



San Bernardino County

Legislation Text

File #: 8081, Agenda Item #: 38

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

May 23, 2023

FROM

DIANE RUNDLES, Assistant Executive Officer, Human Resources Department

SUBJECT

Medical and Dental Premium Rates for Plan Year 2023-24

RECOMMENDATION(S)

1. Approve medical premium rates and plans for Blue Shield of California and Kaiser Foundation Health Plan, Inc. for active employees, Consolidated Omnibus Budget Reconciliation Act participants, and their eligible dependents, for plan year 2023-24, as shown in Attachment A.
2. Approve dental preferred provider organization premium rates for Delta Dental of California for active employees, Consolidated Omnibus Budget Reconciliation Act participants, and their eligible dependents, for plan year 2023-24, as shown in Attachment B.

(Presenter: Diane Rundles, Assistant Executive Officer, 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).

BACKGROUND INFORMATION

Each year, the Human Resources Department (HR) and the Employee Benefits Advisory Committee (EBAC) work collaboratively with a contracted health and welfare consultant to review active employees' medical plans and negotiate competitive medical premium rates with the carriers. The EBAC is a labor-management committee, composed of individuals representing employee bargaining units, management, and retirees.

In December 2022, the County contracted with Rael & Letson Consultants and Actuaries (Rael & Letson) to conduct a comprehensive analysis of the medical plans and begin working with HR and the EBAC to negotiate rates for the 2023-24 plan year. Based on the medical carriers' own analysis of what premium rates should be for the 2023-24 plan year, Blue Shield of California (Blue Shield) calculated an increase of 13.20% and Kaiser Foundation Health Plan, Inc. (Kaiser) calculated an increase of 8.54% over current rates. During last year's rate renewal negotiations, the EBAC and HR secured rate caps for the 2023-24 plan year of 8.90% for Blue Shield and 8.00% for Kaiser. The Blue Shield 8.90% rate cap is based on a 0.50% negotiated buy-down adjustment and the actual increase to premiums is 9.4%. Due to the previously negotiated rate caps, medical carriers reduced their calculated increases and Blue Shield offered a 9.40% increase over current rates for their health maintenance organization (HMO) plans and preferred provider organization (PPO) plans, and

Kaiser offered an 8.00% increase over current rates for their HMO plans.

After the initial offers, HR and the EBAC continued to negotiate with the carriers to lower their rates. Both medical carriers cited overall increases in healthcare costs and claims experience among the reasons for the rate increases. After five months of diligent negotiations, both carriers agreed to make some concessions to lower premiums, and each offered a third medical plan option with lower premium costs. No rate caps for the next plan year were negotiated since both carriers' contracts end in July 2024. HR and the EBAC recommend approval of the following rates and new plan options for active employees, Consolidated Omnibus Budget Reconciliation Act (COBRA) participants, and their eligible dependents:

- A 7.97% increase to the current premiums for Blue Shield HMO and PPO plans. During initial contract negotiations with Blue Shield in 2019, Blue Shield agreed to provide an annual wellness contribution of \$1,000,000 per plan year (\$500,000 towards wellness program and \$500,000 in discretionary funding). For the current negotiations of the 2023-24 plan year, 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 rate increase being reduced by an additional 0.50% to the final rate of 7.97%.
- Addition of a Blue Shield HMO Gold Trio (Trio) plan option with lower premium costs and a narrow network.
- An 8.00% increase to the current premiums for the Kaiser HMO platinum plan and a 6.00% increase to the current premiums for the Kaiser Choice HMO plan.
- Addition of a Kaiser HMO Virtual Complete (Virtual Complete) plan option with lower premium costs and a \$500 deductible.

Since negotiations for medical rates lasted through mid-May, contract amendments adding the new plans and updating the performance guarantees will be brought to the Board of Supervisors (Board) for approval in June 2023, before the plan year ends on July 28, 2023.

Each year, the County contracts with a health and welfare consultant to conduct a comprehensive analysis of the County's self-insured Delta Dental PPO (DPPO) plan's claims experience, including a three-year financial projection. In February 2023, the County contracted with Segal Consulting (Segal) to conduct the DPPO analysis for the 2023-24 plan year. Based on this analysis, HR and the EBAC recommend approval of a 3.00% decrease to the current DPPO rates for active employees, COBRA participants, and their eligible dependents.

PROCUREMENT

On July 6, 2018, the Employee Benefits and Services Division (EBSD) issued Request for Proposal (RFP) No. HRD218-HR2-3001 for Active Employee Medical Benefits. On July 9, 2019, (Item No.17), the Board approved the contracts with Blue Shield and Kaiser to provide medical benefits for active employees, COBRA participants, and eligible dependents for plan years 2019-20 through 2021-22. On May 24, 2022, (Item No.54), the Board approved amendment No. 1 to the contract No.19-486 with Blue Shield and Contract No. 19-487 with Kaiser to extend the contracts through plan year 2023-24.

On October 15, 2021, HR issued RFP No. HRD221-HR2-4366 to solicit vendor proposals for dental plan benefits in order to obtain favorable dental premium rates and cost containment on its Dental HMO and DPPO plans for employees and retirees. On May 24, 2022, (Item No.55) the Board approved the contract between the County and Delta to provide dental benefits for active employees, COBRA participants, and eligible dependents for plan years 2022-23 through 2026-27.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Ken Brown, Deputy County Counsel, 387-5455) on May 10, 2023; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on May 10, 2023; Finance (Abigail Grant,

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Administrative Analyst, 387-4603) on May 10, 2023; and County Finance and Administration (Paloma Hernandez-Baker, Deputy Executive Officer, 387-5423) on May 11, 2023.