

**Board Report**

File #: 2019-0485, **File Type:** Contract**Agenda Number:** 17.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 18, 2019****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, including the life and disability coverage for Teamster employees, for the one-year period beginning January 1, 2020.

BACKGROUND

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees a foundation to maintain or improve health. 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 cost is an increase of 1.63% for calendar year 2020. This reflects over \$2.02 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 of our patrons our employees.

FINANCIAL IMPACT

Funding for the Non-contract and AFSCME group insurance plans is included in each department's FY20 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$53.6 million are expected to be within the adopted budget of \$66.7 million.

Impact to Budget

A potential impact to future budgets is the implementation of the 40% excise tax (Cadillac Tax), which is a part of Health Care Reform and continues to be postponed with a revised effective date of 2022. Changes to plan design are not recommended at this time, but we will continue to monitor regulatory requirements and evaluate plan provisions such as copays, out-of-pocket maximums and other features in order to mitigate exposure to the excise tax should it be implemented. 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 will pass these costs back to the employer.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan Goal #5 (Provide responsive, accountable, and trustworthy governance). By providing employee benefit plans supports the health and wellness, thereby allowing employees to focus on achieving the strategic goals of the agency.

ALTERNATIVES CONSIDERED

With the favorable renewal on the plans for 2020, the postponement of the Excise Tax, 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 2020.

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

Upon Approval, staff will conduct annual open enrollment for Non-Contract, AFSCME and Teamster employees during November 2019 and implement elections effective January 1, 2020.

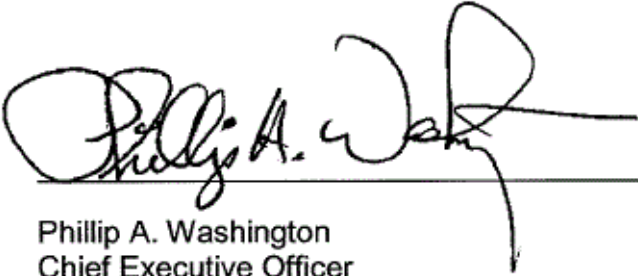
ATTACHMENTS

Attachment A - Monthly Premium Rates

Attachment B - Monthly Employee Contributions

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