

**Board Report**

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**File #:** 2022-0530, **File Type:** Policy**Agenda Number:** 14.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 14, 2022****SUBJECT: GROUP INSURANCE PLANS****ACTION: APPROVE RENEWAL OF GROUP INSURANCE POLICIES****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to renew existing group insurance policies covering Non-Contract and AFSCME employees, including long term disability coverage for Teamster employees, and life insurance for all full time Metro employees, for the one-year period beginning January 1, 2023.

**BACKGROUND**

Our health insurance plans are part of the total compensation package that helps attract and retain qualified employees, as well as provide existing employees a foundation to maintain or improve their health. Los Angeles County Metropolitan Transportation Authority (Metro), 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.

The Non-Contract 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. 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 medical coverage is submitted, and the employee does not obtain subsidized coverage from an exchange. Employees may also participate in flexible spending accounts, a vehicle to pay for certain out-of-pocket healthcare and dependent care expenses on a pre-tax basis.

**DISCUSSION**

This year the life insurance and long-term disability plans were marketed thru the services of our Benefits Consultant, The Unisource Group Inc., and it is recommended to consolidate both plans with The Standard, the current insurer for Metro's long term disability plans. The Standard's total savings with a 3-year rate guarantee is \$686,000 or -21.7% from current rates. Employees and dependents

will have a one-time opportunity during Open Enrollment to increase their voluntary coverage in amounts up to the Guaranteed Issue with no Evidence of Insurability, provided they were not previously declined. Voya, the current insurer for Metro's life insurance, offered a 2-year rate guarantee with a -13.7% decrease from current rates, and did not offer the opportunity for employees to increase their voluntary life coverage.

An additional consideration this year is to enhance dental and vision benefits to assist in supporting the health and wellness of our employees and families. The projected cost of enhancements is \$504,000, which would be offset by the \$686,000 savings achieved by the consolidation of life and disability reference above, for a net savings of \$182,000.

The overall premium cost is a 5.1% increase for calendar year 2023, which reflects more than \$3.3 million in negotiated reductions from initial renewal quotes. The recommended medical, dental, and vision premiums are shown in 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.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on the safety of our patrons or employees.

### **FINANCIAL IMPACT**

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY23 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, estimated employer costs of \$66.0 million is within the adopted budget.

### **EQUITY PLATFORM**

Metro's group health insurance plans as discussed in this board report are part of a total compensation package offered by Metro. Employees who work 30 hours or more are eligible to enroll in a medical plan and other benefits. New employees are provided an orientation session and assistance in enrolling in their selected plan(s).

Currently 96% of employees in the Non-Contract and AFSCME classifications enroll in health benefits, with the remaining 4% choosing to waive coverage by providing proof they are covered under another plan. References are provided in the Benefits Enrollment Guide for CoveredCA.com and Healthcare.gov and we provide additional guidance on an individual basis when needed.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports strategic plan goal #5 "Provide responsive, accountable and trustworthy governance within the Metro organization." The responsible administration of Metro's Group Insurance Policies promotes efficient use of health resources and is cost effective for the company and our employees.

### **ALTERNATIVES CONSIDERED**

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 and AFSCME employees during November 2022.
- Implement elections effective January 1, 2023.


### **ATTACHMENTS**

Attachment A - Monthly Premium Rates

Attachment B - Monthly Employee Contributions

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## Proposed Monthly Premium Rates

| Provider   | Coverage Option | CY 2022    | CY 2023    | %Change | Est # of Employees (1/1/23) |
|--|-----------------|------------|------------|---------|-----------------------------|
| Blue Cross (PPO)   | Single          | \$1,287.95 | \$1,403.82 | 9.0%    | 210                         |
|  | Couple          | \$2,592.61 | \$2,825.86 | 9.0%    | 175                         |
|  | Family          | \$3,477.42 | \$3,790.27 | 9.0%    | 320                         |
| Blue Cross (HMO)   | Single          | \$825.58   | \$899.90   | 9.0%    | 80                          |
|  | Couple          | \$1,733.69 | \$1,889.76 | 9.0%    | 63                          |
|  | Family          | \$2,476.52 | \$2,699.45 | 9.0%    | 151                         |
| Kaiser (HMO)   | Single          | \$680.53   | \$702.53   | 3.2%    | 419                         |
|  | Couple          | \$1,361.06 | \$1,405.05 | 3.2%    | 255                         |
|  | Family          | \$1,925.90 | \$1,988.15 | 3.2%    | 481                         |
| Delta Dental (PPO)   | Single          | \$54.60    | \$65.46    | 18.9%   | 469                         |
|  | Couple          | \$94.89    | \$113.76   | 18.9%   | 422                         |
|  | Family          | \$142.58   | \$170.94   | 18.9%   | 784                         |
| DeltaCare (DHMO)   | Single          | \$20.21    | \$20.21    | 0.00%   | 82                          |
|  | Couple          | \$36.71    | \$36.71    | 0.00%   | 52                          |
|  | Family          | \$54.32    | \$54.32    | 0.00%   | 92                          |
| Dental Health Services (DHMO)  | Single          | \$16.82    | \$17.95    | 6.7%    | 62                          |
|  | Couple          | \$32.60    | \$34.80    | 6.7%    | 35                          |
|  | Family          | \$49.15    | \$52.46    | 6.7%    | 101                         |
| Vision Service Plan  | Single          | \$9.99     | \$11.25    | 12.6%   | 279                         |
|  | Couple          | \$14.45    | \$16.27    | 12.6%   | 263                         |
|  | Family          | \$25.90    | \$29.15    | 12.6%   | 495                         |
| Voluntary Waiver of Coverage:*                                       |                 |            |            |         |                             |
| Medical  |                 | \$265.00   |            |         | 115                         |
| Dental   |                 | \$38.00    |            |         | 82                          |
| * Waiver of Medical coverage requires proof of alternative coverage. |                 |            |            |         |                             |

## Proposed Monthly Employee Contributions

| <b>Provider</b>               | <b>Coverage Option</b> | <b>NC &amp; AFSCME Employee Contribution (Current)</b> | <b>NC &amp; AFSCME Employee Contribution (Proposed) Effective 1/1/23</b> | <b>Change</b> |
|-------------------------------|------------------------|--|--|---------------|
| Blue Cross (PPO)              | Single                 | \$129.00   | \$140.00   | \$11.00       |
|                               | Couple                 | \$259.00   | \$283.00   | \$24.00       |
|                               | Family                 | \$348.00   | \$379.00   | \$31.00       |
| Blue Cross (HMO)              | Single                 | \$83.00  | \$90.00  | \$ 7.00       |
|                               | Couple                 | \$173.00   | \$189.00   | \$16.00       |
|                               | Family                 | \$248.00   | \$270.00   | \$22.00       |
| Kaiser (HMO)                  | Single                 | \$68.00  | \$70.00  | \$ 2.00       |
|                               | Couple                 | \$136.00   | \$141.00   | \$ 5.00       |
|                               | Family                 | \$193.00   | \$199.00   | \$ 6.00       |
| Delta Dental (PPO)            | Single                 | \$5.00   | \$7.00   | \$2.00        |
|                               | Couple                 | \$9.00   | \$11.00  | \$2.00        |
|                               | Family                 | \$14.00  | \$17.00  | \$3.00        |
| 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   | \$2.00   | \$1.00        |
|                               | Family                 | \$3.00   | \$3.00   | \$0.00        |

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