

**Board Report**

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**File #:** 2015-1355, **File Type:** Policy**Agenda Number:** 15.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
OCTOBER 14, 2015****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

FINANCE, BUDGET AND AUDIT COMMITTEE FORWARDED DUE TO ABSENCES AND CONFLICTS authorizing 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, 2016 and to approve the use of a flexible spending card administered by a third-party vendor.

**ISSUE**

A comprehensive package of health resources provides existing employees a foundation to maintain or improve health, and helps to attract and retain qualified employees. 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-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/or dental coverage and receive a taxable cash benefit, provided proof of other coverage is submitted. 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 increase for calendar year 2016 is 10.4%. This reflects \$2.4 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. 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 the monthly employer subsidy and employee contributions:

	NC/AFSCME*	SMART-TD**	ATU**	TCU**
Employee Contribution	\$ 157	\$ 100	\$ 80	\$ 60
LACMTA Subsidy	\$1,428	\$1,209	\$1,816	\$1,524
Employee Contribution as a % of Subsidy	11%	8.3%	4.4%	3.9%
Average Age of Employee	49.9	44.9	48.0	45.4

\*Represents the average employee/agency contributions to Medical/Dental/Vision insurance. \*\*Employer subsidies to union Trust Funds are those in effect as of 7/1/2015 as per the respective Collective Bargaining Agreements.

Healthcare benefits for employees represented by the SMART-TD, ATU, and TCU unions are determined by the respective Health and Welfare Trust funds, and the employer subsidy is established through contract negotiations.

Flexible Spending Accounts (FSA) are currently administered by MTA staff for approximately 450 PTSC/AFSCME/TCU employees. As administrator, staff reviews claims, processes reimbursements, tracks available funds, responds to employee inquiries, and maintains compliance with FSA regulations. Beginning with calendar year 2016 we recommend providing participants a flex spending debit card to be used at the point of sale (i.e. medical offices, pharmacies, or dependent care providers, etc.) thereby eliminating out-of-pocket expenses and manual claims processing for most reimbursements. A Third Party Administrator (TPA) specializing in flexible spending accounts will provide a single point of contact for the program at an estimated cost of \$2.85 to \$4.75 per participant/per month, or a range of \$15,000 - \$26,000 annually. The annual forfeiture of participant's unused funds, for example \$30,000 for 2014, is expected to offset most if not all of the TPA fees.

**DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety.

**FINANCIAL IMPACT**

Funding for the Non-contract and AFSCME group insurance plans is included in each department's

FY16 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$44.0 million, an increase of \$4.4 million over 2015, are expected to be within the adopted budget of \$48.9 million. Premiums for the Expo employees are included in Expo's budget.

Beginning in 2018, as part of Health Care Reform, a 40% excise tax (Cadillac Tax) will 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 may pass these costs back to the employer. The proposed 2016 renewal for the Anthem Blue Cross PPO plan currently exceeds the 2018 annual limits by approximately \$4,000 per participant. However, since the excise tax does not take effect until 2018, we will continue to evaluate our plan provisions such as copays, out-of-pocket maximums and other features in order to mitigate exposure to the excise tax.

### **ALTERNATIVES CONSIDERED**

We considered plan design changes such as increasing office and prescription copays, annual deductibles, and out-of-pocket maximums. However, IRS and the Department of Health and Human Services (HHS) is expected to issue additional guidance within the next year which may require us to make changes in 2017 and 2018 in order to lower costs and minimize the impact of the excise tax. Therefore, it is recommended to wait for additional guidance and avoid incurring provider access/disruption for 2016.

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**

- Conduct annual open enrollment for Non Contract, AFSCME, and EXPO employees.
- Implement elections effective January 1, 2016.

### **ATTACHMENTS**

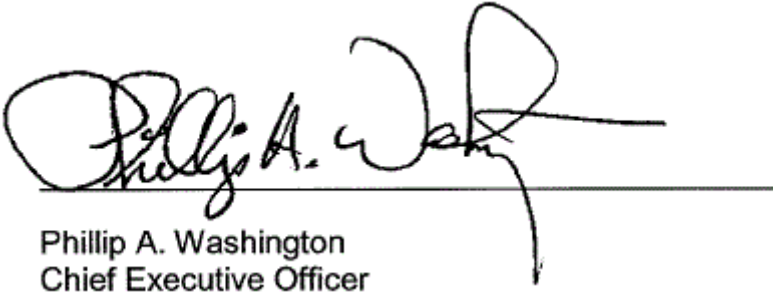
Attachment A - Monthly Premium Rates

Attachment B - Monthly Employee Contributions

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Phillip A. Washington  
Chief Executive Officer

**ATTACHMENT A**

## Proposed Monthly Premium Rates

<b>Provider</b>	<b>Coverage Option</b>	<b>CY 2015</b>	<b>CY 2016</b>	<b>%Change</b>	<b>Est # of Employees (1/1/16)</b>
Blue Cross (PPO)	Single	\$994.57	\$1,113.90	12.00%	225
	Couple	\$2,002.05	\$2,242.25	12.00%	217
	Family	\$2,685.32	\$3,007.50	12.00%	266
Blue Cross (HMO)	Single	\$694.83	\$746.93	7.50%	88
	Couple	\$1,459.14	\$1,568.54	7.50%	75
	Family	\$2084.35	\$2,240.64	7.50%	165
Kaiser (HMO)	Single	\$566.24	\$643.04	13.56%	274
	Couple	\$1,132.49	\$1,286.08	13.56%	223
	Family	\$1,602.47	\$1,819.80	13.56%	351
Delta Dental (PPO)	Single	\$57.20	\$57.20	0.00%	381
	Couple	\$99.41	\$99.41	0.00%	437
	Family	\$149.37	\$149.37	0.00%	600
DeltaCare (DHMO)	Single	\$20.21	\$20.21	0.00%	75
	Couple	\$36.71	\$36.71	0.00%	54
	Family	\$54.32	\$54.32	0.00%	108
Dental Health Services (DHMO)	Single	\$16.82	\$16.82	0.00%	59
	Couple	\$32.60	\$32.60	0.00%	48
	Family	\$49.15	\$49.15	0.00%	101
Vision Service Plan	Single	\$10.15	\$10.15	0.00%	283
	Couple	\$14.68	\$14.68	0.00%	312
	Family	\$26.30	\$26.30	0.00%	439
Voluntary Waiver of Coverage:*					
Medical		\$209.00	\$230.00	11.0%	171
Dental		\$30.00	\$33.00	11.0%	87

\* Waiver of Medical coverage requires proof of alternative coverage.

# ATTACHMENT A

## Proposed Monthly Employee Contributions

Provider	Coverage Option	NC & AFSCME Employee Contribution (Current)	NC & AFSCME Employee Contribution (Proposed) Effective 1/1/16	Change
Blue Cross (PPO)	Single	\$99.00	\$111.00	\$12.00
	Couple	\$200.00	\$224.00	\$24.00
	Family	\$269.00	\$301.00	\$32.00
Blue Cross (HMO)	Single	\$69.00	\$75.00	\$6.00
	Couple	\$146.00	\$157.00	\$11.00
	Family	\$208.00	\$224.00	\$16.00
Kaiser (HMO)	Single	\$57.00	\$64.00	\$7.00
	Couple	\$113.00	\$129.00	\$16.00
	Family	\$160.00	\$182.00	\$22.00
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 and dental premiums