

**Metro**Los Angeles County
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metro.net**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 18, 2013****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

Authorize the Chief Executive Officer to renew existing group insurance policies covering Non-Contract, AFSCME, and Expo employees for the one-year period beginning January 1, 2014.

ISSUE

A comprehensive package of health resources provides existing employees a foundation to maintain or improve health, and help to attract and retain qualified employees.

LACMTA, including the Public Transportation Services Corporation (PTSC), seeks to offer benefits plans that promote efficient use of health resources and are cost effective for the company and our employees. The recommendations provided in this report are the result of a marketing conducted to evaluate the feasibility of replacing current medical and dental carriers. The marketing objectives included assessing competitiveness in pricing, benefits and provider access.

The Patient Protection and Affordable Care Act ("PPACA" or "healthcare reform") became law in March 2010 and effective for PTSC as of January 1, 2011. We are in compliance with all required mandates and will continue to maintain compliance for 2014.

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. 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 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/dental

coverage and receive a taxable cash benefit, provided proof of other coverage is submitted.

Plan premiums are generally updated annually based on the group's demographics, loss experience and current market conditions. This year we conducted a marketing for the medical and dental plans to assess competitiveness in pricing, benefits and provider access. A summary of the marketing results is shown in Attachment A.

The overall premium increase for the calendar year is 4.52% and reflects over \$2.3 million in negotiated reductions from the initial renewal quotes. The recommended medical, dental, and vision premiums are shown on Attachment B. As previously established by the Chief Executive Officer, all full-time regular Non-Contract and AFSCME employees will contribute 10% of the actual premium for each medical and dental plan selected. The monthly employee contributions are shown in Attachment C. Expo employees pay a maximum of \$50 per month for medical and dental coverage as established by the Expo Board.

The following is a comparison of employer subsidy and employee contributions:

	NC/AFSCME*	UTU**	ATU**	TCU**
Employee Contribution	\$ 153	\$ 100	\$ 80	\$ 60
LACMTA Subsidy	\$1,393	\$1,047	\$1,482	\$1,244
Employee Contribution as a % of Subsidy	11.0%	9.6%	5.4%	4.8%
Average Age of Employee	51.7	45.1	48.2	46.6

*Represents the average employee/agency contributions to Medical/Dental/Vision insurance. **Employer subsidy to union Trust Funds increased in 2013 based on current union contracts: UTU (July), ATU (March), TCU (February) and do not include any one-time lump sum payments that were negotiated and made.

Healthcare benefits for employees represented by the UTU, ATU, and TCU unions are determined by the respective Health and Welfare Trust funds, and the employer subsidy is established through contract negotiations. As shown above, NC/AFSCME employee contributions are significantly higher both in actual dollars paid and as a percentage of the employer subsidy. A significant factor contributing to the higher cost is the older average age of the NC/AFSCME population which typically requires more access to health benefits.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons, but could improve the health condition of employees.

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY14 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. Premiums for the Expo employees are included in Expo's budget.

Impact to Bus and Rail Operating and Capital Budget

The source for 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 working on those programs.

ALTERNATIVES CONSIDERED

We considered changing medical and dental carriers. However, based on price competitiveness, benefits, and provider access/disruption no carrier changes are recommended at this time.

We considered plan design changes such as increasing office and prescription copays, annual deductibles, and out-of-pocket maximums. However, plan changes would result in forfeiture of the grandfathered status under healthcare reform, thereby triggering an increase in reporting and disclosure requirements, and additional plan changes based on health reform requirements for non-grandfathered plans. Reducing plan benefit levels is not recommended.

Self-funding and/or self-administering health benefits 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.

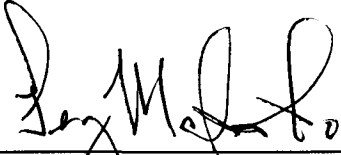
NEXT STEPS

Notify carriers of approved plan renewal, conduct open enrollment, and implement effective January 1, 2014.

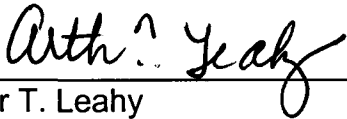
ATTACHMENTS

- A. Marketing Results Summary
- B. Monthly Premium Rates
- C. Monthly Employee Contributions

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MARKETING SUMMARY

Medical and dental plans were marketed during the analysis phase of the 2014 annual renewal. Marketing objectives included assessing carriers' competitiveness in pricing, benefits and provider access.

Medical Plans

*Carrier	Anthem (incumbent)	Blue Shield	Aetna	United Healthcare
Annual Premium	\$24,822,479	\$24,471,839	\$27,133,226	\$27,977,138

*CIGNA and Healthnet declined to quote, indicating that they could not be competitive with pricing and/ or network requirements.

Anthem's loss ratio increased from 95.6% to 101.4% compared to the prior renewal experience period. The Anthem premium reflects a reasonable increase in light of the utilization and experience. Blue Shield's proposal is likely underfunded, which may impact future renewal increases until premiums are at adequate levels to cover costs. Provider access/disruption and continuity of care were also considered. The recommendation is to renew Anthem PPO and HMO plans.

Dental Plans

Carrier	Delta Dental* (PPO)	Delta Care* (DHMO)	Dental Health Services* (DHMO)	Guardian (PPO & DHMO)
Annual Premium	\$1,988,746	\$105,430	\$89,800	\$2,011,303

*Incumbents

Anthem, CIGNA, Principal, United Concordia, Aetna, and United Healthcare submitted proposals that were not as competitive as Guardian.

We recommend renewing the incumbent carriers as they have the most extensive provider networks, thereby eliminating provider disruption and increased out-of-pocket expenses. Delta Dental also offers an option for a premium holiday or rate adjustment if the paid premium exceeds the cost of the plan that is more generous than Guardian's option. Guardian also stipulated that they be the only plan offered.

Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2013	CY 2014	%Change	Est # of Active Employees 1/1/14
Blue Cross (PPO)	Single	\$905.42	\$994.57	9.85%	209
	Couple	\$1,822.59	\$2,002.05	9.85%	204
	Family	\$2,444.61	\$2,685.32	9.85%	272
Blue Cross (HMO)	Single	\$646.36	\$646.36	0.00%	64
	Couple	\$1,357.34	\$1,357.34	0.00%	70
	Family	\$1,938.94	\$1,938.94	0.00%	159
Kaiser (HMO)	Single	\$554.38	\$559.29	0.88%	171
	Couple	\$1,108.77	\$1,118.57	0.88%	188
	Family	\$1,568.91	\$1,582.78	0.88%	325
Delta Dental (PPO)	Single	\$57.20	\$57.20	0.00%	331
	Couple	\$99.41	\$99.41	0.00%	379
	Family	\$149.37	\$149.37	0.00%	575
DeltaCare (DHMO)	Single	\$19.62	\$20.21	3.00%	64
	Couple	\$35.64	\$36.71	3.00%	50
	Family	\$52.74	\$54.32	3.00%	109
Dental Health Services (DHMO)	Single	\$16.82	\$16.82	0.00%	48
	Couple	\$32.60	\$32.60	0.00%	53
	Family	\$49.15	\$49.15	0.00%	94
Vision Service Plan	Single	\$9.73	\$10.15	4.35%	262
	Couple	\$14.07	\$14.68	4.35%	290
	Family	\$25.20	\$26.30	4.35%	438
Voluntary Waiver of Coverage:*					
Medical		\$196.00	\$206.00	4.98%	118
Dental		\$28.00	\$29.00	4.98%	78

* Waiver of Medical coverage requires proof of alternative coverage.

Proposed Monthly Employee Contributions

Provider	Coverage Option	NC & AFSCME Employee Contribution (Current)	NC & AFSCME Employee Contribution (Proposed) Effective 1/1/14	Change
Blue Cross (PPO)	Single	\$91.00	\$99.00	\$8.00
	Couple	\$182.00	\$200.00	\$18.00
	Family	\$244.00	\$269.00	\$25.00
Blue Cross (HMO)	Single	\$65.00	\$65.00	\$0.00
	Couple	\$136.00	\$136.00	\$0.00
	Family	\$194.00	\$194.00	\$0.00
Kaiser (HMO)	Single	\$55.00	\$56.00	\$1.00
	Couple	\$111.00	\$112.00	\$1.00
	Family	\$157.00	\$158.00	\$1.00
Delta Dental (PPO)	Single	\$6.00	\$6.00	\$0.00
	Couple	\$10.00	\$10.00	\$0.00
	Family	\$15.00	\$15.00	\$0.00
DeltaCare (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$4.00	\$4.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$3.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Vision Service Plan	Single	\$1.00	\$1.00	\$0.00
	Couple	\$1.00	\$1.00	\$0.00
	Family	\$3.00	\$3.00	\$0.00

Non-Contract and AFSCME Employees contribute 10% (rounded to the nearest whole dollar) towards their individually selected plan's medical, dental, and vision premiums.

