

FOC Health Benefits Subcommittee

July 19, 2018 Report to SMMUSD Board

Purpose of the FOC Health Benefits Subcommittee

- The Board requested the Subcommittee provide an in-depth financial analysis of the District's health benefits offerings, evaluate comparable district benefit levels and strategies for cost savings, and identify potential cost savings
- The District is in negotiations with the SMM CTA and the SEIU
 - The District's contributions to health benefits are part of total employee compensation
 - Upon advice by District staff that the scope of current labor-management negotiations would include health benefits, the Subcommittee deferred further analysis
- The observations of the Subcommittee are as follows

Health Benefits Subcommittee's Observations

- From FY 2008-2018, District health benefits costs increased by an annual average of 4.9% while GF revenue growth averaged 3.2%, for an average gap of 1.7%
 - Health benefit costs now represent 9.5% of the GF budget, up from 7.9% in FY 2008
- PERS provides the District's medical plans, offering three PPOs and seven HMOs
- Per existing labor agreements, the District's pays a fixed percentage of medical insurance premiums, not a fixed dollar amount per insured employee
 - Linking the District-paid premium amounts and proportions to specific medical plans has led to year-to-year volatility and uncertainty for both employees and the District

Health Benefits Subcommittee's Observations (cont'd)

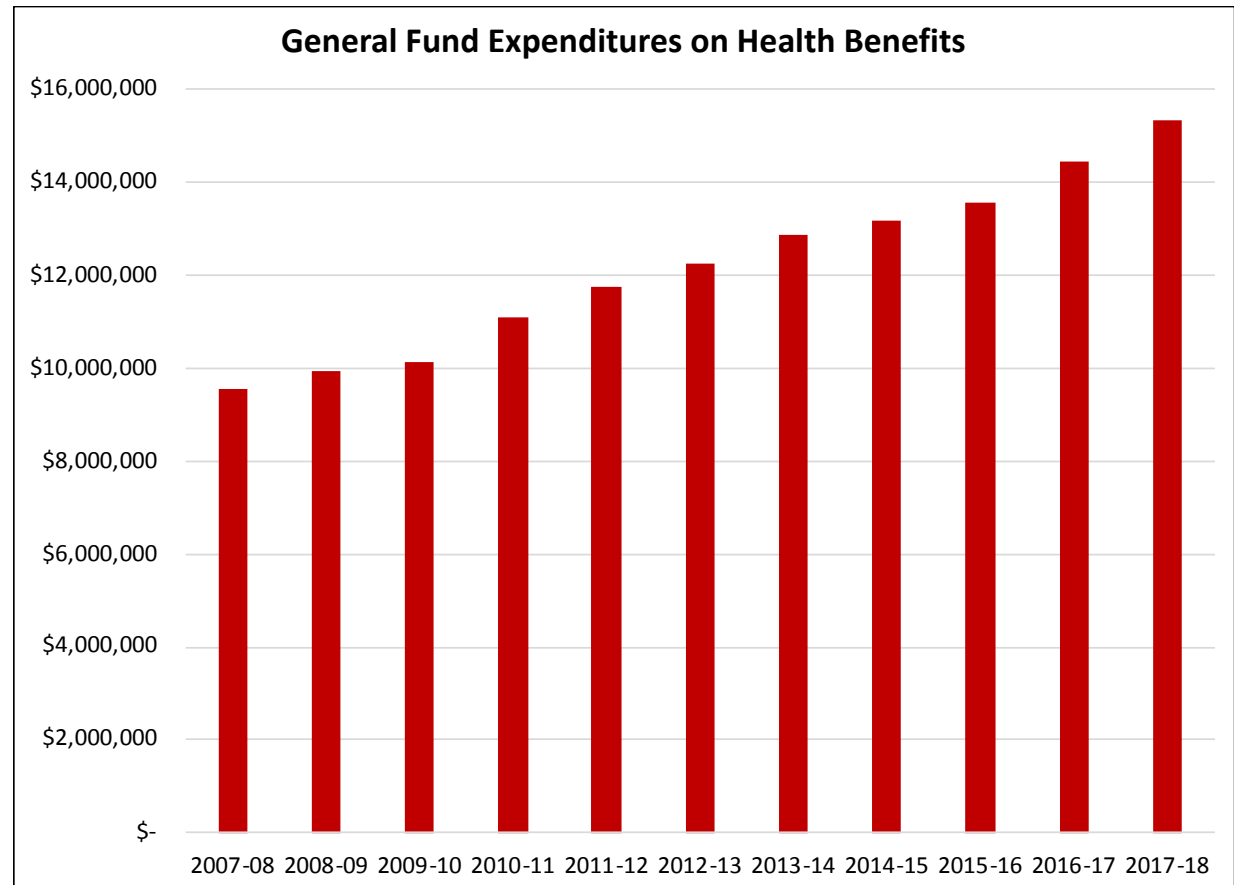
- In FY 2018, 91% of health benefit premium costs were paid by the District, with the 9% remainder paid by employees
- Employees hired on or after July 1, 2014 pay significantly greater shares of medical insurance premiums, and the District pays much less (existing labor agreements)
 - 78% hired before 7/1/2014; 22% hired on/after 7/1/2014
 - Employees hired before 7/1/2014 tend to select plans with higher premiums (paid 100% by the District)
 - Employees hired on/after 7/1/2014 prefer plans with lower employee costs

FY 2018 AVERAGE MEDICAL PREMIUMS

Hired before July 1, 2014			Hired on/after July 1, 2014			All Employees		
District	Employee	Total	District	Employee	Total	District	Employee	Total
\$13,627	\$480	\$14,107	\$6,771	\$3,570	\$10,341	\$12,124	\$1,157	\$13,281
96.6%	3.4%		65.5%	34.5%		91.3%	8.7%	

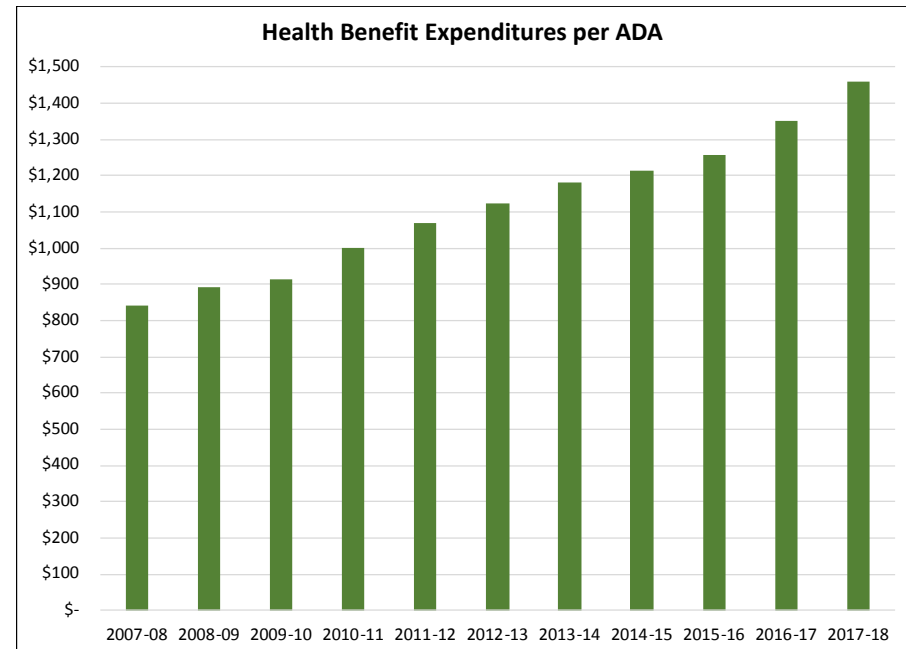
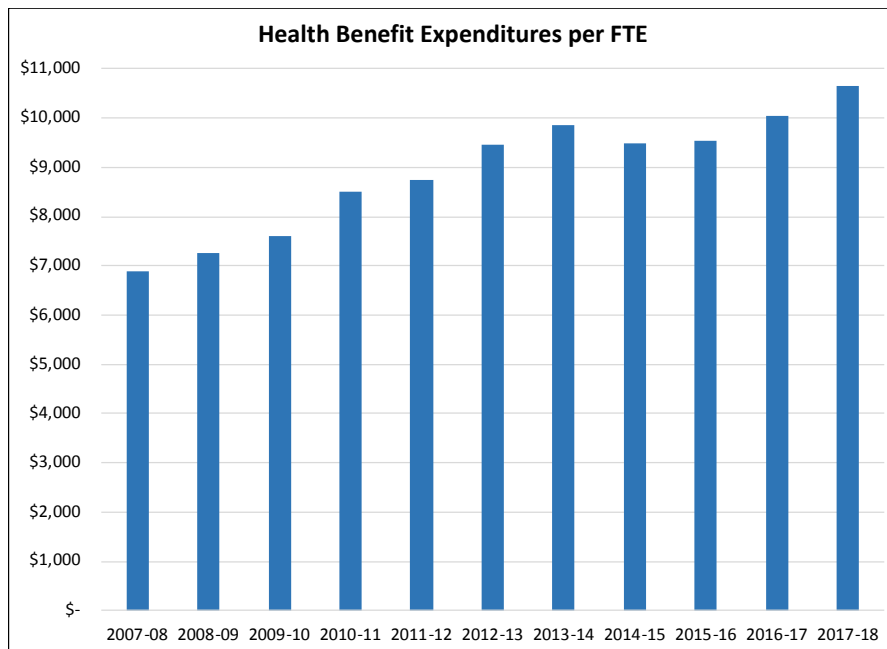
Health Benefit Cost Increases Consistently Outpace GF Revenue Growth

- The District's annual cost of health benefits increased from \$9.5 million (FY 2008) to \$15.3 million (FY 2018) -- a 10-year average annual increase of 4.9%
- GF Revenues grew by an annual average of 3.2% over the same period
- Increases in health benefits have outpaced GF Revenue growth by an annual average of 1.7%



Health Benefits Costs Are Approaching 10% of Budget

- The per FTE cost of health benefits escalated from \$6,900 in FY 2008 to \$10,663 in FY 2018
- In FY 2018, health benefits represented 9.5% of the GF budget, compared to 7.9% of the FY 2008 GF budget
 - This expansion is best illustrated by the per ADA chart at bottom right



Brief Summary of Health Benefits

- The District offers medical, dental and vision plans to full-time and part-time employees as well as qualifying retirees, with benefits available to employee, spouse/partner and dependent children*
- Medical Plans -- PERS offers PPO (3) and HMO (7) plans
 - PPOs: PERS Care, PERS Choice, PERS Select
 - HMOs: Blue Shield Access, Health Net Salud y Mas, Anthem Blue Cross Traditional, Anthem Blue Cross Select, Kaiser Permanente, Health Net SmartCare, United Healthcare
- Dental Plans -- Delta Dental PPO and Delta Cares HMO
- Vision Plans -- United Healthcare Vision and Vision Service Plan, subject to coverage limitations

** Certain part-time employees receive benefits. CTA minimum is 40% assignment. SEIU minimum is 20 hours/week.*

Summary of FY 2018 Health Benefit Elections

- 1,131 employees and board members selected District medical insurance
 - 78% hired before 7/1/2014; 22% hired on or after 7/1/2014
 - 225 employees declined coverage (17%) with 157 receiving cash-in-lieu of coverage payments from the District
- Health benefit premium costs are paid primarily by the District (91.3%) with the remainder (8.7%) paid by employees
- Employees hired on or after July 1, 2014 pay significantly higher shares of medical insurance premiums relative to longer-tenured colleagues
- Employee cost shares of dental and vision premiums are not impacted by hire date

Cost Allocation of Health Benefit Premiums

Health Benefit	Full-Time Employee Hired Before July 1, 2014	Full-Time Employee Hired On/After July 1, 2014
Medical Insurance	<p><u>District</u>: Pays 100% of premium, except PERS Care PPO where payment is limited to Kaiser HMO premium</p> <p><u>Employee</u>: Pays 0% of premium, except for PERS Care PPO premium net of District share</p>	<p><u>District</u>: Pays fixed amount equal to 95% of lowest cost HMO premium</p> <p><u>Employee</u>: Pays plan premium net of District share</p>
Dental Ins.	<u>District</u> : Pays 100% of premium	
Vision Ins.	<p><u>District</u>: Pays 100% of premium for SEIU member coverage; 0% of premium for other employees</p> <p><u>Employee</u>: SEIU member pays premiums for family members; other employees pay 100% of premium</p>	
Cash-in-lieu of Coverage	<p><u>Medical</u>: Employees receive \$120 per tenthly</p> <p><u>Dental</u>: Employees receive \$30 per tenthly</p> <p><u>Vision</u>: No option</p>	

Medical Insurance Costs – Tenthly Rates for Single Coverage

- FTE Hired before 7/1/2014: The District's tenthly cost ranges from \$485-942
- FTE Hired on or after 7/1/2014: The District's tenthly cost is set at \$461

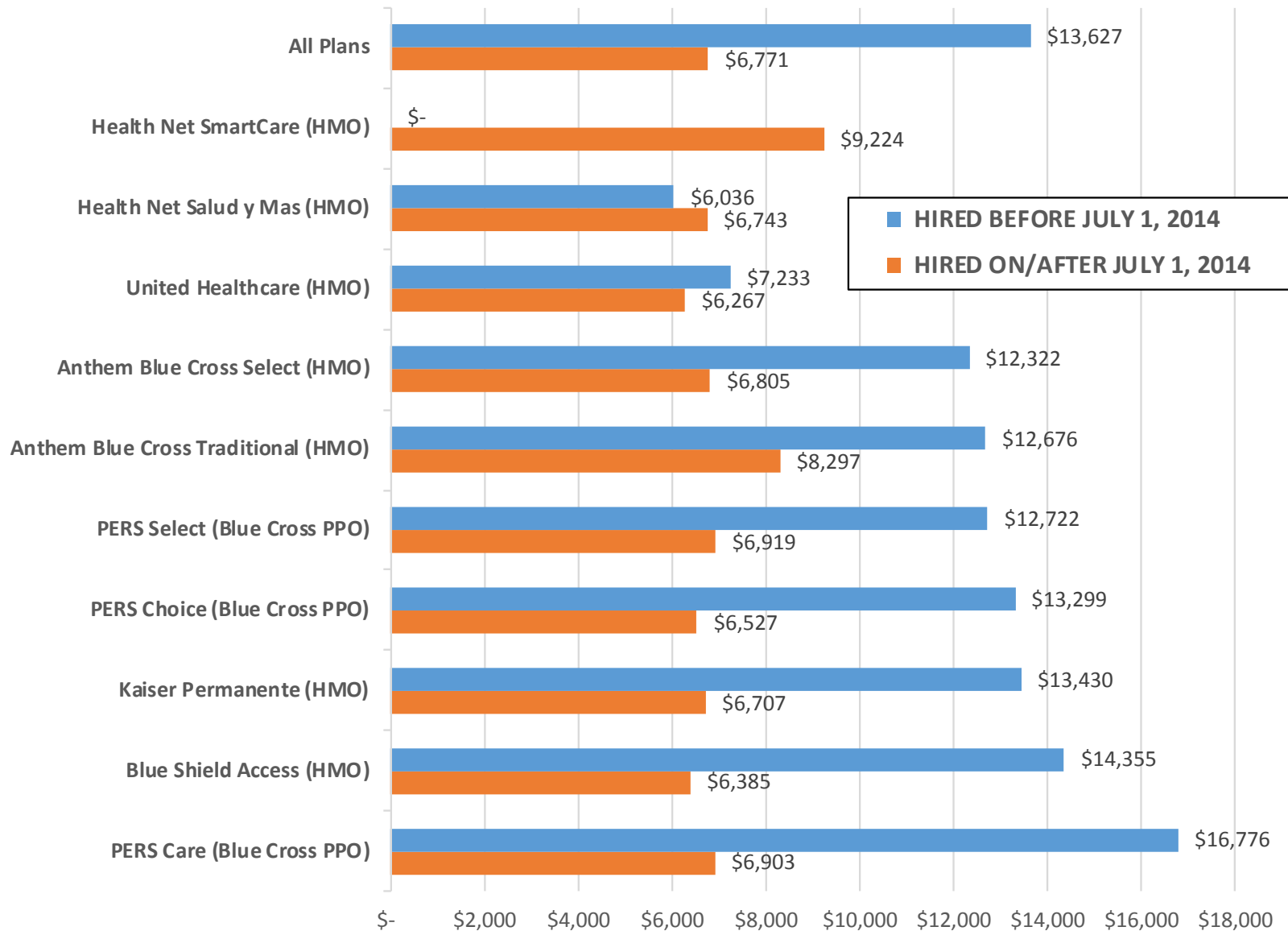
	FULL-TIME EMPLOYEE HIRED BEFORE JULY 1, 2014				FULL-TIME EMPLOYEE HIRED ON/AFTER JULY 1, 2014			
Medical Plan	District	Employee	Total Cost	District Share	District	Employee	Total Cost	District Share
Health Net Salud y Más (HMO)	\$485	\$0	\$485	100%	\$461	\$24	\$485	95%
PERS Select (PPO)	\$688	\$0	\$688	100%	\$461	\$227	\$688	67%
Health Net SmartCare (HMO)	\$693	\$0	\$693	100%	\$461	\$232	\$693	67%
United Healthcare (HMO)	\$723	\$0	\$723	100%	\$461	\$262	\$723	64%
Blue Shield Access (HMO)	\$736	\$0	\$736	100%	\$461	\$275	\$736	63%
PERS Choice (PPO)	\$744	\$0	\$744	100%	\$461	\$285	\$744	62%
Kaiser Permanente (HMO)	\$771	\$0	\$771	100%	\$461	\$310	\$771	60%
PERS Care (PPO)	\$771	\$37	\$808	95%	\$461	\$347	\$808	57%
Anthem Blue Cross Select (HMO)	\$792	\$0	\$792	100%	\$461	\$331	\$792	58%
Anthem Blue Cross Trad. (HMO)	\$942	\$0	\$942	100%	\$461	\$481	\$942	49%

Date of Hire Affects Medical Plan Selection

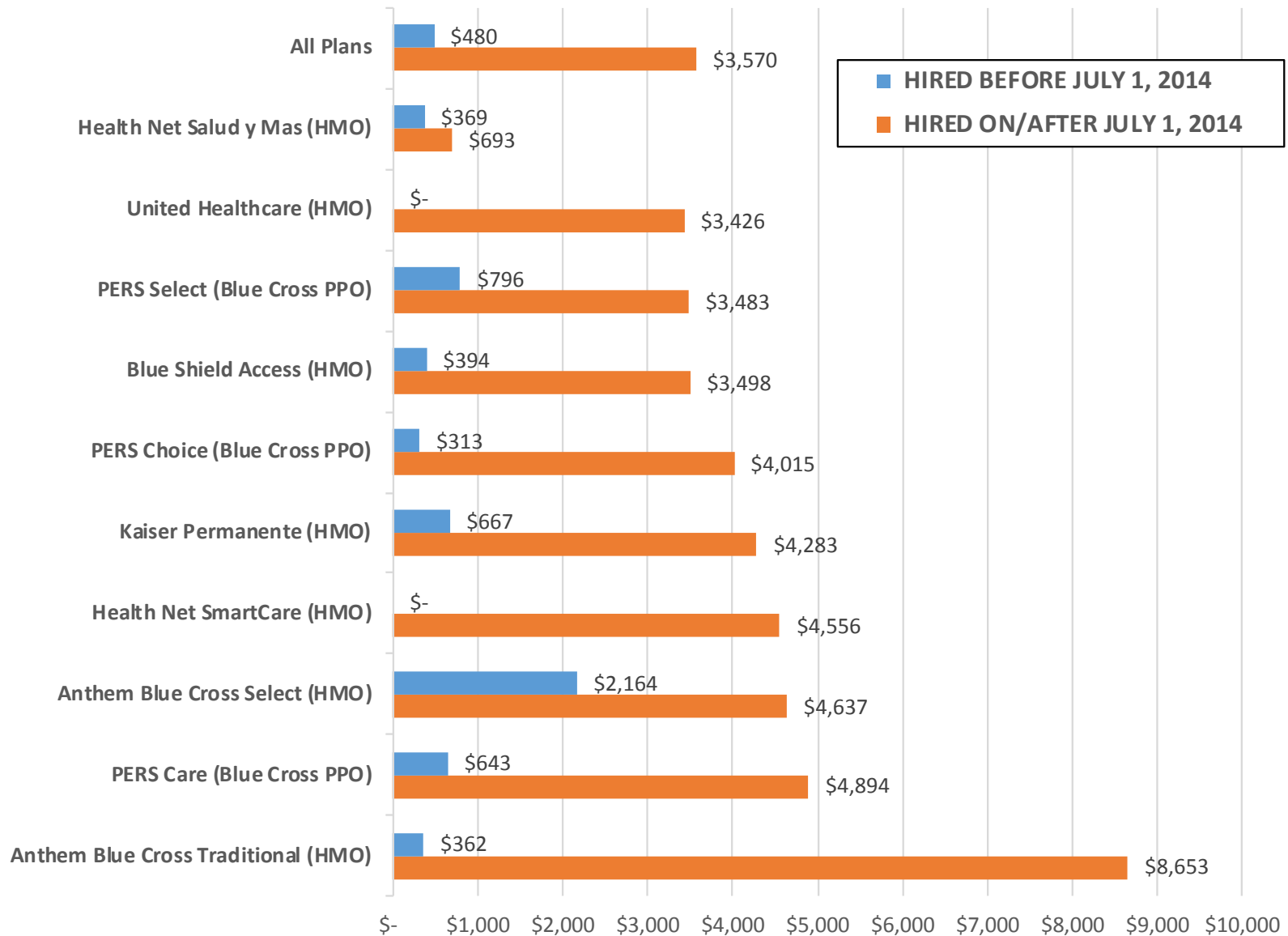
- Employees hired before July 1, 2014 tend to select plans with higher premiums (paid 100% by the District); cost is not the primary consideration
- Plans with lower employee costs are preferable to employees hired on/after July 1, 2014

	EMPLOYEES HIRED BEFORE JULY 1, 2014				EMPLOYEES HIRED ON/AFTER JULY 1, 2014			
Medical Plan	Single	Multi-Party	Total	% of Total	Single	Multi-Party	Total	% of Total
Health Net Salud y Más (HMO)	4	1	5	1%	22	15	37	15%
PERS Select (PPO)	11	12	23	3%	27	17	44	18%
Health Net SmartCare (HMO)	0	0	0	0%	2	4	6	2%
United Healthcare (HMO)	1	0	1	0%	15	5	20	8%
Blue Shield Access (HMO)	68	175	243	28%	11	3	14	6%
PERS Choice (PPO)	116	172	288	32%	17	8	25	10%
Kaiser Permanente (HMO)	105	163	268	30%	47	20	67	27%
PERS Care (PPO)	5	17	22	2%	10	5	15	6%
Anthem Blue Cross Select (HMO)	3	4	7	1%	13	5	18	7%
Anthem Blue Cross Trad. (HMO)	16	10	26	3%	1	1	2	1%
TOTALS	329	554	883	100%	165	83	248	100%

District's Average Annual Medical Cost per Insured Employee



Insured Employee Average Annual Medical Premium Cost



63% Selected HMO Plans / 37% Selected PPO Plans

• Coverage Types

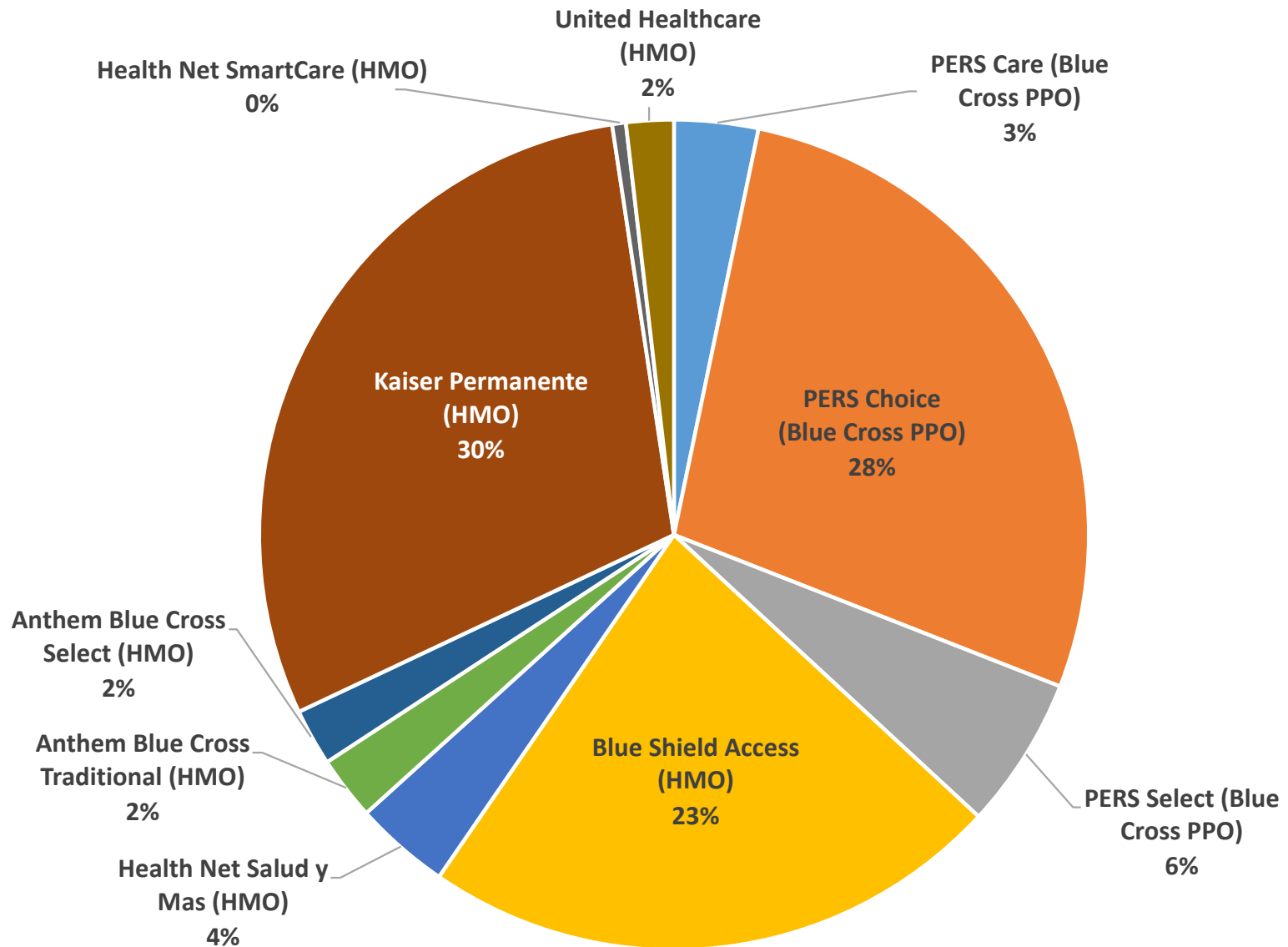
- Single 44%
- 2-Party 21%
- Family 35%

All Medical Plans	Hired Before 7/1/14	Hired On or After 7/1/14	Total
Single	329	165	494
2-Party	205	31	236
Family	<u>349</u>	<u>52</u>	<u>401</u>
TOTAL	883	248	1,131

PPOs Only	Hired Before 7/1/14	Hired On or After 7/1/14	Total
Single	132	54	186
2-Party	70	14	84
Family	<u>131</u>	<u>16</u>	<u>147</u>
TOTAL	333	84	417

HMOs Only	Hired Before 7/1/14	Hired On or After 7/1/14	Total
Single	197	111	308
2-Party	135	17	152
Family	<u>218</u>	<u>36</u>	<u>254</u>
TOTAL	550	164	714

81% Selected Kaiser HMO, PERS Choice PPO or Blue Shield HMO



Medical Plan Selection Details

PPOs

Employee Coverage	Hired Before 7/1/14	Hired On or After 7/1/14	Total
PERS Care (Blue Cross PPO)			
Single	5	10	15
2-Party	9	2	11
Family	<u>8</u>	<u>3</u>	<u>11</u>
TOTAL	22	15	37
PERS Choice (Blue Cross PPO)			
Single	116	17	133
2-Party	61	4	65
Family	<u>111</u>	<u>4</u>	<u>115</u>
TOTAL	288	25	313
PERS Select (Blue Cross PPO)			
Single	11	27	38
2-Party	0	8	8
Family	<u>12</u>	<u>9</u>	<u>21</u>
TOTAL	23	44	67

HMOs

Employee Coverage	Hired Before 7/1/14	Hired On or After 7/1/14	Total
Blue Shield Access (HMO)			
Single	68	11	79
2-Party	60	0	60
Family	<u>115</u>	<u>3</u>	<u>118</u>
TOTAL	243	14	257
Health Net Salud y Mas (HMO)			
Single	4	22	26
2-Party	0	8	8
Family	<u>1</u>	<u>7</u>	<u>8</u>
TOTAL	5	37	42
Anthem Blue Cross Traditional (HMO)			
Single	16	1	17
2-Party	10	0	10
Family	<u>0</u>	<u>1</u>	<u>1</u>
TOTAL	26	2	28

HMOs

Employee Coverage	Hired Before 7/1/14	Hired On or After 7/1/14	Total
Anthem Blue Cross Select (HMO)			
Single	3	13	16
2-Party	0	0	0
Family	<u>4</u>	<u>5</u>	<u>9</u>
TOTAL	7	18	25
Kaiser Permanente (HMO)			
Single	105	47	152
2-Party	65	6	71
Family	<u>98</u>	<u>14</u>	<u>112</u>
TOTAL	268	67	335
Health Net SmartCare (HMO)			
Single	0	2	2
2-Party	0	1	1
Family	<u>0</u>	<u>3</u>	<u>3</u>
TOTAL	0	6	6
United Healthcare (HMO)			
Single	1	15	16
2-Party	0	2	2
Family	<u>0</u>	<u>3</u>	<u>3</u>
TOTAL	1	20	21

Medical Plans – Average Annual Cost / Insured Employee

- On average, the District bears 91.3% of medical premium costs
 - For employees hired before 7/1/2014, the District's share is 96.6%
 - For employees hired on or after 7/1/2014, the District's share is 65.5%

	EMPLOYEES HIRED BEFORE JULY 1, 2014			EMPLOYEES HIRED ON/AFTER JULY 1, 2014			TOTAL		
Medical Plan	District	Employee	Total	District	Employee	Total	District	Employee	Total
Health Net Salud y Mas (HMO)	\$6,036	\$369	\$6,404	\$6,743	\$693	\$7,436	\$6,659	\$655	\$7,314
PERS Select (PPO)	\$12,722	\$796	\$13,518	\$6,919	\$3,483	\$10,403	\$8,911	\$2,561	\$11,472
Health Net SmartCare (HMO)	\$0	\$0	\$0	\$9,224	\$4,556	\$13,780	\$9,224	\$4,556	\$13,780
United Healthcare (HMO)	\$7,233	\$0	\$7,233	\$6,267	\$3,426	\$9,693	\$6,313	\$3,262	\$9,576
Blue Shield Access (HMO)	\$14,355	\$394	\$14,749	\$6,385	\$3,498	\$9,883	\$13,921	\$563	\$14,484
PERS Choice (PPO)	\$13,299	\$313	\$13,612	\$6,527	\$4,015	\$10,542	\$12,758	\$609	\$13,367
Kaiser Permanente (HMO)	\$13,430	\$667	\$14,097	\$6,707	\$4,283	\$10,990	\$12,086	\$1,390	\$13,476
PERS Care (PPO)	\$16,766	\$643	\$17,419	\$6,903	\$4,894	\$11,798	\$12,773	\$2,367	\$15,140
Anthem BC Select (HMO)	\$12,322	\$2,164	\$14,486	\$6,805	\$4,637	\$11,443	\$8,350	\$3,945	\$12,295
Anthem BC Trad. (HMO)	\$12,676	\$362	\$13,038	\$8,297	\$8,653	\$16,950	\$12,363	\$954	\$13,318
AVERAGE	\$13,627	\$480	\$14,107	\$6,771	\$3,570	\$10,341	\$12,124	\$1,157	\$13,281

Medical Plans – FY 2018 Total Cost Comparison

- The District expended \$13.71 million on medical premiums (91.3%)
- The total contribution from employees was \$1.31 million (8.7%)

	EMPLOYEES HIRED BEFORE JULY 1, 2014			EMPLOYEES HIRED ON/AFTER JULY 1, 2014			TOTAL		
Medical Plan	District	Employees	Total	District	Employees	Total	District	Employees	Total
Health Net Salud y Mas (HMO)	\$30,178	\$1,844	\$32,022	\$249,491	\$25,655	\$275,146	\$279,669	\$27,499	\$307,168
PERS Select (PPO)	\$292,596	\$18,314	\$310,909	\$304,443	\$153,269	\$457,712	\$597,038	\$171,583	\$768,621
Health Net SmartCare (HMO)	\$0	\$0	\$0	\$55,341	\$27,336	\$82,677	\$55,341	\$27,336	\$82,677
United Healthcare (HMO)	\$7,233	\$0	\$7,233	\$125,344	\$68,511	\$193,855	\$132,577	\$68,511	\$201,088
Blue Shield Access (HMO)	\$3,488,245	\$95,821	\$3,584,066	\$89,384	\$48,974	\$138,358	\$3,577,629	\$144,795	\$3,722,425
PERS Choice (PPO)	\$3,830,192	\$90,174	\$3,920,366	\$163,166	\$100,376	\$263,542	\$3,993,358	\$190,550	\$4,183,908
Kaiser Permanente (HMO)	\$3,599,327	\$178,781	\$3,778,108	\$449,358	\$286,983	\$736,341	\$4,048,685	\$465,764	\$4,514,449
PERS Care (PPO)	\$369,063	\$14,155	\$383,218	\$103,548	\$73,417	\$176,965	\$472,611	\$87,573	\$560,184
Anthem BC Select (HMO)	\$86,251	\$15,151	\$101,402	\$122,498	\$83,468	\$205,967	\$208,750	\$98,619	\$307,369
Anthem BC Trad. (HMO)	\$329,582	\$9,417	\$338,999	\$16,593	\$17,307	\$33,900	\$346,175	\$26,723	\$372,899
TOTAL	\$12,032,667	\$423,657	\$12,456,325	\$1,679,168	\$885,295	\$2,564,463	\$13,711,835	\$1,308,952	\$15,020,787