

**Board Report**

File #: 2016-0556, **File Type:** Policy**Agenda Number:** 46.

**REGULAR BOARD MEETING
OCTOBER 27, 2016****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, 2017.

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-Contact 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. With the closing of Expo at the end of 2016, there will no longer be a need to provide benefit plans for this small group. Healthcare benefits and employee contributions for those represented by SMART-TD, ATU, and TCU unions are determined by the respective Health and Welfare Trust Funds, and the employer subsidy is established through contract negotiations.

On an annual basis, Non Contract, AFSCME, and Teamster 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 coverage is submitted. 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 2017 is 2.2%. This reflects \$1.05 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.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety.

FINANCIAL IMPACT

Funding for the group insurance plans is included in each department's FY17 budget and allocated based on the approved federal cost allocation plan. Based on the current employee participation by plan, estimated employer costs of \$45.4 million, an increase of \$1 million over 2016, are expected to be within the adopted budget of \$49.4 million.

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. The Anthem Blue Cross PPO plan currently exceeds the annual limits by approximately \$4,000 per participant. 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

Plan design changes such as increasing office and prescription copays, annual deductibles, and out-of-pocket maximums were considered. However, with the favorable 2017 renewal, and the postponement of the Excise Tax until 2020, it is recommended that current plan designs be renewed, thereby avoiding provider access/disruption for 2017.

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.

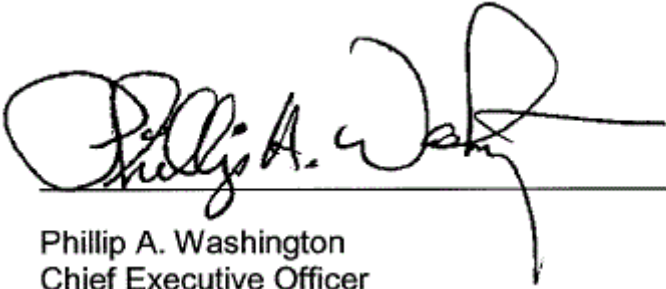
NEXT STEPS

- Conduct annual open enrollment for Non Contract and AFSCME employees during November 2016.
- Implement elections effective January 1, 2017.

ATTACHMENTS

Attachment A - Monthly Premium Rates
Attachment B - Monthly Employee Contributions

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