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Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

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SUBJECT: Renewal of Employee Insurance Plans and Programs

RECOMMENDATION:

Authorize the Air Pollution Control Officer to renew multiple employee benefit insurance plans to become effective January 1, 2007 as follows:

- Renew the Aetna Health Maintenance Organization (HMO) and Point-of-Service (POS) medical insurance agreements
- Renew our IRS Section 125 (cafeteria) and 132 (transportation) plans with Benesyst
- Renew Met Life Dental plan
- Renew Vision Service Plan/ABD municipality pool to provide vision insurance
- Renew the Standard Long Term Disability benefit plan
- Renew the Standard Voluntary Term Life benefit plan
- Renew the Standard Management Life & Accidental Death & Dismemberment (ADD) plan
- Renew the AIG Voluntary Personal Accident benefit plan
- Renew the AFLAC Supplemental Catastrophic Insurance programs
- Renew the Managed Health Network Employee Assistance Plan

DISCUSSION:

One of the goals of our agency is to provide employees with health benefit programs that meet their needs. These needs include quality care, an adequate choice of providers, and the ability to select from a variety of options and costs.

Major Medical

Our benefits committee reviewed the renewal rates offered by our current health insurance provider, Aetna, and is recommending renewing our agreement with them to provide the APCD’s major medical benefits. The 2007 Health Maintenance Organization (HMO) and Point of Service (POS) plans initially reflected a composite increase of 18%. As a result, the benefits committee has directed our broker to implement certain changes to help offset a portion of the increase. The 2007 HMO plan will be implemented with the following changes:

1. An increase to the office visit co-payment from \$10 to \$25
2. Removal of the chiropractic benefit rider
3. Increasing the prescription co-payment amounts from \$5 generic/\$10 brand name/ \$25 non-formulary to \$10 generic/\$20 brand name/ \$40 non-formulary

Implementing these changes for the HMO plan will save approximately 9.6% which would result in a final composite increase of 8.4%.

The 2007 POS plan will reflect an increase to the office visit co-payment from \$10 to \$20 which will result in a savings of approximately 4.4%. This change will result in a final composite increase of 13.6%.

Based on the proposed modifications listed above, the current 2006 and proposed 2007 renewal rates are as follows:

<u>Aetna – HMO</u>	<u>2006 Rate</u>	<u>2007 Rate</u>
Employee Only	\$318.25	\$345.12
Employee + one	\$698.22	\$757.16
Family	\$925.76	\$1003.92

<u>Aetna - OAMC P.O.S.</u>	<u>2006 Rate</u>	<u>2007 Rate</u>
Employee Only	\$549.61	\$624.54
Employee + one	\$1144.79	\$1300.87
Family	\$1409.22	\$1601.35

Flexible Benefits Plan

The APCD maintains an IRS Section 125 plan which allows certain benefit premiums to be deducted from an employee’s pay on a pre-tax basis. This plan also allows employees to set aside monies on a pretax basis for eligible medical and dependent care expenses.

In 2004, the APCD established an IRS section 132 plan which allows employees to set aside up to \$105 per month to pay for commuting expenses including mass transit and van pool expenses. Maintaining this plan will be beneficial to employees and will reaffirm the APCD's mission of providing clean air. There is no rate increase for the Benesyst Flexible Benefits plan for 2007.

Dental

Staff recommends renewing the MetLife policy for dental insurance coverage. There will be a composite increase of 9.0% in the premiums, however the relative affordability of the dental premiums did not warrant a change in carriers. Under the MetLife plan, employees are offered two levels of coverage which remains the same as last year. The APCD applies \$21.21 to the employee only premium for ETA members; all other groups have \$27.50 applied towards the employee only premium for dental. The remaining premium is either paid through employee cafeteria dollars or picked up by employees pursuant to their respective Memorandum of Understandings (MOU's).

Under the MetLife Preferred Dentist Program (PDP), employees are covered for diagnostic and preventative services at 100% of the PDP fee; basic and restorative services are covered at 80% of the PDP fee; major restorative services are covered at 50% of the PDP fee and; child orthodontia is covered at 50% of the PDP fee up to \$1,500 per calendar year. Under the non-PDP plan (out of network), employees are covered for diagnostic and preventative services at 80% of the Reasonable and Customary (R&C); basic and restorative services are covered at 60% of the R&C; major restorative services are covered at 40% of the R&C and; child orthodontia is covered at 50% of the R&C up to \$1,500 per calendar year. The monthly rates and recommendations for dental are as follows:

<u>MetLife</u>	<u>2006 Rate</u>	<u>2007 Rate</u>
Employee Only	\$29.87	\$32.55
Employee + spouse	\$60.24	\$65.66
Employee + child	\$73.11	\$79.69
Family	\$103.48	\$112.79

Vision

Staff is recommending renewing our policy with Vision Service Plan/ABD municipality pool (VSP). There will be no increase to the VSP plan rates for 2007.

<u>VSP</u>	<u>2007 Rate</u>
Employee Only	\$6.69
Two Party	\$9.86
Family	\$17.30

Long Term Disability (LTD) - The APCD provides this coverage for all its employees in a group long-term disability program. This is a disability plan that provides an employee a benefit

of 60% of earnings if he/she is disabled from their own occupation for up to two years or any occupation up to age 65. The current plan is provided through Standard Insurance and the APCD is in the final year of a three year rate lock on this plan.

Voluntary Life - Our Voluntary Life product is also offered through Standard Insurance. The APCD is in the final year of a three year rate lock on this plan. This benefit is 100% employee funded.

Management Life & Accidental Death & Dismemberment (ADD) - We provide group term life & AD&D insurance of \$20,000 for each management, supervisory, and confidential employee through Standard Insurance; the APCO is provided with \$50,000 coverage. We are currently in the final year of a three year rate lock for this plan.

Personal Accident Insurance - We offer our employees the ability to purchase Personal Accident Insurance through AIG. As the Personal Accident plan is a difficult program design to replace, staff is recommending this program be renewed with AIG. This benefit is 100% employee funded.

Catastrophic Care Programs - These are products offered through AFLAC that enable employees to voluntarily purchase portable catastrophic care programs in the event of a serious illness. Costs are fully funded by the employee and are based on age upon entry into the program and level of coverage desired.

Employee Assistance Plan – This benefit offered by Managed Health Network (MHN) is diverse in that it offers a range of services to both APCD management and employees. Services range from face to face counseling with licensed professionals to telephonic consultations regarding personal finance issues. There is no rate increase for the MHN Employee Assistance Plan for 2007.

Fiscal Impact

Increases in contributions to our benefits programs will be limited to the increase in cafeteria dollar provisions that were negotiated into employee group MOUs. The total cost to the APCD is approximately \$50,830. These costs were anticipated and appropriately planned for in the 2006/2007 budget. Remaining costs associated with the 2007 renewal increases will be picked up by employees pursuant to their respective MOUs. Thus, the total fiscal impact to the APCD from this action totals \$50,830. Upon Board authorization, staff will take the steps necessary to renew the programs discussed above.