

**FINANCE & BUDGET COMMITTEE
SEPTEMBER 17, 2008****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

Authorize the Chief Executive Officer to renew group insurance policies covering Non-Contract, AFSCME, and Expo employees for a one-year period beginning January 1, 2009; the new monthly premiums are shown on Attachment A.

RATIONALE

A comprehensive flexible benefits package is necessary to attract, motivate, and retain qualified employees. To that end, we, including the Public Transportation Services Corporation (PTSC), seek to offer benefit plans that promote efficient use of health resources, are both cost effective for the company and our employees, and are competitive with other local public agencies.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 95% of the employees covered by the medical, dental, and vision benefits are PTSC employees and the funding for the benefits is included in the PTSC budget for FY09. Expo employees are also covered by our plans, providing a cost-effective means of offering benefits to the group.

On an annual basis, employees may choose the medical, dental, vision, life, accidental death and dismemberment, and long-term disability plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit.

Generally, each element of the plan contains provisions for the insurers to update premiums annually based on our loss experience and current market conditions. Mercer Human Resources Consulting (Mercer) markets the group insurance contracts with qualified insurance carriers and negotiates annual renewal premium proposals. Due to several large medical claims and higher prescription expense, total premiums increased 11.2% over calendar year 2008. The final amounts include a negotiated reduction from the initial quote for medical premiums of \$295,000.

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY09 budget and on the balance sheet for accrued retiree medical liabilities. Increases in medical and dental premiums are slightly higher than the assumptions used to develop the FY09 budget. However, based on the current employee participation by plan, costs are expected to be within the adopted budget. All full-time regular Non-Contract and AFSCME employees will contribute 10% of the actual premium for each medical and dental plan selected, as previously established by the Chief Executive Officer. Expo employees pay a maximum \$50 per month for medical and dental coverage, as established by the Expo Board.

For FY09, the average monthly company cost for active employees covered under the Non-Contract and AFSCME medical/dental plans is estimated at \$950.

The current labor agreements provide for FY09 monthly contributions for active employees of \$1,012 for UTU, \$1,157 for the ATU and \$1,069 for the TCU. Union employees contribute less than 10% of the premium for the coverage they select.

ALTERNATIVES CONSIDERED

We considered plan design changes such as increasing the co-pay for office visits and prescriptions and/or raising annual deductibles. However, reducing plan benefit levels is not recommended as the loss in employee morale would likely outweigh potential savings.

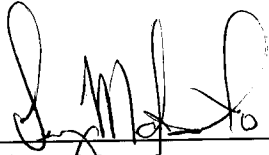
We could self-fund and/or self-administer health benefits. This alternative is not recommended because of the resources required to establish the medical expertise and operational infrastructure necessary to review and process claims, as well as the fiduciary liability that would be assumed.

We are working with Mercer and the medical carriers to implement a wellness program in FY09 to identify and change plan participant behavior that drives health care costs. Wellness programs offer the potential to reduce costs by improving employee health rather than reducing benefits.

ATTACHMENTS

- A. Monthly Premium Rates
- B. Monthly Employee Contributions

Prepared by: Donna Mills, Assistant Treasurer
Jan Olsen, Supervisor, Pension and Benefits



Terry Matsumoto
Chief Financial Services Officer, and
Treasurer



Roger Snoble
Chief Executive Officer

ATTACHMENT A
MONTHLY PREMIUM RATES

PROVIDER		CY2008	CY 2009	Avg. PCT. INC.(a)	EST. # EMP 1/01/09
Blue Cross (PPO)	Single	\$521.46	\$606.92	16.4%	268
	Couple	\$1,049.70	\$1,221.73	16.4%	318
	Family	\$1,407.94	\$1,638.68	16.4%	259
Blue Cross (HMO)	Single	\$408.61	\$440.98	7.9%	104
	Couple	\$858.08	\$926.05	7.9%	115
	Family	\$1,225.74	\$1,322.83	7.9%	144
Kaiser (HMO)	Single	\$381.03	\$423.54	11.2%	173
	Couple	\$762.06	\$847.08	11.2%	237
	Family	\$1,078.31	\$1,198.62	11.2%	304
Delta Dental (PPO)	Single	\$46.53	\$48.99	5.3%	391
	Couple	\$80.87	\$85.15	5.3%	549
	Family	\$121.53	\$127.95	5.3%	518
Deltacare (DHMO)	Single	\$18.31	\$18.31	0.0%	70
	Couple	\$33.24	\$33.24	0.0%	74
	Family	\$49.20	\$49.20	0.0%	126
Dental Health Services (DHMO)	Single	\$16.15	\$16.15	0.0%	76
	Couple	\$31.35	\$31.35	0.0%	82
	Family	\$47.25	\$47.25	0.0%	109
Vision Service Plan	Single	\$8.85	\$8.85	0.0%	372
	Couple	\$12.80	\$12.80	0.0%	433
	Family	\$22.93	\$22.93	0.0%	403

(a) Medical/dental/vision premiums increased an average 12.3% over calendar year 2008.

Waive Medical \$140.00 month (130 employees)

Waive Dental \$20.00 month (57 employees)

ATTACHMENT B

MONTHLY EMPLOYEE CONTRIBUTIONS

PROVIDER		CURRENT N/C & AFSCME	PROPOSED N/C & AFSCME (a)
Blue Cross (PPO)	Single	\$52.00	\$61.00
	Two Party	\$105.00	\$122.00
	Family	\$141.00	\$164.00
Blue Cross (HMO)	Single	\$41.00	\$44.00
	Two Party	\$86.00	\$93.00
	Family	\$123.00	\$132.00
Kaiser (HMO)	Single	\$38.00	\$42.00
	Two Party	\$76.00	\$85.00
	Family	\$108.00	\$120.00
Delta Dental (PPO)	Single	\$5.00	\$5.00
	Two Party	\$8.00	\$9.00
	Family	\$12.00	\$13.00
Deltacare (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$5.00	\$5.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$5.00	\$5.00
Vision Service Plan	Single	\$1.00	\$1.00
	Two Party	\$1.00	\$1.00
	Family	\$2.00	\$2.00

(a) Non-Contract and AFSCME employees contribute 10% of actual medical and dental costs.

