



# Memorandum

## MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by Wmm Date 12/12/08  
General Manager

DATE: December 11, 2008  
TO: Board of Directors  
FROM: Administrative Services Manager  
SUBJECT: Consider Approval of One-Time Use of Health Insurance Savings to Partially Offset Employee Contributions Required with a 21 % Rate Increase for Family Coverage.

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**RECOMMENDATION:** Approve One-Time Use of Health Insurance Savings to Partially Offset Employee Contributions Required with a 21 % Rate Increase for Family Coverage.

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### BACKGROUND

We received the 2009 renewal rates (attached) from the Operating Engineers Health and Welfare Plan which provides medical, dental, and vision coverage for District salaried employees, including management. We were quite surprised that the monthly payment for employee coverage will decrease \$256 (28% reduction); while the cost for family coverage will increase \$302 (21% increase). We were also surprised when we discovered that the rate to cover an individual and the rate to cover a family are the same in the 2-tier plans (2 coverage options - employee or family) and the 3-tier plans (adds a third option for employee and one dependent).

The employee memorandums of understanding, as they pertain to health insurance contributions, are identical. Each states that the District will pay up to 10% of the current family rate for renewal increases; employees will pay the next 5%; and additional costs would be split evenly. The \$302/month increase for family coverage would be paid by the District picking up \$188/month (13%), and employees picking up \$114/month (8%).

Employees were notified and have met by bargaining group to discuss the issues. At those meeting Don Dietrick, health plan trustee, explained that the health plan has inflated for many years the employee only rate in order to hold down the rate for family members. As a result the plan is on a path of insolvency with healthier individuals moving to plans with employee rates that had not been increased to keep the family rate as low as possible. He said that the new rates are designed in accordance to industry standards and will put it on a healthier financial footing. After they met, representatives stated that they had cast advisory votes to move to the 3-tier plan. They asked the District to help those employees with families because their rates were going up so much.

### DISCUSSION

An employee contribution of \$132/month is similar to the \$135/month employee contribution that the District's hourly employees pay for family coverage and is more closely in line with the amount other local public agencies require from their employees. Moreover, the District is under no obligation to meet and confer about the matter with re-opener clauses in each of the contracts.

What makes the upcoming changes problematic for the District is the decrease in employee-only coverage; the \$4,352/month "savings" to the District associated with the \$256/month reduction in the employee rate. In addition, the new rate structure provides financial incentive to move to the 3-tier plan which will reduce premium costs by \$246/month for each of the 18 employees who we believe will move to the employee + 1 coverage.

One could take the position that the contract was designed as a cost control measure to limit the total amount paid for health insurance by the District; and that the "savings" could be applied consistent with this intent. Aside from this, it is clear that some, if not most, of the increase to the family rate is necessary to offset the reduction in the employee rate.

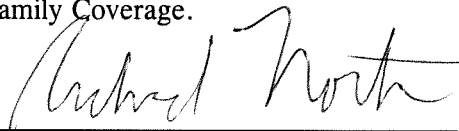
### RECOMMENDATION

Ordinarily health plan coverage rates go up by a similar percentage, regardless of coverage type. This situation, increasing the family coverage to lower the single coverage, is a unique and exceptional situation. Staff recommends that the Board approve a one-time, extraordinary response to this situation that would involve the use of savings directly related to the reduction in the employee rate to partially offset the substantial increase for family coverage. Such a modification should not establish precedence nor form the basis for future expectations absent similar circumstances.

Table 1 provides two options. Option A shows rates and costs associated with the current employee contracts and does not require any action by the Board. Please note that it would result in a reduction of \$440/month in District contributions and an increase of \$3,567/month for affected employees. Option B, staff recommendation, would, if approved, split the net increase evenly between the District and employees and would result in the District and employees paying an additional \$1,563/month. The purpose would be to reduce the employee contribution from \$132.43/month to \$73.50/month.

The 08-09 Budget includes \$58,000 for a 10% increase applied January 2009. The cost for the 3.4% increase is less than \$19,000. Option A would not require any of the budgeted funds and save an additional \$2,600; while Option B would use \$9,400 of the budgeted funds.

We have met with the Personnel Committee and they support the concept of taking some of the savings realized with the employee rate reduction to offset the increase to the Family Coverage.



Richard Norton





# OPERATING ENGINEERS PUBLIC AND MISCELLANEOUS EMPLOYEES

# HEALTH AND WELFARE PLAN

Location: 1640 South Loop Road ❖ Alameda, CA 94502  
Mailing: P O Box 23190 ❖ Oakland, CA 94623-0190

Telephone: (510) 433-4422  
Fax: (510) 337-3080

November 1, 2008

**TO: CONTRIBUTING EMPLOYERS TO OPERATING ENGINEERS PUBLIC AND  
MISCELLANEOUS EMPLOYEES HEALTH AND WELFARE TRUST FUND**

**FROM: BOARD OF TRUSTEES**

**RE: CONTRIBUTION RATES DUE IN JANUARY 2009**

For the past several years we have reviewed the Fund's benefits claims experience to determine the rates needed to provide the Plan's benefits. This year contribution rates will be effective with the payment due in January 2009.

## BENEFITS

The following are the benefits that your employees and their eligible dependents receive from this Trust Fund:  
*hospital/medical, dental, vision, prescription drugs, and burial.*

The Plan benefits described in your Summary Plan Description of 2000 will continue in effect with no changes. In this Plan, there are no up-front annual deductibles for you to pay. Many other plans have deductibles of \$100 to \$250; these are out-of-pocket costs to you before the plan pays anything or you are provided services.

The current and new rates are described below.

	<u>Now</u>	<u>Payment Due January 2009</u>
2-Party Rate – Single	\$910.00	\$654.00
2-Party Rate – Member + Family	\$1,463.00	\$1,765.00

**If an Administrative fee applies to any of your employees, it will be included in the monthly bill, as it is now.**

We are confident that when you compare the benefits provided by this Plan and the contribution rates, you will find that it remains better than other available plans. We have the largest network of doctors and hospitals available in the state of California. This results in lower co-payments by participants.

## PROVIDER UPDATE

During the year some hospitals, doctors and other providers who were re-negotiating the Blue Cross Prudent Buyer contracts came close to pulling out of the network. This would have resulted in significant increases in costs to the Fund and to you. Fortunately, through the efforts of a number of organizations, including Operating Engineers Local 3, those providers stayed in the network. Participants should contact the Trust Fund Office Claims Department at 1-800-844-8392 or Blue Cross at 1-800-274-7767 for information on specific providers.

Please contact the Trust Fund Office Billing and Eligibility Department Employer Accounting for information about this letter. You may also contact Operating Engineers Public Employees Information Office at (510) 748-7438, located at 1620 South Loop Rd., Alameda, CA 94502.