



Town Council Agenda Report

Date: December 10, 2019 Item No. 18

To: Honorable Mayor and Town Council

Subject: CALPERS MEDICAL BENEFITS

From: Douglas Robertson, Town Manager

Submitted by: Douglas Robertson
Town Manager

Budgeted Item: Yes No N/A

RECOMMENDED ACTION

The Human Resources department recommends that the Town Council approve the attached resolution to be submitted to the CalPERS Board for the purpose of obtaining medical benefits for Town of Apple Valley employees and retirees.

BACKGROUND

On February 1, 2019 the Town entered into an emergency agreement with Cigna for medical insurance resulting from the liquidation of the Riverstone insurance plan coverage on January 31, 2019. This change in insurance providers increased medical rates a total of 61% for employees holding Cigna medical coverage. Due to the sizeable increase in medical premiums, during open enrollment most employees switched to medical insurance provided by Kaiser Permanente. Due to the decrease in plan participation, Cigna will not renew the Town for the 2020 plan year. Additionally, we have not been able to secure a quote for medical coverage from any other medical insurance providers due to the small plan population.

Upon joining the CalPERS program, an agency is not rated based on their own demographics or utilization. The rates are determined by Region to more accurately reflect the medical costs in the surrounding area and CalPERS cannot raise rates for a specific agency based on high claims within their group. Furthermore, 100% participation is not required, and an agency is only charged for the members that enroll in a health plan.

Employees and retirees will have several different options when it comes to selecting their medical insurance provider and premiums vary between the different plans, see Attachment A. Dental, vision and other ancillary insurance plans will remain the same. All employees that officially retire(d) through CalPERS within 90 days of retiring from the Town, are eligible for CalPERS Health Coverage.

Additionally, there is a minimum contribution the Town would need to pay per month for retirees. This amount can be as little as one dollar per month for the first calendar year and the contribution amount then increases by 5% of the active contribution stated in the resolution. After 20 years, the employer contribution amount reaches parity and both actives and retirees are entitled to a minimum employer contribution amount equal to the Public Employees' Medical & Hospital Care Act (PEMHCA) minimum of that year.

(NOTE: As currently drafted, the Town of Apple Valley is electing the 'Unequal Method'. When utilizing this method, a newly participating agency can fix their minimum contribution towards actives at the PEMHCA minimum and start their employer contribution for retirees at a lesser amount. If the Town were to select the "Equal Method" it would come at a significantly higher cost and implement retiree health benefits payments not previously offered to employees.)

Since rates are not affected by plan participation within an agency, the Human Resources department recommends amending the Personnel Policy and Procedures Manual for the Town of Apple Valley. Specifically, removing the requirement under section 4.1.3 that Town employees hired after September 1, 2008 must enroll in Town medical, dental and vision coverage. This policy requires employees to provide proof of insurance by a comparable insurance program. Employees who fail to provide proof of medical coverage are required to enroll in a health program provided by the Town. Currently, employees hired prior to September 1, 2008 can wave all but one line of coverage (medical, dental or vision) and receive the remaining cafeteria benefit as cash up to \$250. Staff also recommends amending section 4.1.2 of the policy that requires employees to take at least one line of coverage. Under this amendment, employees that wave coverage will receive the maximum cafeteria benefit of \$250.

FISCAL IMPACT

Unknown at this time.

ATTACHMENTS

- A. CalPERS 2020 Regional Health Premiums for Region 3
- B. Section 4.1 Benefit Plan
- C. Resolution 2019-35

Attachment A

Updated: November 1, 2019

CalPERS 2020 Regional Health Premiums (Actives and Annuitants)

Effective Date: January 1, 2020

Region 3									
Los Angeles, Riverside, San Bernardino									
Basic Monthly Premiums (B)									
Plan	Subscriber	Plan Code	Party Rate	Subscriber & 1 Dependent	Plan Code	Party Rate	Subscriber & 2+ Dependents	Plan Code	Party Rate
Anthem Blue Cross Select	\$619.93	508	1	\$1,239.86	508	2	\$1,611.82	508	3
Anthem Blue Cross Traditional	902.63	511	1	1,805.26	511	2	2,346.84	511	3
Blue Shield Access+	813.17	527	1	1,626.34	527	2	2,114.24	527	3
Blue Shield Trio*	624.93	452	1	1,249.86	452	2	1,624.82	452	3
Health Net Salud y Mas	392.31	532	1	784.62	532	2	1,020.01	532	3
Health Net SmartCare	648.42	530	1	1,296.84	530	2	1,685.89	530	3
Kaiser Permanente	664.39	535	1	1,328.78	535	2	1,727.41	535	3
PERS Choice	710.29	550	1	1,420.58	550	2	1,846.75	550	3
PERS Select	435.74	559	1	871.48	559	2	1,132.92	559	3
PERS Care	931.12	568	1	1,862.24	568	2	2,420.91	568	3
Peace Officers Research Assoc of CA	699.00	594	1	1,399.00	594	2	1,894.00	594	3
UnitedHealthcare	668.31	578	1	1,336.62	578	2	1,737.61	578	3
Supplement/Managed Medicare Monthly Premiums (M)									
Plan	Subscriber	Plan Code	Party Rate	Subscriber & 1 Dependent	Plan Code	Party Rate	Subscriber & 2+ Dependents	Plan Code	Party Rate
Anthem Blue Cross Medicare Preferred	\$388.15	517	4	\$776.30	517	5	\$1,164.45	517	6
Anthem Blue Cross Medicare Preferred with Dental/Vision ¹	388.15	514	4	776.30	514	5	1,164.45	514	6
Kaiser Permanente Senior Advantage	339.43	538	4	678.86	538	5	1,018.29	538	6
Kaiser Permanente Senior Advantage with Dental ²	339.43	544	4	678.86	544	5	1,018.29	544	6
PERS Choice Medicare Supplement	351.39	553	4	702.78	553	5	1,054.17	553	6
PERS Select Medicare Supplement	351.39	562	4	702.78	562	5	1,054.17	562	6
PERS Care Medicare Supplement	384.78	571	4	769.56	571	5	1,154.34	571	6
Peace Officers Research Assoc of CA Medicare Supplement	513.00	597	4	1,022.00	597	5	1,635.00	597	6
UnitedHealthcare Medicare Advantage	327.03	581	4	654.06	581	5	981.09	581	6
UnitedHealthcare Medicare Advantage with Dental/Vision ³	327.03	587	4	654.06	587	5	981.09	587	6

*Blue Shield is introducing a new HMO health plan called Blue Shield Trio. This plan will be available in El Dorado, Los Angeles, Nevada, Placer, Sacramento

¹Dental and Vision coverage is an additional \$38.00 per member per month premium. You will be billed directly for this amount.

²Dental benefit is an additional \$15.05 per member per month premium. You will be billed directly for this amount.

³Dental and Vision coverage is an additional \$31.65 per member per month premium. You will be billed directly for this amount.

CalPERS 2020 Regional Health Premiums (Actives and Annuitants)

Effective Date: January 1, 2020

Region 3									
Los Angeles, Riverside, San Bernardino									
Combination Monthly Premiums									
Plan	Subscriber in M, & 1 Dependent in B	Plan Code	Party Rate	Subscriber in M, & 2+ Dependents in B	Plan Code	Party Rate	Subscriber in M, 1 Dependent in M, & 1+ Dependent in B	Plan Code	Party Rate
Anthem Blue Cross Traditional HMO and Medicare Preferred	\$1,290.78	520	7	\$1,832.36	520	8	\$1,317.88	520	9
Anthem Blue Cross Traditional HMO and Medicare Preferred Dental/Vision ¹	1,290.78	523	7	1,832.36	523	8	1,317.88	523	9
Kaiser Permanente and Senior Advantage	1,003.82	541	7	1,402.45	541	8	1,077.49	541	9
Kaiser Permanente and Senior Advantage with Dental ²	1,003.82	547	7	1,402.45	547	8	1,077.49	547	9
PERS Choice and Medicare Supplement	1,061.68	556	7	1,487.85	556	8	1,128.95	556	9
PERS Select and Medicare Supplement	787.13	565	7	1,048.57	565	8	964.22	565	9
PERS Care and Medicare Supplement	1,315.90	574	7	1,874.57	574	8	1,328.23	574	9
Peace Officers Research Assoc of CA and Medicare Supplement	1,213.00	600	7	1,708.00	600	8	1,517.00	600	9
UnitedHealthcare and Medicare Advantage	995.34	584	7	1,396.33	584	8	1,055.05	584	9
UnitedHealthcare and Medicare Advantage with Dental/Vision ³	995.34	590	7	1,396.33	590	8	1,055.05	590	9

Combination Monthly Premiums (Continued)

Plan	Subscriber in B, & 1 Dependent in M	Plan Code	Party Rate	Subscriber in B, & 2+ Dependents in M	Plan Code	Party Rate	Subscriber in B, 1 Dependent in M, & 1+ Dependent in B	Plan Code	Party Rate
Anthem Blue Cross Traditional HMO and Medicare Preferred	\$1,290.78	520	10	\$1,678.93	520	11	\$1,832.36	520	12
Anthem Blue Cross Traditional HMO and Medicare Preferred Dental/Vision ¹	1,290.78	523	10	1,678.93	523	11	1,832.36	523	12
Kaiser Permanente and Senior Advantage	1,003.82	541	10	1,343.25	541	11	1,402.45	541	12
Kaiser Permanente and Senior Advantage with Dental ²	1,003.82	547	10	1,343.25	547	11	1,402.45	547	12
PERS Choice and Medicare Supplement	1,061.68	556	10	1,413.07	556	11	1,487.85	556	12
PERS Select and Medicare Supplement	787.13	565	10	1,138.52	565	11	1,048.57	565	12
PERS Care and Medicare Supplement	1,315.90	574	10	1,700.68	574	11	1,874.57	574	12
Peace Officers Research Assoc of CA and Medicare Supplement	1,208.00	600	10	1,821.00	600	11	1,703.00	600	12
UnitedHealthcare and Medicare Advantage	995.34	584	10	1,322.37	584	11	1,396.33	584	12
UnitedHealthcare and Medicare Advantage with Dental/Vision ³	995.34	590	10	1,322.37	590	11	1,396.33	590	12

¹Dental and Vision coverage is an additional \$38.00 per member per month premium. You will be billed directly for this amount.

²Dental benefit is an additional \$15.05 per member per month premium. You will be billed directly for this amount.

³Dental and Vision coverage is an additional \$31.65 per member per month premium. You will be billed directly for this amount.

Attachment B

RULE 4 EMPLOYEE BENEFITS

Section 4.1 Benefit Plan

The Town of Apple Valley shall offer to all regular full-time employees, insurance coverage for health, dental, vision, supplemental life insurance and long term disability. Qualified dependents shall be eligible to participate in health, dental and vision insurance coverage. The amount of money currently available to the employee for this benefit is established by resolution of the Town Council and is subject to the following provision:

1. Employees shall be required to complete all benefit selections within thirty (30) days from their start date.
2. Employees waiving medical coverage must show proof of insurance by a comparable insurance program annually during open enrollment. Employees who fail to provide proof of medical coverage shall be required to enroll in the lowest cost, employee only health program provided by the Town. The total maximum benefit allowance for premiums for insurance coverage is \$760.00 per month. Any portion of the premiums that are not satisfied by the allowance will be matched by the Town dollar for dollar to a maximum of \$340.00 per month. Any remaining portion of the allowance shall be paid to the employee in cash, 50% of the remaining benefit up to a maximum of \$250 per month (changed effective April 10, 2018, Reso 2018-10), or at the employee's option may be deposited into the Town's 457 Deferred Compensation Plan for the benefit of the employee. The effective date of the implementation of this benefit modification is December 10, 2019.
3. Premiums for insurance coverage shall be paid to the extent that dollars are available fully satisfying the employee's insurance obligation. Any portion of the premiums for benefits elected by the employee which are not satisfied by application of the monthly insurance benefit allowance or the dollar for dollar match by the Town shall be paid by the employee and deducted from his or her paycheck upon employee's written authorization. Failure to provide written authorization hereunder shall result in ineligibility for any qualified dependent insurance benefit which cannot be provided by the monthly allowance. In the event all the allowance is not applied to the available insurance benefit, the remaining portion of the allowance shall be paid to the employee in cash, 50% of the remaining benefit up to a maximum of \$250 per month, or at the employee's option, may be deposited into the Town's Section 457 Deferred Compensation Plan. The maximum allowance that will be paid to the employee is established by resolution of the Town Council. The effective date of the implementation of this benefit modification is April 1, 2018

RESOLUTION NO. 2019-35
ELECTING TO BE SUBJECT TO THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT
AT UNEQUAL AMOUNTS FOR EMPLOYEES AND ANNUITANTS

- WHEREAS, (1) A contracting agency meeting the eligibility requirements set forth in Government Code Section 22920, may obtain health benefit plan(s), as defined under Government Code Section 22777, by submitting a resolution to the Board of Administration of the California Public Employees' Retirement System (the "Board"), and upon approval of such resolution by the Board, become subject to the Public Employees' Medical and Hospital Care Act (the "Act"); and
- WHEREAS, (2) Town of Apple Valley is a contracting agency eligible to be subject to the Act under Government Code Section 22920; and
- WHEREAS, (3) Government Code Section 22892(a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and
- WHEREAS, (4) Government Code Section 22892(b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892(b) of the Act; and
- WHEREAS, (5) Government Code Section 22892(c) provides that, notwithstanding Section 22892(b), a contracting agency may establish a lesser monthly employer contribution for annuitants than for employees, provided that the monthly employer contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly employer contribution for employees, until the time that the employer contribution for annuitants equals the employer contribution paid for employees; and
- WHEREAS, (6) Town of Apple Valley desires to obtain for its employees and annuitants the benefit of the Act and to accept the liabilities and obligations of an employer under the Act; now, therefore, be it
- RESOLVED, (a) Town of Apple Valley elects to be subject to the provisions of the Act; and be it further
- RESOLVED, (b) That the employer contribution for each employee shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan up to a maximum of the PEMHCA Minimum per month, and be it further
- RESOLVED, (c) That the employer contribution for each annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan up to a maximum of \$1.00 per month, and be it further
- RESOLVED, (d) That the monthly employer contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly employer contribution

NEW – ALL, UNEQUAL, 1 FIXED (REV. 1/2018)

