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Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

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SUBJECT: Renewal of Employee Insurance Plans and Programs

RECOMMENDATION:

Receive and file report regarding renewal of employee insurance plans and programs.

DISCUSSION:

One of the goals of our agency is to provide employees with health benefit programs that meet their needs. These needs include quality care, an adequate choice of providers, and the ability to select from a variety of options and costs. At the October 2008 hearing, this Board delegated authority to the Air Pollution Control Officer to enter into and renew multiple employee benefit insurance plans that became effective January 1, 2009. The following summarizes the final benefit package that was authorized by the Air Pollution Control Officer.

- Renewed the Aetna Health Maintenance Organization (HMO) medical insurance agreement
- Terminated the Point-of-Service (POS) medical insurance agreement
- Renewed the Aetna Freedom of Choice dental plan
- Renewed the Vision Service Plan/ABD municipality pool to provide vision insurance
- Renewed the IRS Section 125 (cafeteria) plan with Benesyst
- Terminated the IRS 132 (transportation) plan with Benesyst
- Renewed the Standard Long Term Disability benefit plan

- Renewed the Standard Voluntary Term Life benefit plan
- Renewed the Standard Management Life & Accidental Death & Dismemberment (ADD) plan
- Entered into a contract with the Standard Insurance Company to provide Short Term Disability coverage for our 5 management employees
- Renewed the AIG Voluntary Personal Accident benefit plan
- Renewed the AFLAC Supplemental Catastrophic Insurance programs
- Renewed the Managed Health Network Employee Assistance plan

Major Medical

Our benefits committee reviewed the renewal rates offered by our current health insurance provider, Aetna, and recommended renewing our Health Maintenance Organization (HMO) agreement with them to provide the APCD's major medical benefits. The HMO plan premiums increased by 10% for the 2009 calendar year. Due to declining membership, the benefits committee recommended terminating the Point of Service (POS) plan. The APCD applies \$243.25 to the employee only premium for ETA members; \$323.66 to the employee only premium for SEIU members; and \$312.82 for the employee only premium for all other groups. The remaining premium is either paid through employee cafeteria dollars or picked up by employees pursuant to their respective Memorandum of Understandings (MOU's).

The 2008 and 2009 monthly renewal rates are as follows:

<u>Aetna – HMO</u>	<u>2008 Rate</u>	<u>2009 Rate</u>
Employee Only	\$410.00	\$451.00
Employee + one	\$899.50	\$989.45
Family	\$1192.65	\$1311.92

Dental

Aetna proposed a 7.5% increase to our dental plan premiums for 2009. Our benefits committee reviewed the rates and benefits under the plan and has recommended renewing our agreement with Aetna.

Under the Aetna Preferred Provider Organization (PPO), employees are covered for diagnostic and preventative services at 100% of the PPO fee; basic and restorative services are covered at 80% of the PPO fee; major restorative services are covered at 50% of the PPO fee and; child orthodontia is covered at 50% of the PPO fee up to \$1,500 per calendar year. Under the non-PPO plan (out of network), employees are covered for diagnostic and preventative services at 100% of the Reasonable and Customary (R&C); basic and restorative services are covered at 60% of the R&C; major restorative services are covered at 40% of the R&C and; child orthodontia is covered at 50% of the R&C up to \$1,500 per calendar year.

In addition to traditional PPO structured benefits, employees will have the option to obtain services through a Dental Maintenance Organization (DMO). Employees obtaining services under the DMO option will only be responsible for a \$5 co-pay for most procedures.

The APCD applies \$21.21 to the employee only premium for ETA members; all other groups have \$27.50 applied towards the employee only premium for dental. The remaining premium is either paid through employee cafeteria dollars or picked up by employees pursuant to their respective Memorandum of Understandings (MOU's). The monthly rates for dental are as follows:

	<u>2008 Rate</u>	<u>2009 Rate</u>
Employee Only	\$30.83	\$33.14
Employee + spouse	\$61.78	\$66.41
Employee + child(ren)	\$71.80	\$77.19
Family	\$102.75	\$110.46

Vision

Staff recommended renewing our policy with Vision Service Plan/ABD municipality pool (VSP). There was no increase to the monthly VSP plan rates for 2009.

<u>VSP</u>	<u>2008 Rate</u>	<u>2009 Rate</u>
Employee Only	\$7.02	\$7.02
Two Party	\$10.35	\$10.35
Family	\$18.17	\$18.17

Flexible Benefits Plan

The APCD maintains an IRS Section 125 plan which allows certain benefit premiums to be deducted from an employee's pay on a pre-tax basis. This plan also allows employees to set aside monies on a pretax basis for eligible medical and dependent care expenses. There is no increase in the cost to maintain this plan for 2009.

In 2004, the APCD established an IRS section 132 plan which allows employees to set aside pre-tax money to pay for commuting expenses including mass transit and van pool expenses. Due to administrative changes within Benesyst it was determined that it would be more cost effective for the District to terminate this plan and work directly with transit providers.

Long Term Disability (LTD) - The APCD provides this coverage for all its employees in a group long-term disability program. This is a disability plan that provides employees a benefit of 60% of earnings after a 60 day waiting period if he/she is disabled from their own occupation for up to two years or any occupation up to age 65. The current plan is provided through Standard Insurance and there is no rate increase for the 2009 calendar year.

Voluntary Life - Our Voluntary Life product is also offered through Standard Insurance. There is no rate increase for the 2009 calendar year. This benefit is 100% employee funded.

Management Life & Accidental Death & Dismemberment (ADD) - We provide group term life & AD&D insurance of \$20,000 for each management, supervisory, and confidential employee through Standard Insurance; the APCO is provided with \$50,000 coverage. There is no rate increase for the 2009 calendar year.

Short Term Disability (STD) – This is a new benefit for management employees. The STD policy will provide short term wage replacement to cover non-industrial injuries and illness. The APCO and four managers do not participate in the State Disability Insurance program, therefore, staff recommends implementing this type of coverage for these five employees.

Personal Accident Insurance - We offer our employees the ability to purchase Personal Accident Insurance through AIG. As the Personal Accident plan is a difficult program design to replace, staff recommended this program be renewed with AIG. This benefit is 100% employee funded.

Catastrophic Care Programs - These are products offered through AFLAC that enable employees to voluntarily purchase portable catastrophic care programs in the event of a serious illness. Costs are fully funded by the employee and are based on age upon entry into the program and level of coverage desired.

Employee Assistance Plan – This benefit offered by Managed Health Network (MHN) is diverse in that it offers a range of services to both APCD management and employees. Services range from face to face counseling with licensed professionals to telephonic consultations regarding personal finance issues. There is a 5.0% rate increase for the 2009 calendar year.

Fiscal Impact

Increases in contributions to our benefit programs will be limited to an increase in the Employee Assistance Plan premiums, implementation of the management Short Term Disability (STD) program, and increases to the health contributions as agreed to in the recently negotiated employee group MOUs. The cost of the Employee Assistance Plan premium increase will be approximately \$100 for the remainder of the fiscal year. The cost of the management STD plan will be \$1,086 for the remainder of the fiscal year. Based on an estimated 51 employees, the anticipated increase to health contributions for the last 14 pay periods of the fiscal year is \$15,120. These costs were anticipated and budgeted for the 2008/2009 fiscal year. Remaining costs associated with the 2009 renewal increases will be picked up by employees pursuant to their respective MOUs.