



Metropolitan
Transportation
Authority

One Gateway Plaza
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REVISED
EXECUTIVE MANAGEMENT & AUDIT COMMITTEE
AUGUST 21, 2003

SUBJECT: NON-CONTRACT GROUP INSURANCE PLANS

ACTION: RENEW GROUP INSURANCE PLAN POLICIES

RECOMMENDATION

Authorize the Chief Executive Officer to renew policies for the Non-Contract **and AFSCME** Group Insurance Plans, including medical, dental, life, accidental death and dismemberment, and long-term disability coverages for a one-year period beginning January 1, 2004. The new monthly premium amounts are shown on Attachment 1.

RATIONALE

A flexible and comprehensive benefits package is necessary to attract, motivate, and retain qualified employees. To that end, the MTA, including PTSC, seeks to offer benefit plans that are both cost effective for the MTA and its employees and competitive with other local public agencies. AFSCME represented employees are included in the Non-Contract plan.

Generally, each element of the plan contains provisions for the insurers to update premiums annually based on their MTA loss experience and current market conditions.

ALTERNATIVES CONSIDERED

The options considered included decreasing plan benefit levels and/or increasing employees' contribution requirements. Decreasing plan benefit levels and increasing the employees' share are not recommended since the cost savings to the MTA would be minor, while the reduced benefits and/or increased employee share would have a negative impact on the MTA's efforts to provide an attractive benefits program. The benefits program is one of the elements used to recruit and retain high-quality employees.

FINANCIAL IMPACT

Funding for Non-Contract Group Insurance Plans is included in the FY 2004 budget in cost center #0621, under projects 100001 and 100003 and on the MTA balance sheet for accrued retiree medical liabilities. The proposed medical rate increases are offset by lower dental and long-term disability rates. Life insurance premiums are

essentially unchanged. Based on the current employee participation by plan, FY 2004 costs are expected to ~~be within~~ exceed the adopted budget by approximately \$173,000. Management anticipates using savings in other areas to offset the additional expense.

~~The employee contribution rate will remain at 10% of the actual premium for each plan selected for medical/vision/mental health and dental services.~~ The Non-Contract employee contribution will continue at the current amount based on the CY2003 premiums. The AFSCME employee contribution will remain at 10% of the actual CY2004 premium for each plan selected for medical/vision/mental health and dental services.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Standard Insurance Company (long-term disability) is the only new provider in the plan. Standard was selected based on its premium rates that are \$166,000 lower than last year's. On an annual basis, employees may choose the plan coverages that they desire. Employees may also opt to waive one or more coverages and receive a taxable cash benefit.

The FY 2003 average monthly cost for medical/dental coverage per Non-Contract and AFSCME employee was \$516. For FY 2004, average monthly cost is estimated at \$607, a 17.6% increase.

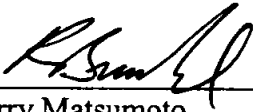
During FY 2003, MTA provided annualized monthly Health & Welfare contributions of \$442 for UTU, \$507 for TCU, and \$590 for the ATU, including an additional cash payment to increase the ATU Trust's reserves.

Mercer Human Resources Consulting is responsible for marketing the group insurance contracts with qualified insurance carriers and negotiating annual renewal premium proposals. Based on those negotiations under staff oversight, the original premiums quoted were reduced by approximately \$382,000, 12.3% reduction from the initial requested increase.

ATTACHMENTS

1. Monthly Premium Rates
2. Monthly Employee Contributions

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ATTACHMENT 1
MONTHLY PREMIUM RATES

PROVIDER		CY 2003	CY 2004	PCT INC	EST. # EMP 1/01/04
<i>Blue Cross (PPO)</i>	Single	\$341.57	\$413.30	21.0%	251
	Couple	\$687.48	\$831.85	21.0%	263
	Family	\$922.32	\$1,116.01	21.0%	283
<i>Blue Cross (HMO)</i>	Single	\$246.41	\$275.98	12.0%	111
	Couple	\$517.46	\$579.56	12.0%	115
	Family	\$739.20	\$827.90	12.0%	170
<i>Kaiser (HMO)</i>	Single	\$232.87	\$290.90	24.9%	193
	Couple	\$465.74	\$581.80	24.9%	236
	Family	\$659.05	\$823.25	24.9%	337
<i>Vision Service Plan</i>	Single	\$9.79	\$9.19	-6.1%	362
	Couple	\$14.15	\$13.29	-6.1%	378
	Family	\$25.36	\$23.81	-6.1%	453
<i>ValueOptions</i>	EE/Fam	\$13.79	\$13.79	0.0%	797
<i>Delta Dental (PPO)</i>	Single	\$44.45	\$43.32	-2.5%	368
	Couple	\$77.27	\$75.30	-2.5%	457
	Family	\$116.12	\$113.16	-2.5%	504
<i>Dental Health Services (DHMO)</i>	Single	\$15.69	\$15.69	0.0%	108
	Couple	\$29.04	\$29.04	0.0%	103
	Family	\$43.73	\$43.73	0.0%	155
<i>Deltacare (DHMO)</i>	Single	\$17.52	\$18.31	4.5%	73
	Couple	\$31.81	\$33.24	4.5%	74
	Family	\$47.04	\$49.20	4.6%	139

Waive Medical \$105.00 month (139 employees)

Waive Dental \$ 15.00 month (116 employees)

ATTACHMENT 2

MONTHLY EMPLOYEE CONTRIBUTIONS

<u>PROVIDER</u>		<u>CURRENT</u> <u>Non-Contract</u> <u>& AFSCME</u>	<u>PROPOSED</u> <u>AFSCME</u>	<u>INCREASE</u>
Blue Cross (PPO) Includes Vision Service Plan and Value Options	Single	\$37.00	\$44.00	+\$ 7.00
	Two Party	72.00	86.00	+14.00
	Family	96.00	115.00	+19.00
Blue Cross (HMO) Includes Vision Service Plan	Single	26.00	29.00	+3.00
	Two Party	53.00	59.00	+6.00
	Family	76.00	85.00	+9.00
Kaiser (HMO)	Single	23.00	29.00	+6.00
	Two Party	47.00	58.00	+11.00
	Family	66.00	82.00	+16.00
Delta Dental (PPO)	Single	4.00	4.00	0.00
	Two Party	8.00	8.00	0.00
	Family	12.00	11.00	-1.00
Dental Health Services (DHMO)	Single	2.00	2.00	0.00
	Two Party	3.00	3.00	0.00
	Family	4.00	4.00	0.00
Deltacare (DHMO)	Single	2.00	2.00	0.00
	Two Party	3.00	3.00	0.00
	Family	5.00	5.00	0.00

This attachment reflects the employees contributing 10% of actual medical and dental costs. In addition, employees may buy additional life insurance and improved LTD benefits at their own expense.