

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

May 21, 2024

FROM

MICHAEL BOWERS, Director, Human Resources Department

SUBJECT

Medical Plan Carriers and Premium Rates

RECOMMENDATION(S)

1. Approve Blue Shield of California as a group health plan provider for active employees, Consolidated Omnibus Budget Reconciliation Act participants, and all eligible dependents for plan years 2024-25 through 2026-27 with the option to extend for one additional two-year term, active employee medical premium rates for plan year 2024-25, and not-to-exceed rate caps for plan years 2025-26 and 2026-27 as shown in Attachment A.
2. Approve Kaiser Foundation Health Plan, Inc. as a group health plan provider for active employees, Consolidated Omnibus Budget Reconciliation Act participants, and all eligible dependents for plan years 2024-25 through 2026-27 with the option to extend for one additional two-year term, and active employee medical premium rates for plan year 2024-25 as shown in Attachment A.
3. Authorize the Director of Human Resources, or Human Resources Division Chief of Benefits, in consultation with County Counsel, to finalize contracts with Blue Shield of California and Kaiser Foundation Health Plan, Inc. for active employees, Consolidated Omnibus Budget Reconciliation Act participants, and eligible dependents.

(Presenter: Michael Bowers, Director, 387-5570)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). There is no additional cost associated with the approval of this item as the increase to the County's contribution to employee medical insurance premiums pursuant to ordinances, compensation plans, and negotiated Memoranda of Understanding with individual labor unions is not greater than what has already been approved by the Board of Supervisors (Board). Additionally, the County does not contribute to the cost of premiums for Consolidated Omnibus Budget Reconciliation Act (COBRA) participants. Any necessary budget adjustments to appropriation will be included in future budget reports presented to the Board for approval.

BACKGROUND INFORMATION

The recommended actions will authorize the Human Resources Department (HR) to continue to administer medical benefits for active employees, COBRA participants, and eligible dependents through Blue Shield of California's (Blue Shield) health maintenance organization (HMO), preferred provider organization (PPO), and Needles PPO plans; and through Kaiser Foundation

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Health Plan, Inc.'s (Kaiser) HMO plans. Additionally, approval of this item establishes the 2024-25 active plan premium rates for Blue Shield and Kaiser.

On November 20, 2023, HR began the request for proposals (RFP) process to solicit vendor proposals for medical plan benefits. Through a collaborative effort and negotiation process, HR, the Employee Benefits Advisory Committee (EBAC), and the County's contracted benefits consultant, the Segal Company (Segal), successfully secured medical plans. HR and the EBAC are recommending approval of medical plans, premiums, and not-to-exceed rate caps for active employees as shown in Attachment A. Negotiated plans for each provider include:

Blue Shield:

- An approximate 5.4% increase to the current premiums for Blue Shield HMO and PPO plans. HR and EBAC requested that Blue Shield apply \$500,000 (\$250,000 wellness program and \$250,000 discretionary funding) of the \$1,000,000 annual wellness contribution towards lowering the rate increase. This resulted in the proposed rate increase being reduced from 5.9% to the final rate of 5.4%.
- Not-to-exceed rate caps of 6.9% and 8.9% for plan years 2025-26 and 2026-27, respectively.
- Changes to the Blue Shield Signature HMO plan, adding chiropractic benefits (20 visit limit annually) with a required medical diagnosis and increasing the emergency room copay from \$50 to \$75.
- Addition of a custom Virtual Blue plan option for the Needles area with lower premium costs and higher copayments/coinsurance.
- An additional annual wellness allowance of \$116,500 to help pay for wellness-related applications (e.g., Cordico, Wellable).

Kaiser:

- An approximate 8.0% increase to the current premiums for the Kaiser HMO plans. HR and EBAC requested that Kaiser remove the wellness allowance of \$500,000 to reduce the proposed increase from 8.6% to 8.0%.

HR is in the process of finalizing the active employee and retiree contracts with Blue Shield and Kaiser. Blue Shield and Kaiser are the County's incumbent medical providers and have agreed, with minor exceptions, to the County's updated contract terms and rates as part of the last best and final RFP submission. The delay in the contracts is due to the large size of the contract documents, including attachments, and the extensive review process by both the County and medical carriers. The Blue Shield and Kaiser contracts for active employee medical plans will be presented to the Board for approval prior to the expiration of the current contract on July 26, 2024. The retiree medical plan contracts and rates will be presented to the Board for approval prior to the contract expiration of December 31, 2024.

Blue Shield's and Kaiser's rates are listed in Attachment A. Future premium rates will be negotiated annually and rate caps will apply.

PROCUREMENT

On November 20, 2023, HR issued RFP No. HRD223-HR2-5185 for active and retired employees' medical benefits and received four proposals by the deadline of December 22, 2023. All respondents (i.e., Blue Shield, United Health Care, Kaiser, and Anthem Blue Cross) met the minimum proposer requirements.

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The proposals were evaluated according to the following criteria: proposed rates, benefits, provider access, network enhancement, quality of care, financial stability, customer service, and demonstrated experience with implementing innovative wellness and cost containment strategies. Segal conducted a comprehensive analysis of the proposals and provided its conclusions to HR and the EBAC for review and consideration.

After a thorough examination of the analysis provided by Segal, HR and the EBAC invited all four medical proposers to interview. The carriers were also asked to submit a last, best, and final (LBF) proposal of premium rates, which were provided as follows:

Active Plans:

Medical Carrier	Initial Proposal	LBF Proposal	LBF 2nd Year Rate Cap	LBF 3rd Year Rate Cap
Kaiser	8.6%	8.6% or 8.0% excluding \$500,000 wellness allowance	None	None
Blue Shield	7.9%	5.9% or 5.4% excluding \$500,000 wellness allowance	6.9%	8.9%
United Health Care	5.8%	3.3% or 2.8% excluding \$500,000 wellness allowance	Full HMO: 8.7% Harmony HMO: 6.0% PPO: 9.50%	Full HMO: 9.8% Harmony HMO: 6.5% PPO: 9.90%
Anthem	5.2%	5.2% or 4.8% excluding \$500,000 wellness allowance	9.9%	9.9%

Retiree Plans:

Medical Carrier	Initial Proposal	LBF Proposal	LBF 2nd Year Rate Cap	LBF 3rd Year Rate Cap
Kaiser	22.0%	12.0%	None	None
Blue Shield	1.6%	1.6%	6.9%	8.9%
United Health Care	50.4%	27.8%	Medicare plans: none COB plans: 9.5% and 8.7%	Medicare plans: none COB plans: 9.9% and 9.8%
Anthem	37.1%	8.2%	None	None

Segal analyzed the LBF proposals, including provider access, network enhancement, and plan design and provided the final analysis to HR and the EBAC. HR and the EBAC evaluated the final proposals and recommended that the County contract with Blue Shield and Kaiser as these proposals were the most beneficial to County employees and retirees, producing the least disruption in plan benefits, prescription drug formulary and provider network. Additionally, Blue Shield provided the greatest premium stability through the term of the contract and the lowest retiree premium rates, while offering a generous allowance used to support the County

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employees' wellness program. The vendors not recommended for contract award were notified by email on March 28, 2024. No protests were received.

The Purchasing Department supports this competitive procurement based on the formal solicitation described above.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Jose Mendoza, Deputy County Counsel, 387-5455) on May 1, 2024; Purchasing (Jessica Barajas, Supervising Buyer, 387-2065) on May 8, 2024; Finance (Abigail Grant, Administrative Analyst, 387-4603) on May 4, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 7, 2024.

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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Curt Hagman Seconded: Joe Baca, Jr.
Ayes: Col. Paul Cook (Ret.), Dawn Rowe, Curt Hagman, Joe Baca, Jr.
Absent: Jesse Armendarez

Lynna Monell, CLERK OF THE BOARD

BY  _____
DATED: May 21, 2024



cc: File - Human Resources Department w/attach
CCM 05/24/2024