



EXECUTIVE MANAGEMENT & AUDIT COMMITTEE

August 18, 2005

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, vision, life, accidental death and dismemberment, and long-term disability coverage for a one-year period beginning January 1, 2006. 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 LACMTA, including the Public Transportation Services Corporation, seeks to offer benefit plans that are both cost effective for the company and our employees, as well as being competitive with other local public agencies. AFSCME represented employees are included in the Non-Contract plans.

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. All 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.

Generally, each element of the plan contains provisions for the insurers to update premiums annually based on our loss experience and current market conditions. Every five years we conduct a marketing of the programs, requesting bids from carriers in order to assess new products and to benchmark cost. The 2005 marketing resulted in all existing providers being retained with the exception of the Value Options mental health plan. Effective January 1, 2006, Blue Cross will provide the mental health and substance abuse benefit for the PPO plan.

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 increase of 7.1% for the medical plans and 1.4% for the dental plans. The negotiated savings for calendar year 2006 is \$250,000.

ALTERNATIVES CONSIDERED

All medical and dental plans were reviewed to assess potential cost savings that could be derived from changing carriers, implementing new products, or from decreasing plan benefit levels. Extensive plan changes are unnecessary at this time as premium increases for calendar year 2006 were lower than anticipated and projected expenses are within the FY 2006 budget.

FINANCIAL IMPACT

Funding for the Non-Contract Group Insurance Plans is included in each department's FY 2006 budget and on the balance sheet for accrued retiree medical liabilities. Increases in medical and dental premiums are consistent with the assumptions used to develop the FY 2006 budget. Life insurance and long-term disability premiums are unchanged since they are in the second year of a rate guarantee. Based on the current employee participation by plan, costs are expected to be within the adopted budget.


The average monthly company cost for medical/dental coverage per Non-Contract and AFSCME employee was \$683 for FY 2005. For FY 2006, the average monthly company cost is estimated at \$744 per employee.

The current labor agreements provide for FY 2006 monthly contributions of \$803 for UTU actives, \$869 for the ATU actives and \$803 for the TCU active employees.

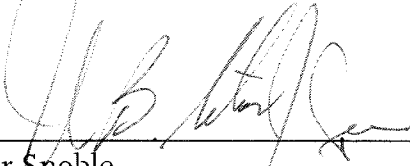
ATTACHMENTS

1. Monthly Premium Rates
2. Monthly Employee Contributions

Prepared by: Jan Olsen, Supervisor, Pension and Benefits Department
Edward J. Myatt, Sr. Analyst, Pension and Benefits Department



Terry Matsumoto
Executive Officer, Finance and Treasurer



Roger Snoble
Chief Executive Officer

ATTACHMENT 1

MONTHLY PREMIUM RATES

PROVIDER		CY2005	CY 2006	Avg. PCT. INC.	EST. # EMP 1/01/06
Blue Cross (PPO) (Includes Vision & MH)	Single	\$473.76	\$499.73	7.1%	247
	Couple	\$933.94	\$1,000.95	7.1%	304
	Family	\$1,254.09	\$1,348.32	7.1%	274
Blue Cross (HMO) (Includes Vision)	Single	\$303.65	\$332.76	9.7%	95
	Couple	\$631.65	\$693.01	9.7%	121
	Family	\$907.13	\$994.60	9.7%	171
Kaiser (HMO)	Single	\$317.18	\$335.27	5.7%	171
	Couple	\$634.36	\$670.54	5.7%	232
	Family	\$897.62	\$948.81	5.7%	321
Delta Dental (PPO)	Single	\$45.77	\$46.53	1.7%	364
	Couple	\$79.55	\$80.87	1.7%	519
	Family	\$119.55	\$121.53	1.7%	526
Dental Health Services (DHMO)	Single	\$15.69	\$15.69	0.0%	81
	Couple	\$29.04	\$29.04	0.0%	104
	Family	\$43.73	\$43.73	0.0%	125
Deltacare (DHMO)	Single	\$18.31	\$18.31	0.0%	63
	Couple	\$33.24	\$33.24	0.0%	59
	Family	\$49.20	\$49.20	0.0%	141

Waive Medical \$112.00 month (129 employees)

Waive Dental \$16.00 month (83 employees)

ATTACHMENT 2

MONTHLY EMPLOYEE CONTRIBUTIONS

PROVIDER		CURRENT N/C & AFSCME	PROPOSED N/C & AFSCME (a)
Blue Cross (PPO) (Includes Vision)	Single	\$47.00	\$50.00
	Two Party	\$93.00	\$100.00
	Family	\$125.00	\$135.00
Blue Cross (HMO) (Includes Vision)	Single	\$30.00	\$33.00
	Two Party	\$63.00	\$69.00
	Family	\$91.00	\$99.00
Kaiser (HMO)	Single	\$32.00	\$34.00
	Two Party	\$63.00	\$67.00
	Family	\$90.00	\$95.00
Delta Dental (PPO)	Single	\$5.00	\$5.00
	Two Party	\$8.00	\$8.00
	Family	\$12.00	\$12.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$4.00	\$4.00
Deltacare (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$5.00	\$5.00

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

