2000, Contra Costa County health insurance costs have risen by 400%
- * While current Employees pay \$29 Million towards the total cost of their premiums, the County pays \$123 Million each year for Employee health insurance coverage, including \$20 Million pre-pay

As our employees and retirees age, health care costs increase

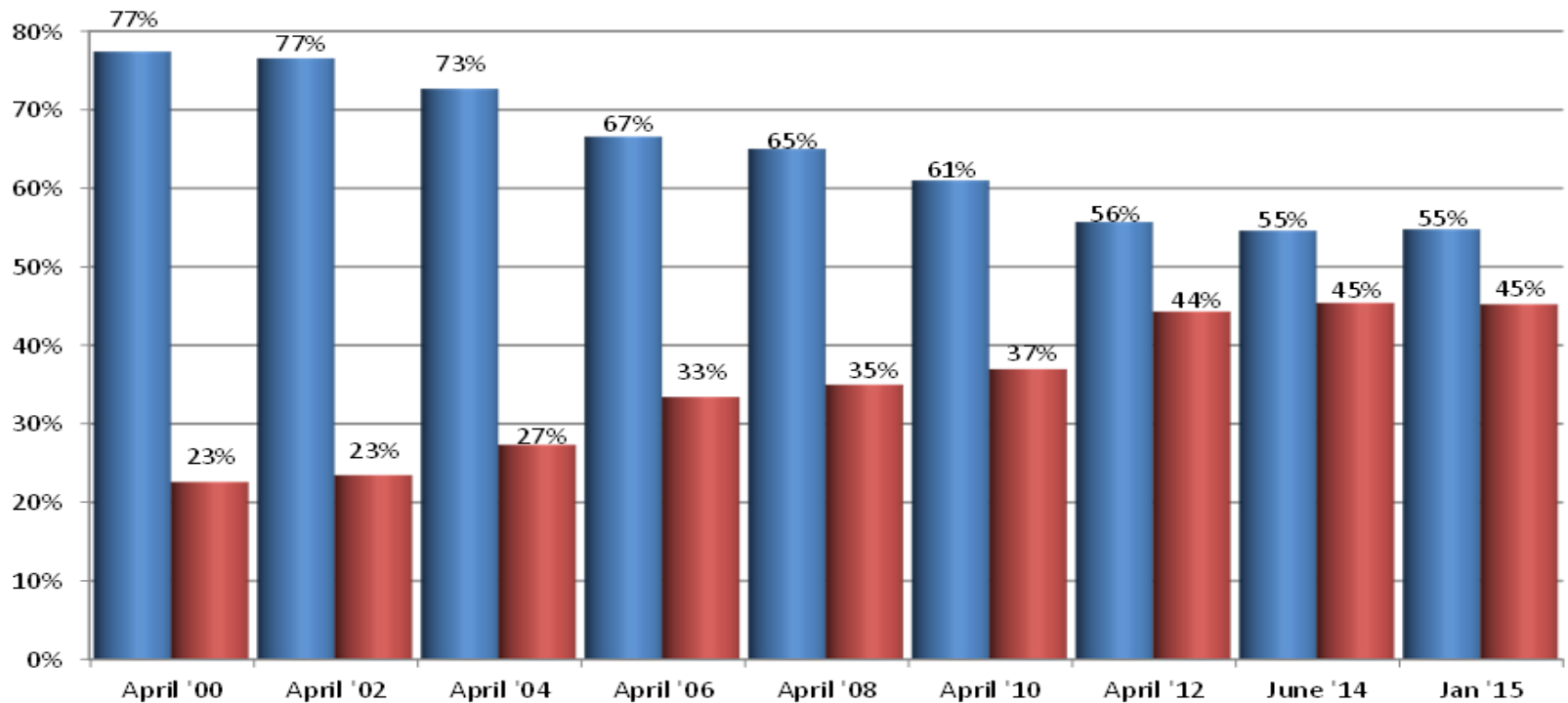
2015 Census Data



- Non-Medicare Retirees - Average Age 59
- Medicare Retirees- Average Age 75
- Employees - Average Age 46

Comparison of employees to retirees

Demographics of Primary Insured



	April '00	April '01	April '02	April '03	April '04	April '05	April '06	April '07	April '08	April '09	April '10	April '11	April '12	June '13	June '14	Jan '15
Employee	6,959	7,321	7,707	7,895	7,912	7,486	7,295	7,342	7,560	7,332	7,021	6,830	6,691	6,637	6,583	6,654
Retiree	2,031	2,192	2,363	2,686	2,976	3,299	3,663	3,872	4,067	4,299	4,568	4,935	5,319	5,426	5,473	5,495

Actions already taken to help control insurance costs

- * Mandatory proof of dependent eligibility
- * Enrollment in Medicare Parts A & B upon attaining eligibility
- * Elimination of dual coverage
- * Lower premium Kaiser and Health Net plans made available to eligible employees and retirees

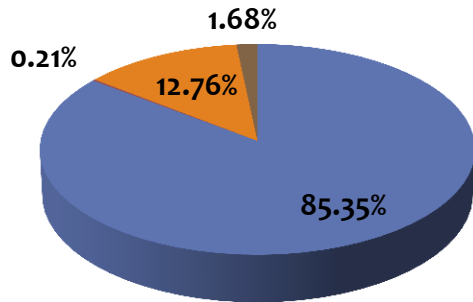
2015 County-sponsored health plan choices

- * Employees who are eligible to participate in County-sponsored health plans may choose from 3 carriers (Contra Costa Health Plan, Health Net and Kaiser Permanente) and 8 plan design options, of which 6 are Health Maintenance Organization (HMO) options and 2 are Preferred Provider Organization (PPO) options.
- * Currently, non-Medicare eligible retirees have the same insurance plan options as employees.
- * Currently, Medicare eligible retirees who participate in County-sponsored health plans may choose from the same 3 carriers offering 9 plan options; 4 plans are Medicare Advantage Plans where the benefits are in lieu of using Medicare, and 5 are plans that coordinate benefits with Medicare.

2015 HMO vs. PPO plans

EMPLOYEES

RETIREES

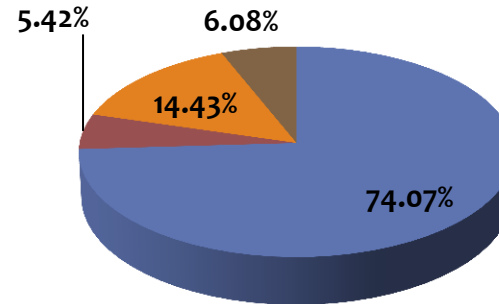


■ 5679 EE IN COUNTY SPONSORED HMO

■ 14 EE IN COUNTY SPONSORED PPO

■ 849 EE IN CAL PERS SPONSORED HMO

■ 112 EE IN CALPERS SPONSORED PPO



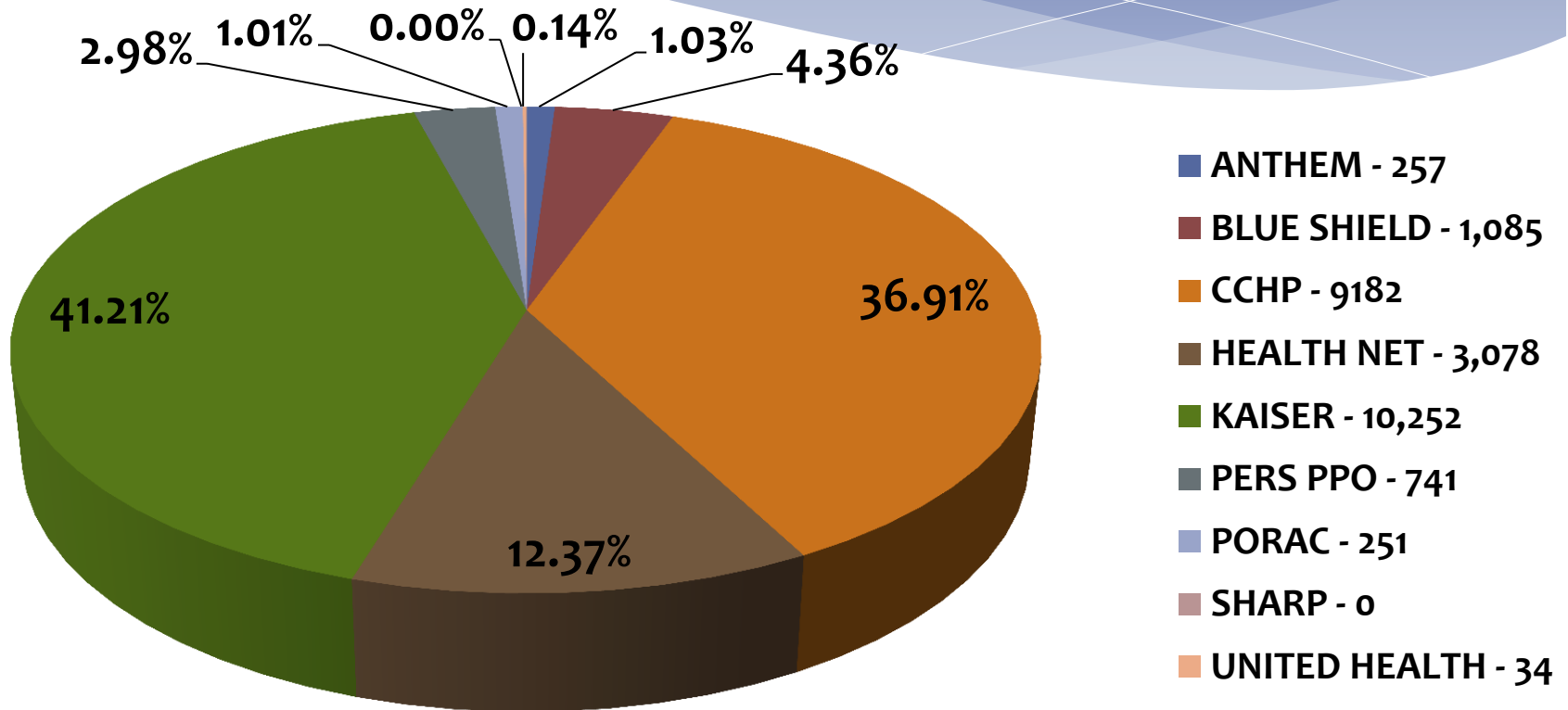
■ 4070 RET IN COUNTY SPONSORED HMO

■ 298 RET IN COUNTY SPONSORED PPO

■ 793 RET IN CALPERS SPONSORED HMO

■ 334 RET IN CALPERS SPONSORED PPO

Health plan fragmentation helps increase the cost of premiums



Information from the County's most recent actuarial report (7507)

- Reduction in 2006 OPEB Liability from \$2.6 billion to \$793 million (using assets of \$155.2 million as of December 2014)
- Annual Required Contribution (ARC) reduced from \$216.3 million to \$87 million
- Total OPEB Trust assets \$155.2 million as of December 2014
- Reduction reflects health plan changes, caps on County contributions and labor agreements
- The Board of Supervisor's actions have made it possible for the County to continue to provide much needed services, including health services, to County residents, including the indigent.
- In March 2012, a lawsuit was filed by a retiree organization challenging the changes in retiree health care member subsidies.
- Ratio of retirees to active employees is climbing progressively
- In response to rapidly escalating pension costs, the Board modified the allocation of future resources for funding Other Post-Employment Benefits, redirecting Pension Obligation Bond (POB) monies towards the County's pension liability rather than the County's Other Post Employment Benefit (OPEB) Trust Fund.

Focusing only on change in subsidy will not solve the over-arching issue of total cost

Active Annual County Subsidy

	<u>Current Plan</u>	<u>50/50 Subsidy</u>	<u>Increased Cost</u>
2016	82,084,000	84,060,000	1,976,000
2021	89,228,000	104,311,000	15,083,000
2026	99,604,000	133,822,000	34,218,000
2031	113,425,000	173,288,000	59,863,000

Today's Presentations

- * David J. Twa, County Administrator
- * Michael Schionning from Cheiron
- * Jacqueline Farren, from Buck Consulting
- * David J. Twa, County Administrator
- * Question and Answer

What more can be done to help control insurance costs?

- * Encourage consumer/employee participation in wellness, illness prevention and chronic disease management activities
- * Expand availability of health risk assessments and encourage consumer/employee participation
- * Encourage consumer participation in upcoming county-sponsored educational activities to learn how to be a wiser health care consumer
- * Make lower cost insurance options, offered by the County, available to employees

Opportunity to address Health Care Concerns

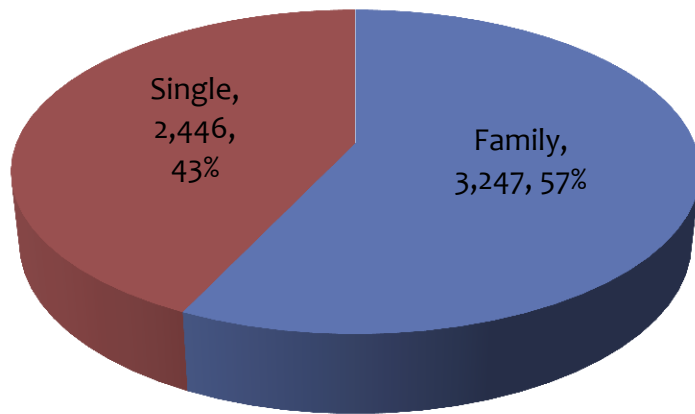
- * Neither the County nor our Employees can afford to carry the burden of increasing health insurance costs
- * Continually rising cost for health care coverage reduces the County's ability to hire additional employees to provide services to the public
- * Fragmentation of our health insurance plans prevents our ability to negotiate cost savings with our insurance carriers
- * High cost health insurance coverage, called "Cadillac Plans", will begin to be taxed at 40% of their value to the consumer in 2018, making them economically unfeasible
- * Current Other Post Employment Benefits (OPEB) liability is \$793 Million and an Annual Required Contribution (ARC) of \$87 Million
- * Any solutions to our health care concerns must take into consideration the unfunded OPEB liability
- * The re-opener gives us the opportunity to consider our options and design a plan that will benefit both the County and the Employees

Changes to consider to help control costs in County-sponsored health plans

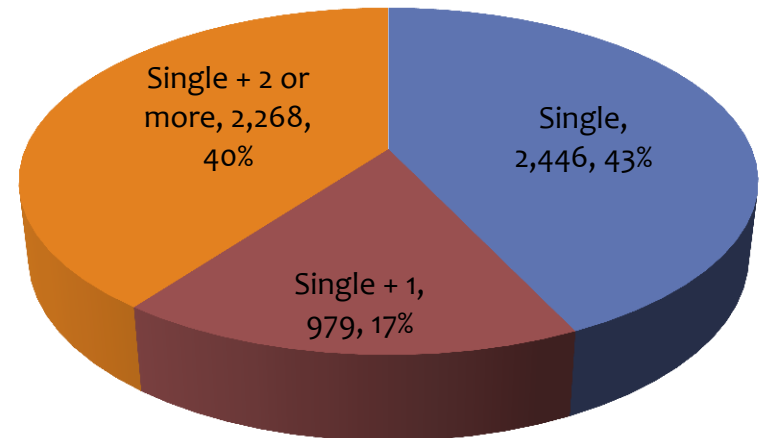
- * Reduce plan fragmentation by offering fewer health plan options, helping to lower premium cost increases
- * Offer only HMO plan designs (no PPO plans) which include user fees such as co-pays, deductibles and mandatory pharmacy provisions
- * Offer a new, lower premium insurance plan known as a qualified High Deductible Health Plan (HDHP) that allows for participation in a tax-advantaged Health Savings Account (HSA)
- * Go from two tier to three tier pricing
- * Offer County-sponsored education programs, to help employees/retirees become wiser consumers of health benefits
- * Premium savings that might occur could be used to reduce Employees Costs

Changing active employees from two to three tier plans would follow the industry norm

TWO TIER COUNTY SPONSORED PLANS



THREE TIER PLAN MIGRATION



Health care re-opener language

“This agreement will open on April 1, 2015, for the limited purpose of bargaining over... Health, Life and Dental Care, to explore changes effective in the 2016 Plan year.

The County is committed to evaluating alternative approaches to sharing health care premiums for the 2016 Plan year, taking into consideration any effect on its budget.

During the reopener, the County will not propose reducing the current dollar amount of the County’s premium subsidy for health plans and will not unilaterally impose a reduction in the current dollar amount of the County’s health plan premium subsidy for the 2016 Plan year.

In the event the parties fail to reach an agreement by January 1, 2016, the Union reserves the right to strike with respect to the subject of the reopener.”

Union contracts that include the health care re-opener language

- * **Healthcare Coalition¹:**
 - * **AFSCME Local 2700**
 - * **AFSCME Local 512**
 - * **IFPTE Local 21**
 - * **SEIU Local 1021**
 - * **Western Council of Engineers**
- * **PEU Local 1**

¹ Five of the unions will negotiate as a healthcare coalition

County Representatives are a multi-disciplinary group

- * IEDA will provide the lead on labor negotiations.
- * Working on the reopener will be staff from the County Administrator's Office and HR Benefits
- * Additionally, actuarial and health care specialists and advisors will include: John Botsford from Milliman, Inc., Jacqueline Farren, from Buck Consulting and Michael Schionning from Cheiron

Health Insurance Reopener

**QUESTIONS?*

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