



# Memorandum

## MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by WMM Date 7-13-07  
General Manager

DATE: July 13, 2007  
TO: General Manager  
FROM: Administrative Services Manager  
SUBJECT: Report on District Health Insurance

### **BACKGROUND**

For many years, the District has provided health care insurance for its full-time employees and has paid most, if not all, of the premiums for dependent coverage. However, in 1990 the monthly premium, including dental and vision, for family coverage equaled \$410 while today it is \$1,394 for salaried employees. For the District's hourly employees, coverage began in 2000 when the District provided \$250 per month for employee-only medical coverage and now the District pays up to \$1,197 per month to provide all but \$64 per month for medical, dental, and vision insurance premiums for both employees and their dependents.

During this fiscal year, \$1,592,000 has been budgeted to fund health insurance for 118 employees. This represents 43% of the budget for employee benefits and 16% of the total wage/benefits budget. In the five-year budget, health insurance is projected to increase far more than salaries, which is tied to inflation (the consumer price index). In September, the Blue Cross PPO Plan provided to the full-time hourly employees is scheduled for renewal and we have been informed that it will increase 14.5%. The District's share of the increase, under the Memorandum of Understanding (MOU), is 10% and the employees share is 4.5%. As in prior years, the District's broker, Jackson Booth, will go out to bid from other carriers and several benefit coverage options from Blue Cross will be offered for consideration as well.

Such rising costs have forced many employers, both public and private, to change the design of their healthcare plans, and those changes have usually meant transferring a larger share of the costs to employees by increasing their share for insurance premiums; increasing "co-pays" for doctor visits and drug prescriptions; increasing "co-insurance" for medical services; and increasing front-end deductibles. District employees have also participated in some of these cost containing changes. In collaboration with affected employee groups, the benefit design has been modified, the most significant being the reduction in the co-insurance level (the amount the plan pays) from 100% to 90% and to the current level of 80%. Increased co-payments for doctor's visits and emergency room coverage criteria are other examples of coverage reductions.

In 1999, the District left the Operating Engineers Health & Welfare Plan (OE3 Plan) after a 17% premium increase. Several years later, the new plan, Community Health Plan, required an increase of 18% and the District returned to the OE3 Plan. In 2004, the District shopped for other plans for the salaried employees, but stayed with the OE3 Plan. In 2005 and 2006, Jackson Booth went out to bid to compare against the Blue Cross PPO plan provided the hourly employees and discovered insufficient savings to warrant changing carriers.

In 2005, during contract negotiations, the Management and OE3 units agreed to phase out the "In-Lieu-Of" Family Health Insurance benefit which converts the difference in cost for family verses employee-only coverage to a deferred compensation contribution for those employees electing the employee-only coverage. This has resulted in substantial savings. For example, if unchanged, it is estimated in-lieu-of payments would have cost over \$141,000 in FY 07/08 rather than the budgeted \$43,000.

## **DISCUSSION**

The MOU's with the Management Unit and both OE3 units state: "A committee shall be formed composed of interested employees to evaluate and recommend health plan options that would reduce premium costs and maintain plan quality including the provider network."

The Health Plan Committee (HPC) began meeting in June 2006. Representatives agreed that the committee's primary objective involved "gathering information to assist with decisions relative to health insurance and related health benefits prior to MOU negotiations in 2008." With that in mind, four meetings were scheduled for 2007, each to focus on a different topic central to anticipated health plan decisions. The first meeting concentrated on options related to provider networks. What are the available healthcare networks? How does one evaluate the quality of a network? The second meeting discussed benefit designs and concluded that additional meetings would be worthwhile. Which carriers and under what conditions allow the employer to design the coverage levels (deductibles, co-insurance amounts, annual and life maximums, etc.)? Does the carrier offer different coverage plans and allow individuals to pick which one to enroll in? The HPC will concentrate on various administrative issues and post-retirement health care benefit issues at the next meeting on July 26<sup>th</sup>, followed in August with preliminary premium quotes. The final meetings will look at final carrier quotes; review the main issues altogether; and hopefully provide recommendations to the employee groups and the District.

## **LOCAL AGENCY SURVEY**

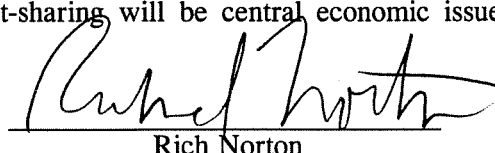
Staff was asked to contact local public agencies – in particular, member jurisdictions – to see how the District compares in terms of employer and employee contributions for medical, dental, and vision coverage. We were able to obtain usable information from seven out of nine member agencies as well as three special districts. The information is presented in Attachment 1.

As shown, the average maximum monthly premium is \$1,462 and the median is \$1,405. This is slightly more than the cost for the District plans at \$1,261 (hourly) and \$1,394 (salary). The maximum paid by an agency ranges from \$541 per month (Marina) to \$1,810 per month (Seaside) with the average at \$1,229 per month and the median at \$1,270 per month – more than the District's \$1,197 contribution for hourly employees and less than the \$1,376 contribution for salary employees. The average monthly maximum amount paid by employees is \$233 compared to \$64 and \$18 paid by District hourly and salary employees respectively. Eight agencies contract with CALPERS for medical coverage; two agencies participate in plans offered through the Association of California Water Agencies (ACWA); and two contract with Blue Cross.

It should be noted that the information is a snap shot in time. Renewal dates, with associated increases in premiums and contributions, vary. For the District, the Blue Cross health plan for the hourly employee group is scheduled to renew this September while the OE3 Plan for salaried groups is scheduled to renew next January. If we were to collect the information several months from now, the results could be materially different.

## **CONCLUSION**

The delivery and cost of health care has become a high priority issue to communities as well as individuals. Charting a long term sustainable course in such a complex and evolving field is certainly challenging. The District is fortunate that Jackson Booth, Benefits Consultant, with extensive experience in Monterey County, is assisting us through this process. A collaborative approach, one that includes representatives from all interested parties, is being developed and utilized by the HPC. Merging the issues of benefit design and cost-sharing will be central economic issues in upcoming contract negotiations.



Rich Norton

