



**RANCHO SANTA FE FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS SPECIAL MEETING
AGENDA**

Rancho Santa Fe FPD
Board Room – 18027 Calle Ambiente
Rancho Santa Fe, California 92067

March 31, 2016
Special Meeting
10:00 am

RULES FOR ADDRESSING BOARD OF DIRECTORS

Members of the audience who wish to address the Board of Directors are requested to complete a form near the entrance of the meeting room and submit it to the Board Clerk.

Any person may address the Board on any item of Board business or Board concern. The Board cannot take action on any matter presented during Public Comment, but can refer it to the Administrative Officer for review and possible discussion at a future meeting. As permitted by State Law, the Board may take action on matters of an urgent nature or which require immediate attention. The maximum time allotted for each presentation is FIVE (5) MINUTES.

Pledge of Allegiance

1. Roll Call

2. Public Comment

3. New Business

a. District Medical Insurance Plans

To discuss the July 1 renewal for medical insurance premiums, plan design and consideration of optional pooled health programs

ACTION REQUESTED: [Information and/or direction](#)

4. Closed Session

a. With respect to every item of business to be discussed in closed session pursuant to Section 54957:

PUBLIC EMPLOYEE

Title: Fire Chief

5. Adjournment

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a meeting, please contact the Secretary at 858-756-5971. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to assure accessibility to the meeting.



RANCHO SANTA FE FIRE PROTECTION DISTRICT
Board of Directors Special Meeting Agenda
Thursday, March 31, 2016 10:00 am (PT)

CERTIFICATION OF POSTING

I certify that on March 30, 2016 a copy of the foregoing agenda was posted on the District's website and near the meeting place of the Board of Directors of Rancho Santa Fe Fire Protection District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section 54954.2)

Executed at Rancho Santa Fe, California on March 30, 2016

Karlana Rannals
Board Clerk

STAFF REPORT

NO. 16-06

TO: BOARD OF DIRECTORS
TONY J. MICHEL, FIRE CHIEF

FROM: KARLENA RANNALS, ADMINISTRATIVE MANAGER

SUBJECT: CONSIDERATION OF OPTIONAL POOLED HEALTH PROGRAMS

DATE: MARCH 30, 2016



RECOMMENDATION

Staff seeks direction from the Board of Directors for contracting health care insurance.

STAFF ANALYSIS

As of January 1, 2016, the Affordable Care Act definition of “**small**” group employer (for purposes of insurance market size) **increased from 50 to 100** employees. One significant impact of this change is that the ACA’s small group **rating limitations** (e.g., age-banded rates) applies to employers with 51-100 employees. Employers were previously considered “large” employers so their rates were set using various factors such as claims history, industry and location. In the small group market, carriers can set rates based only on age, family size, and geography.

The District health plans will change to a small group effective at renewal (July 1). Knowing this, staff requested from its insurance broker “HUB International” the proposed rates for the new fiscal year. Due to the carriers schedule to release rates, we have only been able to get the rates for June 1 renewals, not July 1. However, included with this report is an example of how age banded rates may affect employees by keeping the current contract in place. (*Attachment 1*)

Since 2006, the District’s health care premiums for Health Net have risen by significantly (*Attachment 2*), making it increasingly challenging for the District to provide quality health care coverage for employees and requiring employee’s to pay a significant amount of the their income toward health care premiums. In an effort to offer choice and competition, in FY13, the District added HMO Kaiser, and since its implementation, the Kaiser premiums have increased by only 1%.

In anticipation of the reclassification from a large group to small group employer, staff has looked for other group plans to join. Staff researched the only two viable options available, FDAC-EBA and CalPERS Health Benefits. The following is a summary of each option:

FDAC-EBA: The Fire Districts Association of California (FDAC) formed a Joint Powers Authority under California Government Code Section 6500 et. seq. in July 2005. The joint powers authority agreement was created to form the Fire Districts Association of California Employment Benefits Authority (FDAC EBA). The motivation for this program was to offer an alternative to CalPERS for small fire protection districts, which before this only had CalPERS as an option, if they offered healthcare coverage to retirees. Currently, there are 51-fire protection districts within California, of which five (5) of those districts are in southern California.

FDAC-EBA currently offers two plans, *HealthNow* (utilizing the Blue Shield of California provider network) and *Kaiser Permanente*. The estimated rates provided in the attachment is comprised of a

carrier rate, administrative fee - 1.65%, broker fee – 2.94%, third party administrator fee – 1.24%, and a reserve - .88%. (*Attachment 3*) My research on the plans offered by the EBA concluded that only one or two of the nearly 300 enrolled lives covered by the medical program is in the San Diego area. However, in speaking with the broker, he informed me that the EBA is working to increase the network in the southern California region.

Note that staff has previously researched the feasibility of joining the EBA, and direction was given by the Board of Directors in May 2010 to join the FDAC-EBA pool. However, staff was informed shortly after the board's direction that FDAC-EBA was having significant problems with the broker and the District chose to renew with Health Net thru the District's broker.

CalPERS: The Public Employees' Medical & Hospital Care Act (PEMHCA) governs the CalPERS Health Program, which enables an agency to provide a health benefits program to the employees while reducing financial risk. Local public agencies can contract to have CalPERS provide health benefits to the employee, regardless of whether the agency contracts for the CalPERS retirement program.

Should the District contract with the CalPERS health benefits program, they offer the following:

- All plans offer separate Medicare health benefits for those members eligible for Medicare
- Catastrophic illnesses do not effect coverage or premium rates, which are negotiated on an annual basis
- Health coverage for employees continues into retirement*
- They offer two types of health plans:
 - Health Maintenance Organizations (HMOs) – eight (8) plan choices
 - Preferred Provider Organizations (PPOs) – three (3) choices

*The District has never offered health care after retirement at a cost to the District. Currently, any District retirees may choose to remain on the District's plan, at their own cost, until age 65. The District currently invoices five (5) retirees for medical/dental benefits. FDAC-EBA does allow the continuation of our current practice of offering health care after retirement, without financial obligation to the District. However, CalPERS does not. The CalPERS Health Benefits program requires a minimum contribution.

Again, if the District were to select CalPERS as its medical plan provider, all employees with at least five years of service credit in the CalPERS pension system would be vested in a minimal lifetime medical benefit if they retire from the District. Under the retiree medical plan option available to the District as a new CalPERS benefits member, the District's retiree medical contribution for existing eligible retirees will be \$1 per month for the first year. This amount increases each year for approximately 20 years to an estimated \$226 at 3% growth; \$274 at 4% growth; or \$332 @ 5% growth (*Attachment 4*). From that point forward the District would be required to pay the statutory minimum retiree medical contribution for each eligible retiree.

In addition to selecting CalPERS as its medical plan provider, there are other benefit and administrative differences to consider. Contracting with CalPERS would result at a minimum the following differences:

Benefit Differences

- A minimal lifetime medical benefit (if enrolled) for all employees with at least five years of service credit with the CalPERS pension system and retiring from the Fire District.
- A move to CalPERS would remove district personnel as the intermediary between employees and the insurance broker, as employees would instead deal directly with CalPERS.
- CalPERS require proof of employee/dependent eligibility.

Administrative Differences

- The District would no longer be responsible for addressing any employee health care issue with providers thru the broker
- The District would lose control and input in structuring benefits, negotiating premium costs, modifying plan design, or selecting networks/hospitals
- CalPERS would become the Health Benefits Officer for retirees, and staff is not responsible for open enrollment or enrollment changes for retiree medical insurance.
- Based upon the current MOU language, numerous individual CAPs to be managed
- Administrative fee of .32% is charged to the contracting agency on the gross premium billed per month. Current estimate is \$225 per month. *This fee is set annually by the CalPERS Board of Directors*

Cost Differences

Staff has always monitored CalPERS premiums for use as a negotiating point thru the broker with the current providers, which has assisted. In addition, the broker has gone to the market each year for comparable plan options. However, the ACA requirement in being reclassified as a “small employer” has eliminated that option.

Staff also learned that in 2014, CalPERS revised their premium calculation model to more closely align their premium for all plans, address Affordable Care Act requirements, and be more competitive in the market, which now includes health insurance exchanges. The results were a significant reduction in CalPERS premiums, the addition of several new HMO plans, and more flexible retiree medical plans. CalPERS currently offers both Health Net and Kaiser, which based upon the 2016 premiums if the District contracts with CalPERS, and based upon the current MOU language, there is an estimated 1st year cost savings of approximately \$114,000 (*Attachment 5*).

It should be noted that that regardless of the direction and or cost increases or savings, the employees would experience a plan design change because the current design for Health Net and Kaiser will not available in the “banded” rates.

Summary

Over the past several years, with the ever-rising costs in health care premiums, it continues to be increasingly difficult for the District to provide quality health care coverage for its employees and the need to increase employee out of pocket costs for medical insurance premiums for cost containment. Regardless of what decision the Board of Directors determines this year; all employees will experience a change in plan design. Therefore, the following alternatives are available to the Board of Directors for discussion and consideration:

1. Do nothing; continue with the current contracts thru a broker; or
2. With the assistance of the broker, select other medical plan providers; or
3. Consider a contract with FDAC-EBA; or
4. Consider a contract with the CalPERS Health Benefits program.

Example Age Banded Rates

KAISER HEALTH NET-Cur vs. Jul 2	Apr-2016 Rate	Jul-2016 Renewal
Employee + Family (30's)	2,170.53	2,094.00
Employee + Family (40's)	2,170.53	1,479.15
Employee + Family (50's)	2,170.53	2,567.32
Employee +1 - (20's)	1,495.88	1,011.74
Employee +1 - (50's)	1,495.88	2,355.79
Employee Only - (20's)	747.91	516.72
Employee Only - (30's)	747.91	606.45
Employee Only - (40's)	747.91	806.14

Health Plan Current vs. Do Nothing Premium and CAP Analysis

Current Health Plan - Group Rates								
	CAP	Opt-Out	HN-Single	HN-Emp+1	HN-Fam	Kaiser-S	Kaiser-Emp +1	Kaiser-Fam
	1,000.00	1,000.00	1,270.44	1,607.76	1,000.00	1,035.32	1,266.10	
# of Enrollments - 68	17.00	8.00	1.00	29.00	2.00	1.00	10.00	
RSFPFA (45)	11,000.00	6,000.00	1,270.44	22,508.64	2,000.00	1,035.32	12,661.00	
CONTRACT (3)	1,000.00	2,000.00	-	-	-	-	-	
RSFME (7)	-	-	-	11,254.32	-	-	-	
MGMT (8)	-	-	-	12,862.08	-	-	-	
BOARD (5)	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	17,000.00	8,000.00	1,270.44	46,625.04	2,000.00	1,035.32	12,661.00	
								Mo. Cost
								88,591.80
								Ann. Cost
								1,063,101.60
Current Health Plan - Group Age Banded Rates								
	CAP							
# of Enrollments - 68								
RSFPFA (45)	53,829.54							
CONTRACT (3)	3,000.00							
RSFME (7)	7,127.81							
MGMT (8)	10,080.54							
BOARD (5)	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	79,037.89	-	-	-	-	-	-	
								79,037.89
								948,454.68
								Savings
								(9,553.91)
								(114,646.92)

Health Plan Current vs. Do Nothing Premium and CAP Analysis

	CAP (based upon \$1000 (+) 50/50 shared cost)		
Current CAP	Single	Employee + 1	Family
Health Net	1,000.00	1,270.44	1,607.76
Kaiser	1,000.00	1,035.32	1,266.10

Qty	CAP	6 CAPs vs. 31 CAPs
37.00	1,000.00	37,000.00
1.00	1,005.87	1,005.87
1.00	1,026.33	1,026.33
1.00	1,026.34	1,026.34
1.00	1,071.74	1,071.74
2.00	1,075.15	2,150.29
1.00	1,084.92	1,084.92
1.00	1,086.14	1,086.14
1.00	1,092.20	1,092.20
1.00	1,095.68	1,095.68
1.00	1,160.67	1,160.67
1.00	1,169.07	1,169.07
1.00	1,174.23	1,174.23
1.00	1,193.09	1,193.09
1.00	1,222.08	1,222.08
1.00	1,228.09	1,228.09
1.00	1,237.61	1,237.61
1.00	1,239.58	1,239.58
1.00	1,272.86	1,272.86
1.00	1,513.47	1,513.47
1.00	1,547.00	1,547.00
1.00	1,570.17	1,570.17
1.00	1,587.92	1,587.92
1.00	1,611.59	1,611.59
1.00	1,615.28	1,615.28
1.00	1,677.90	1,677.90
1.00	1,705.27	1,705.27
1.00	1,783.66	1,783.66
1.00	1,930.35	1,930.35
1.00	1,967.57	1,967.57
1.00	1,990.99	1,990.99
68.00	Grand Total	79,037.89

▲ **Karlana Rannals:**
This table demonstrates the CAP results of age banded rates - creating 31 different CAPs

Rates by Fiscal Year and Enrollment

Carrier-

Health Net	Single	Emp +1	Family	
FY06	300.46	600.95	871.98	
FY07	321.89	643.80	934.16	7.1%
FY08	321.89	643.80	934.16	0.0%
FY09	416.71	833.45	1,209.34	29.5%
FY10	460.56	921.15	1,336.60	10.5%
FY11	524.07	1,048.18	1,520.92	13.8%
FY12	573.86	1,147.76	1,665.41	9.5%
FY13	602.55	1,205.15	1,748.68	5.0%
FY14	646.96	1,293.97	1,877.56	7.4%
FY15	698.72	1,397.49	2,027.76	8.0%
FY16	747.91	1,495.88	2,170.53	7.0%
% Increase - FY06 thru FY16				149%

Carrier-

Kaiser	Single	Emp +1	Family	
FY06				
FY07				
FY08				
FY09				
FY10				
FY11				
FY12				
FY13	507.69	1,015.39	1,472.31	
FY14	524.00	1,048.01	1,519.62	3.2%
FY15	539.85	1,079.70	1,565.58	3.0%
FY16	512.82	1,025.65	1,487.20	-5.0%
% Increase - FY13 thru FY16				1%

FDAC-EBA RATES 2016

Calculation of Rate for Illustration Purposes						
Kaiser Basic HMO	Carrier Rate	Admin - 1.65%	Broker - 2.94%	TPA -1.24%	Reserve - .88%	Gross Rate
EE Only	473.52	7.81	13.92	5.87	4.17	505.30
EE + 1 Dep	947.04	15.63	27.84	11.74	8.33	1,010.59
EE + Family	1,231.31	20.28	36.16	15.25	10.77	1,313.76

Plans & Rates - 2016			
	EE Only	EE + 1 Dep	EE + Family
Kaiser Basic HMO	505.30	1,010.59	1,313.76
Kaiser Premium HMO	518.17	1,037.79	1,349.14
Blue Shield Basic EPO	606.43	1,212.86	1,576.69
Blue Shield Premium EOA	700.48	1,400.94	1,821.21
Blue Shield Basic PPO	791.28	1,582.56	2,057.32
Blue Shield Premium PPO	856.83	1,713.69	2,227.78
Blue Shield HSA PPO	577.70	1,502.03	2,057.32

Health Plan Retiree Minimum Contribution

Minimum Contribution (Employee) @ 3% Growth	Year in CalPERS Program	Factor	Minimum Contribution (Employee)	Minimum Contribution (Employee) @ 4% Growth	Year in CalPERS Program	Factor	Minimum Contribution (Employee)	Minimum Contribution (Employee) @ 5% Growth	Year in CalPERS Program	Factor	Minimum Contribution (Employee)
125.00	0	0.00	1.00	125.00	0	0.00	1.00	125.00	0	0.00	1.00
128.75	1	0.05	6.44	130.00	1	0.05	6.50	131.25	1	0.05	6.56
132.61	2	0.10	13.26	135.20	2	0.10	13.52	137.81	2	0.10	13.78
136.59	3	0.15	20.49	140.61	3	0.15	21.09	144.70	3	0.15	21.71
140.69	4	0.20	28.14	146.23	4	0.20	29.25	151.94	4	0.20	30.39
144.91	5	0.25	36.23	152.08	5	0.25	38.02	159.54	5	0.25	39.88
149.26	6	0.30	44.78	158.16	6	0.30	47.45	167.51	6	0.30	50.25
153.73	7	0.35	53.81	164.49	7	0.35	57.57	175.89	7	0.35	61.56
158.35	8	0.40	63.34	171.07	8	0.40	68.43	184.68	8	0.40	73.87
163.10	9	0.45	73.39	177.91	9	0.45	80.06	193.92	9	0.45	87.26
167.99	10	0.50	83.99	185.03	10	0.50	92.52	203.61	10	0.50	101.81
173.03	11	0.55	95.17	192.43	11	0.55	105.84	213.79	11	0.55	117.59
178.22	12	0.60	106.93	200.13	12	0.60	120.08	224.48	12	0.60	134.69
183.57	13	0.65	119.32	208.13	13	0.65	135.29	235.71	13	0.65	153.21
189.07	14	0.70	132.35	216.46	14	0.70	151.52	247.49	14	0.70	173.24
194.75	15	0.75	146.06	225.12	15	0.75	168.84	259.87	15	0.75	194.90
200.59	16	0.80	160.47	234.12	16	0.80	187.30	272.86	16	0.80	218.29
206.61	17	0.85	175.62	243.49	17	0.85	206.96	286.50	17	0.85	243.53
212.80	18	0.90	191.52	253.23	18	0.90	227.90	300.83	18	0.90	270.74
219.19	19	0.95	208.23	263.36	19	0.95	250.19	315.87	19	0.95	300.08
225.76	20	1.00	225.76	273.89	20	1.00	273.89	331.66	20	1.00	331.66
232.54	21	1.00	232.54	284.85	21	1.00	284.85	348.25	21	1.00	348.25
239.51	22	1.00	239.51	296.24	22	1.00	296.24	365.66	22	1.00	365.66
246.70	23	1.00	246.70	308.09	23	1.00	308.09	383.94	23	1.00	383.94
254.10	24	1.00	254.10	320.41	24	1.00	320.41	403.14	24	1.00	403.14
261.72	25	1.00	261.72	333.23	25	1.00	333.23	423.29	25	1.00	423.29
269.57	26	1.00	269.57	346.56	26	1.00	346.56	444.46	26	1.00	444.46
277.66	27	1.00	277.66	360.42	27	1.00	360.42	466.68	27	1.00	466.68
285.99	28	1.00	285.99	374.84	28	1.00	374.84	490.02	28	1.00	490.02
294.57	29	1.00	294.57	389.83	29	1.00	389.83	514.52	29	1.00	514.52
303.41	30	1.00	303.41	405.42	30	1.00	405.42	540.24	30	1.00	540.24

Health Plan Current vs. CalPERS Premium Analysis

Current Health Plan								
Health Plan	Opt-Out	HN-Single	HN-Emp+1	HN-Fam	Kaiser-S	Kaiser-Emp +1	Kaiser-Fam	
CAP	1,000.00	1,000.00	1,270.44	1,607.76	1,000.00	1,035.32	1,266.10	
# of Enrollments - 68	17.00	8.00	1.00	29.00	2.00	1.00	10.00	68.00
RSFPFA (48)	12,000.00	8,000.00	1,270.44	22,508.64	2,000.00	1,035.32	12,661.00	
RSFME (7)				11,254.32				
MGMT (8)				12,862.08				
BOARD (5)	5,000.00	-	-	-	-	-	-	Mo. Cost
	17,000.00	8,000.00	1,270.44	46,625.04	2,000.00	1,035.32	12,661.00	Ann. Cost
								88,591.80 1,063,101.60
Current Carrier w/ CalPERS Health Plan								
Health Plan	Opt-Out	HN-Single	HN-Emp+1	HN-Fam	Kaiser-S	Kaiser-Emp +1	Kaiser-Fam	
CAP	1,000.00	1,000.00	1,096.98	1,276.08	1,000.00	1,105.05	1,286.57	
# of Enrollments - 68	18.00	7.00	1.00	29.00	2.00	1.00	10.00	
RSFPFA (48)	13,000.00	7,000.00	1,096.98	17,865.05	2,000.00	1,105.05	12,865.65	
RSFME (7)				8,932.53				
MGMT (8)				10,208.60				
BOARD (5)	5,000.00	-	-	-	-	-	-	
	18,000.00	7,000.00	1,096.98	37,006.18	2,000.00	1,105.05	12,865.65	79,073.86 948,886.26
								Savings (9,517.94) (114,215.34)