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## Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

CONTACT: Sharyl K. Preskitt, 961-8828

SUBJECT: Renewal of Employee Insurance Plans and Programs

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### RECOMMENDATION:

Authorize the Air Pollution Control Officer to renew multiple employee benefit insurance plans to become effective January 1, 2008 as follows:

- Renew the Aetna Health Maintenance Organization (HMO) and Point-of-Service (POS) medical insurance agreements
- Enter into a 1-year contract with Aetna to provide dental insurance
- Renew our IRS Section 125 (cafeteria) and 132 (transportation) plans with Benesyst
- 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 Health Maintenance Organization (HMO) and Point of Service (POS) plan premiums will increase by 19% for 2008.

The current 2007 and proposed 2008 renewal rates are as follows:

<b><u>Aetna – HMO</u></b>	<b><u>2007 Rate</u></b>	<b><u>2008 Rate</u></b>
Employee Only	\$345.12	\$410.00
Employee + one	\$757.16	\$899.50
Family	\$1003.92	\$1,192.65
<b><u>Aetna - OAMC P.O.S.</u></b>	<b><u>2007 Rate</u></b>	<b><u>2008 Rate</u></b>
Employee Only	\$624.54	\$741.96
Employee + one	\$1300.87	\$1,545.42
Family	\$1601.35	\$1,902.40

**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 pre-tax money to pay for commuting expenses including mass transit and van pool expenses. The Internal Revenue Service has increased the amount of pre-tax dollars that may be set aside in 2008 from \$110 to \$115 per month. 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 2008.

**Dental**

Staff recommends switching our dental carrier from MetLife to Aetna Freedom of Choice. Our initial renewal for major medical was quoted at 20% by Aetna. By moving our dental over to Aetna, we will receive a 1% discount on the major medical premiums. The Aetna Freedom of Choice plan closely matches the benefits currently in place with MetLife in addition to an added Dental Maintenance Organization (DMO) option.

Under the Aetna Preferred Provider Organization (PPO), employees are covered for diagnostic and preventative services at 100% of the PPO fee; basic and restorative services are covered at 80% of the PPO fee; major restorative services are covered at 50% of the PPO fee and; child orthodontia is covered at 50% of the PPO fee up to \$1,500 per calendar year. Under the non-PPO plan (out of network), employees are covered for diagnostic and preventative services at 100% 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.

In addition to traditional PPO structured benefits, employees will have the option to obtain services through a DMO. Employees obtaining services under the DMO option will only be responsible for a \$5 co-pay for most procedures.

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). The monthly rates and recommendations for dental are as follows:

	<u>2007 Rate</u>	<u>Aetna 2008 Rate</u>
Employee Only	\$32.55	\$30.83
Employee + spouse	\$65.66	\$61.78
Employee + child	\$79.69	\$71.80
Family	\$112.79	\$102.75

**Vision**

Staff is recommending renewing our policy with Vision Service Plan/ABD municipality pool (VSP). There will be a 5% increase to the VSP plan rates for 2008.

<u>VSP</u>	<u>2007 Rate</u>	<u>2008 Rate</u>
Employee Only	\$6.69	\$7.02
Two Party	\$9.86	\$10.35
Family	\$17.30	\$18.17

**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 there is no rate increase for the 2008 calendar year.

**Voluntary Life** - Our Voluntary Life product is also offered through Standard Insurance. There is no rate increase for the 2008 calendar year. 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. There is no rate increase for the 2008 calendar year.

**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 a 4.6% rate increase for the 2008 calendar year.

### **Fiscal Impact**

Increases in contributions to our benefits programs will be limited to an increase in the Employee Assistance Plan premiums and a \$20 per pay period increase to the cafeteria dollar provision contained in the current employee group MOUs. The cost of the Employee Assistance Program premium increase will be approximately \$100 for the remainder of the fiscal year. This increase was anticipated and planned for in 2007/2008 budget. Based on an estimated 51 employees, the anticipated increase to cafeteria dollars for the last 14 pay periods of the fiscal year is estimated at \$14,280. These costs were anticipated and budgeted in the 2007/2008 budget. Remaining costs associated with the 2008 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 \$14,380. Upon Board authorization, staff will take the steps necessary to renew and implement the programs discussed above.