

**FINANCE & BUDGET COMMITTEE  
SEPTEMBER 16, 2009****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

Authorize the Chief Executive Officer to renew group insurance policies covering Non-Contract, AFSCME, and Expo employees for a one-year period beginning January 1, 2010. The new monthly premiums are shown on Attachment A.

**RATIONALE**

A comprehensive package of health resources is necessary for employees to maintain or improve health, also to attract and retain qualified employees. To that end, we, including the Public Transportation Services Corporation (PTSC), seek to offer benefit plans that promote efficient use of health resources, are cost effective for the company and our employees, and are competitive with other local public agencies.

**BACKGROUND**

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 95% of the employees covered by the benefit plans are PTSC employees. Expo employees are also covered by our plans, providing a cost-effective means of offering benefits to this small group.

On an annual basis, employees may choose the medical, dental, vision, and 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.

Generally, each plan contains provisions for the insurers to update premiums annually based on our loss experience and current market conditions. Mercer, our health and benefits consultant, markets the group insurance contracts with qualified insurance carriers and negotiates annual renewal premium proposals.

During this renewal, our life insurance plan was placed out to bid as adverse experience contributed to a proposed 39% increase for the supplemental coverage paid for by

employees, plus a 10% increase on employer provided basic coverage. ING was the successful bidder with estimated annual savings of \$320,000 for participants.

Overall, total premiums increased 5.4% over calendar year 2009. The final amounts include a negotiated reduction from the initial quote for medical premiums of \$404,000. For FY10 the average monthly company cost for active employees covered under the Non-Contract and AFSCME medical/dental plans is estimated at \$1,022. Pending new labor agreements, monthly contributions are the FY09 contribution rates for active employees of \$1,012 for UTU, \$1,157 for ATU and \$1,069 for the TCU.

All full-time regular Non-Contract and AFSCME employees will contribute 10% of the actual premium for each medical and dental plan selected, as previously established by the Chief Executive Officer. Monthly employee contribution amounts are shown in Attachment B. Expo employees pay a maximum \$50 per month for medical and dental coverage, as established by the Expo Board. Union employees contribute less than 10% of the premium for the coverage they select.

### **FINANCIAL IMPACT**

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY10 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, costs are expected to be within the adopted budget.

#### **Impact to Bus and Rail Operating and Capital Budget**

The source of funds for Non-Contract and AFSCME benefits is a combination of bus and rail operating and capital funds and non bus and rail operating and capital funds depending upon the combination of employees receiving the benefits.

### **ALTERNATIVES CONSIDERED**

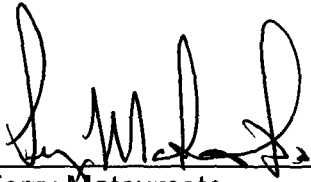
We considered plan design changes such as increasing the co-pay for office visits and prescriptions and/or raising annual deductibles. However, reducing plan benefit levels is not recommended as the loss in employee morale would likely outweigh potential savings.

We could self-fund and/or self-administer health benefits. This alternative is not recommended because of the resources required to establish the medical expertise and operational infrastructure necessary to review and process claims, as well as the fiduciary liability that would be assumed.

### **ATTACHMENTS**

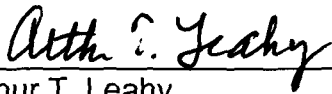
- A. Monthly Premium Rates
- B. Monthly Employee Contributions

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Terry Matsumoto  
Chief Financial Services Officer, and  
Treasurer



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Arthur T. Leahy  
Chief Executive Officer

ATTACHMENT A  
MONTHLY PREMIUM RATES

PROVIDER		CY2009	CY2010	Avg. PCT. INC.(a)	EST. # EMP 1/01/10
Blue Cross (PPO)	Single	\$606.92	\$628.17	3.5%	258
	Couple	\$1,221.73	\$1,264.50	3.5%	325
	Family	\$1,638.68	\$1,696.05	3.5%	265
Blue Cross (HMO)	Single	\$440.98	\$496.11	12.5%	94
	Couple	\$926.05	\$1,041.82	12.5%	116
	Family	\$1,322.83	\$1,488.20	12.5%	147
Kaiser (HMO)	Single	\$423.54	\$441.79	4.3%	196
	Couple	\$847.08	\$883.59	4.3%	249
	Family	\$1,198.62	\$1,250.27	4.3%	307
Delta Dental (PPO)	Single	\$48.99	\$52.19	6.5%	389
	Couple	\$85.15	\$90.70	6.5%	565
	Family	\$127.95	\$136.29	6.5%	524
Deltacare (DHMO)	Single	\$18.31	\$18.31	0.0%	69
	Couple	\$33.24	\$33.24	0.0%	64
	Family	\$49.20	\$49.20	0.0%	129
Dental Health Services (DHMO)	Single	\$16.15	\$16.50	2.0%	76
	Couple	\$31.35	\$31.95	2.0%	81
	Family	\$47.25	\$48.20	2.0%	104
Vision Service Plan	Single	\$8.85	\$9.73	9.9%	352
	Couple	\$12.80	\$14.07	9.9%	441
	Family	\$22.93	\$25.20	9.9%	412

(a) Medical/dental/vision premiums increased an average 5.4% over calendar year 2009.

Waive Medical \$147.00 month (140 employees)  
Waive Dental \$21.00 month (50 employees)

ATTACHMENT B

MONTHLY EMPLOYEE CONTRIBUTIONS

PROVIDER		CURRENT N/C & AFSCME	PROPOSED N/C & AFSCME (a)
Blue Cross (PPO)	Single	\$61.00	\$63.00
	Two Party	\$122.00	\$126.00
	Family	\$164.00	\$170.00
Blue Cross (HMO)	Single	\$44.00	\$50.00
	Two Party	\$93.00	\$104.00
	Family	\$132.00	\$149.00
Kaiser (HMO)	Single	\$42.00	\$44.00
	Two Party	\$85.00	\$88.00
	Family	\$120.00	\$125.00
Delta Dental (PPO)	Single	\$5.00	\$5.00
	Two Party	\$9.00	\$9.00
	Family	\$13.00	\$14.00
Deltacare (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$5.00	\$5.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00
	Two Party	\$3.00	\$3.00
	Family	\$5.00	\$5.00
Vision Service Plan	Single	\$1.00	\$1.00
	Two Party	\$1.00	\$1.00
	Family	\$2.00	\$3.00

(a) Non-Contract and AFSCME employees contribute 10% of actual medical and dental costs.

