

**Board Report**

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**File #:** 2017-0571, **File Type:** Contract**Agenda Number:** 16.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 20, 2017****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to renew existing group insurance policies covering Non-Contract and AFSCME employees for the one-year period beginning January 1, 2018.

**ISSUE**

A comprehensive package of health resources provides existing employees a foundation to maintain or improve health, and helps to attract and retain qualified employees. Los Angeles County Metropolitan Transportation Authority (LACMTA), including the Public Transportation Services Corporation (PTSC), seeks to offer benefit plans that promote efficient use of health resources and are cost effective for the company and our employees.

**DISCUSSION**

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 99% of the employees covered by the benefit plans are PTSC employees. On an annual basis, employees are encouraged to review their enrollment and may choose medical, dental, vision, supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit, provided proof of other medical coverage is submitted and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in the flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis.

The overall premium increase for calendar year 2018 is 6.8%. This reflects \$1.36 million in negotiated reductions from the initial renewal quotes. The recommended medical, dental, and vision premiums are shown on Attachment A. As previously established by the Chief Executive Officer, Non-Contract and AFSCME employees contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment B.

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## **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety.

## **FINANCIAL IMPACT**

Funding for the Non-contract and AFSCME group insurance plans is included in each department's FY18 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$50.1 million, an increase of \$3.2 million over 2017, are expected to be within the adopted budget of \$68.0 million.

The following recommendation is within the adopted budget and no additional funding will be required. Effective January 1, 2018, the categories for contingent workers have been redefined to specify number of work hours and/or term of assignment. The Affordable Care Act requires employers to provide affordable health care to all employees who work, or are reasonably expected to work, an average of 30 hours or more per week. Transportation Associates (Entry Level Trainee Program) currently enrolled in a medical plan will be grandfathered in that enrollment. Effective January 1, 2018, newly hired Transportation Associates and other temporary employees who work 30 hours per week or more will be offered enrollment in the existing Kaiser medical plan.

Implementation of the 40% excise tax (Cadillac Tax), a part of Health Care Reform, has been postponed from 2018 to 2020. The Cadillac Tax is intended to be assessed on the cost of coverage for health plans that exceed an annual limit, currently set at \$10,200 for individual coverage and \$27,500 for family coverage. For fully-insured plans like ours, the excise tax is the responsibility of the insurance carrier, though it is anticipated that carriers may pass these costs back to the employer. However, since the excise tax does not take effect until 2020, we will continue to monitor regulatory requirements and evaluate our plan provisions such as copays, out-of-pocket maximums and other features in order to mitigate exposure to the excise tax.

## **ALTERNATIVES CONSIDERED**

With the favorable renewal on the plans for 2018, the postponement of the Excise Tax until 2020, and the general uncertainty over healthcare at this time, it is recommended that the current plan designs be renewed, thereby avoiding provider access/disruption for 2018.

The Board could decide to self-insure and self-administer health benefits. However, this is not recommended due to the resources required to establish the medical expertise and operational infrastructure required to review and process claims as well as the liability that would be assumed.

## **NEXT STEPS**

- Conduct annual open enrollment for Non Contract and AFSCME employees during November 2017.
- Implement elections effective January 1, 2018.

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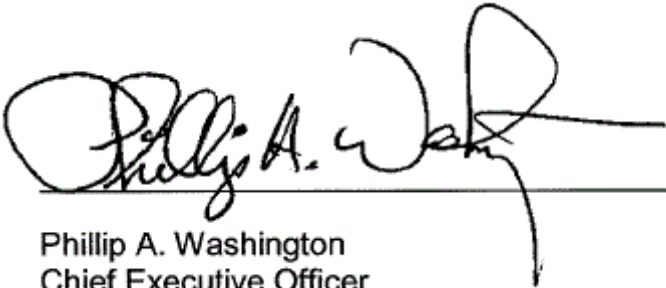
**ATTACHMENTS**

Attachment A - Monthly Premium Rates

Attachment B - Monthly Employee Contributions

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