



**EXECUTIVE MANAGEMENT & AUDIT COMMITTEE
AUGUST 19, 2004**

SUBJECT: NON-CONTRACT GROUP INSURANCE PLANS

ACTION: RENEW GROUP INSURANCE POLICIES

RECOMMENDATION

Authorize the Chief Executive Officer to renew policies for the Non-Contract and AFSCME Group Insurance Plans, including medical, dental, life, accidental death and dismemberment, and long-term disability coverage for a one-year period beginning January 1, 2005. The new monthly premium amounts are shown on Attachment 1.

RATIONALE

A flexible and comprehensive benefits package is necessary to attract, motivate, and retain qualified employees. To that end, the MTA, including PTSC, seeks to offer benefit plans that are both cost effective for the MTA and its employees and competitive with other local public agencies. AFSCME represented employees are included in the Non-Contract plans.

Generally, each element of the plan contains provisions for the insurers to update premiums annually based on their MTA loss experience and current market conditions.

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. On an annual basis, employees may choose the plan coverage that they desire. Employees may also opt to waive medical or dental coverage and receive a taxable cash benefit. For the benefit year of 2005, in order to establish parity with the Blue Cross Plan (HMO), the Kaiser Plan's office co-pay will increase from zero to \$5.00 and the emergency room co-pay from zero to \$50.00. The emergency co-pay is waived if the person is hospitalized.

The FY 2004 average monthly cost for medical/dental coverage per Non-Contract and AFSCME employee was \$607. For FY 2005, average monthly cost is estimated at \$683, a 12% increase.

The recently ratified labor agreements provide for FY 2005 monthly contributions of \$698 for UTU actives and \$778 for the ATU actives. Pending ratification of a new collective bargaining agreement, TCU is being paid the prior contract rate of \$507.

Mercer Human Resources Consulting is responsible for marketing the group insurance contracts with qualified insurance carriers and negotiating annual renewal premium proposals. Based on those negotiations under staff oversight, the original premiums quoted were reduced considerably to an average of 8.4% for the medical plans and an average of 4.8% for the dental plans.

ALTERNATIVES CONSIDERED

All medical and dental plans were reviewed to assess potential cost savings that could be derived from decreasing plan benefit levels. Extensive plan changes are not recommended to lower cost at this time as premium increases for calendar year 2005 were lower than anticipated and projected expenses are within the FY05 budget.

FINANCIAL IMPACT

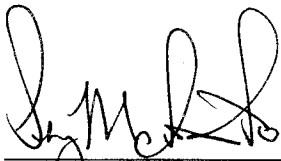
Funding for the Non-Contract Group Insurance Plans is included in each department's FY2005 budget and on the MTA balance sheet for accrued retiree medical liabilities. Increases in medical and dental premiums are consistent with the assumptions used to develop the FY 2005 budget. Life Insurance and Long Term Disability premiums are unchanged. Based on the current employee participation by plan costs are expected to be within the adopted budget.

All Non-Contract and AFSCME employees will contribute 10% of the actual premium for each plan selected as previously established by the Chief Executive Officer.

ATTACHMENTS

1. Monthly Premium Rates
2. Monthly Employee Contributions

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ATTACHMENT 1

MONTHLY PREMIUM RATES

| PROVIDER | | CY2004 | CY 2005 | PCT INC | EST. # EMP 1/01/05 |
|--|--------|------------|------------|------------|--------------------------|
| Blue Cross (PPO) (Includes Vision & MH) | Single | \$436.28 | \$473.36 | 8.7% | 268 |
| | Couple | \$858.93 | \$933.94 | 8.7% | 286 |
| | Family | \$1,153.61 | \$1,254.09 | 8.7% | 298 |
| Blue Cross (HMO) (Includes Vision) | Single | \$285.17 | \$303.65 | 6.5% | 110 |
| | Couple | \$592.85 | \$631.65 | 6.5% | 116 |
| | Family | \$851.71 | \$907.13 | 6.5% | 173 |
| Kaiser (HMO) | Single | \$290.90 | \$317.18 | 9.0% | 193 |
| | Couple | \$581.80 | \$634.36 | 9.0% | 230 |
| | Family | \$823.25 | \$897.62 | 9.0% | 341 |
| Delta Dental (PPO) | Single | \$43.32 | \$45.77 | 5.6% | 396 |
| | Couple | \$75.30 | \$79.55 | 5.6% | 496 |
| | Family | \$113.16 | \$119.55 | 5.6% | 529 |
| Dental Health Services (DHMO) | Single | \$15.69 | \$15.69 | 0.0% | 104 |
| | Couple | \$29.04 | \$29.04 | 0.0% | 97 |
| | Family | \$43.73 | \$43.73 | 0.0% | 145 |
| Deltacare (DHMO) | Single | \$18.31 | \$18.31 | 0.0% | 66 |
| | Couple | \$33.24 | \$33.24 | 0.0% | 68 |
| | Family | \$49.20 | \$49.20 | 0.0% | 146 |

Waive Medical \$105.00 month (143 employees)

Waive Dental \$15.00 month (101 employees)

ATTACHMENT 2

MONTHLY EMPLOYEE CONTRIBUTIONS

| PROVIDER | | CURRENT Non-Contract | CURRENT AFSCME | PROPOSED N/C & AFSCME (a) |
|---|-----------|-------------------------|-------------------|---------------------------------|
| Blue Cross (PPO) (Includes Vision and MH) | Single | \$37.00 | \$44.00 | \$47.00 |
| | Two Party | \$72.00 | \$86.00 | \$93.00 |
| | Family | \$96.00 | \$115.00 | \$125.00 |
| Blue Cross (HMO) (Includes Vision) | Single | \$26.00 | \$29.00 | \$30.00 |
| | Two Party | \$53.00 | \$59.00 | \$63.00 |
| | Family | \$76.00 | \$85.00 | \$91.00 |
| Kaiser Kaiser (HMO) | Single | \$23.00 | \$29.00 | \$32.00 |
| | Two Party | \$47.00 | \$58.00 | \$63.00 |
| | Family | \$66.00 | \$82.00 | \$90.00 |
| Delta Dental (PPO) | Single | \$4.00 | \$4.00 | \$5.00 |
| | Two Party | \$8.00 | \$8.00 | \$8.00 |
| | Family | \$12.00 | \$11.00 | \$12.00 |
| Dental Health Services (DHMO) | Single | \$2.00 | \$2.00 | \$2.00 |
| | Two Party | \$3.00 | \$3.00 | \$3.00 |
| | Family | \$4.00 | \$4.00 | \$4.00 |
| Deltacare (DHMO) | Single | \$2.00 | \$2.00 | \$2.00 |
| | Two Party | \$3.00 | \$3.00 | \$3.00 |
| | Family | \$5.00 | \$5.00 | \$5.00 |

(a) Employee contributions reflects the Non-Contract and AFSCME contributing 10% of actual medical and dental costs.

