

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/9/2021

Staff Report No. 21-270

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Annual Health Care Renewal Rates

ACTION ITEM

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to enter into contracts and approve renewal rates for Kaiser Permanente, Health Net, Vision Service Plan, MetLife Dental and Standard Life Insurance.

STRATEGIC IMPORTANCE:

Goal - High-Performing Workforce

Initiative - Employee Recruitment, Training and Retention

Providing comprehensive benefits allows the District to attract and retain employees.

BUDGETARY/FISCAL IMPACT:

The execution of the health care renewals is anticipated to cost \$58,848,403, which is included in the proposed FY 2021-2022 operating budget and is a \$514,655 decrease from the previous year's cost.

BACKGROUND/RATIONALE:

Kaiser Permanente

Kaiser Permanente is offering the District a 0.28% decrease in active Union and Management employee rates for FY 2021-2022. This is due to a reduction in utilization and claim costs for 2020. Kaiser Permanente premiums are provided in Attachment 1.

Health Net

Health Net is offering the District a 5% decrease in active Union and Management employee rates. This is due to a reduction in utilization and claim costs for 2020. Health Net premiums are provided in Attachment 2.

MetLife Dental

The District is currently self-funded for the MetLife Preferred Provider Organization (PPO) Plan. There are two renewal components for a self-funded dental plan: administrative costs, which are fixed and premium funding rates which are set each year depending on average utilization of dental services. The administrative monthly fee will remain the same at \$5.66 per employee. Based on Alliant's Underwriting Department analysis, Alliant recommends that the District maintain current funding rates. MetLife dental premiums are provided in

Attachment 3.

Vision Service Plan

The District contracts with Vision Service Plan (VSP) to provide vision benefits. The District's VSP rates will remain the same. VSP premiums are provided in Attachment 4.

Standard Life and Disability Insurance

The District contracts with Standard Insurance for life, accidental death and dismemberment and disability insurance. As a result of the current 2019-2022 ATU contract, the active employee basic life insurance policy amount increased from \$30,000 to 2 times the annual base salary and the retiree basic life insurance increased from \$2,000 to \$25,000. Standard Life and Disability Insurance premiums are provided in Attachment 5. The increased retiree insurance coverage will also increase the District's Other Post Employment Benefit (OPEB) liability. An analysis of the liability increase is in process.

ADVANTAGES/DISADVANTAGES:

The renewal of the District's health care contracts ensures continuity of benefits for District employees and retirees.

ALTERNATIVES ANALYSIS:

Over the last few years, District staff has been gathering information regarding the CalPERS medical system as an alternative to the existing medical plans in order to control health insurance costs. In addition to CalPERS medical, there are potential cost savings alternatives through the existing direct contracts with Kaiser and Health Net. If the District were to increase office visit copays, pharmacy copays and include coinsurance and deductibles, the savings to premium could range between 1% and 5%. Adding a High Deductible Health Plan (HDHP) that is compatible with a Health Savings Account could yield a plan that is lower in premium than the current traditional plans, and in some cases the premiums for an HDHP could be as much as 20% lower. Another potential alternative to create premium savings is to offer a narrow Network plan such as Health Net SmartCare, Sutter Health Plus and or Western Advantage. All of these Plans achieve savings by eliminating certain higher cost providers from the network. The Unions and District staff will continue to work together to find alternatives to control health care costs as employee benefits must be negotiated before there are any changes.

PRIOR RELEVANT BOARD ACTION/POLICIES:

The Board of Directors approved contract renewal for Kaiser Permanente, Health Net, Vision Services Plan and MetLife Dental Plan on June 10, 2020 per SR 20-209.

ATTACHMENTS:

1. Kaiser Permanente Premiums
2. Health Net Premiums
3. MetLife Dental Premiums
4. Vision Services Premiums

5. Standard Basic Life and Disability Insurance Premiums

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