

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-4

Urgent Routine

AGENDA DATE November 15, 2011

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval of a Health Insurance Agreement Between Stanislaus County and the American Federation of State, County and Municipal Employees

STAFF RECOMMENDATIONS:

1. Approve the tentative Health Insurance Agreement between Stanislaus County and the American Federation of State, County and Municipal Employees for the period January 1, 2012 through December 31, 2014.
2. Authorize the Chairman of the Board of Supervisors and all parties to sign the agreement.
3. Authorize the Chief Executive Officer or designee to execute all agreements related to implementation and maintenance of employee health insurance programs effective January 1, 2012 through December 31, 2014.

FISCAL IMPACT:

The County completed negotiations on a new joint three-year agreement for health insurance with all labor organizations in September of 2011. The terms and conditions of the three-year agreement are effective January 1, 2012 through December 31, 2014. This agreement provides the specific level of coverage for medical, dental and vision insurance programs. Two labor organizations: American Federation of State, County and Municipal Employees (AFSCME) and Service Employees International (SEIU), participated in negotiations and signed the Health Insurance Tentative Agreement but were unable to ratify the agreement with their individual bargaining unit members.

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BOARD ACTION AS FOLLOWS:

No. 2011-704

On motion of Supervisor Chiesa, Seconded by Supervisor Withdraw

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withdraw, De Martini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT: (Continued)

On October 18, 2011 the Board of Supervisors approved the Health Insurance Agreement with the ten employee organizations that ratified the Tentative Agreement and extended the provisions of the new agreement to all unrepresented management and confidential employees. On November 7 and 8, 2011, AFSCME membership voted for a second time. This vote resulted in the ratification of the original Tentative Agreement signed by AFSCME and all other County labor organizations.

The new agreement includes the first year of a new funding strategy to self-insure the County's two existing medical plan options and to add a new self-insured plan option through Stanislaus County Partners in Health. The agreement also includes changes in the benefit structure for dental and vision programs, and increases in employee premium cost share for all levels of coverage. Under the new self-insured plans, employees will have the option of participating in either a High Deductible Health Plan with a Health Savings (HSA) account or an Exclusive Provider Organization (EPO) plan option which is consistent with the structure of the County's existing Health Maintenance Organization (HMO) programs.

The County currently spends approximately \$40.5 million annually for medical insurance coverage and \$5 million annually on dental and vision benefit plans, for a total cost of approximately \$45.5 million. Approximately 30% of these costs are paid through General Fund departments. The County's declining discretionary revenue and corresponding budget reductions resulted in the need to evaluate insurance options to control rising costs. The initiative to make program changes is part of the County's multi-year financial strategy.

Under the Tentative Agreement signed by all bargaining units, the County anticipated spending approximately \$37 million in 2012 for medical insurance and \$3.5 million on dental and vision benefit plans for a total cost of \$40.5 million with an annual savings of \$5.1 million. The Board of Supervisors previously approved agreements for all bargaining units and all unrepresented employees with the exception of AFSCME and SEIU on October 18, 2011. The savings from this action was estimated at \$1.5 million. It is anticipated that the savings from the agreement with AFSCME, who represents 1941 employees will save the County an additional \$2.7 million during the first year of the agreement bringing the total savings to \$4.3 million.

The level of savings as negotiated with all labor groups is anticipated to be the equivalent of a 2% reduction in employee wages. The health agreement is structured to provide employees multiple options for medical insurance plans which may reduce the fiscal impact to each individual employee and in some cases provide employees options to reduce their out-of-pocket costs from 2011 to 2012.

The agreement encourages employees to participate in HDHP with HSA options by providing a higher level of funding for HDHP plans than EPO medical plan options. The final fiscal analysis for 2012 is dependent upon how many employees enroll in EPO plan options and how many enroll in HDHP plan options with a higher level of County funding. The total cost of the new agreement will be determined after the open enrollment process when County employees have completed insurance plan choices for the new plan year. Currently 71% of County employees are enrolled in HMO plan options and 29% in HDHP plan options. Should the County increase participation in the HDHP plan options to 50% of employees, the County's projected savings from the health care agreement in 2012 would be reduced from \$5.1 million (equivalent to 2.0% of employee salary) to \$4.0 million (equivalent to 1.6% of salary). Increasing the number of employees enrolled in HDHP plan options may result in decreased savings in the short term based on the negotiated funding agreement, but will also have a positive effect on the long term decreased utilization of plan benefits and ultimately reduce the County's benefit cost exposure.

The final results of open enrollment selections and the resulting fiscal impact of this agreement will be reported in the Fiscal Year 2011-2012 Mid-Year Financial Report.

DISCUSSION:

The current Health Insurance Agreement between the County and all employee organizations will expire on December 31, 2011. Staff worked with representatives from all County labor groups through the required meet and confer process to develop a new Health Insurance Tentative Agreement for employee benefits. The negotiations process included nine negotiation sessions with all bargaining units and multiple proposals exchanged between the County and all labor organizations. The parties reached a final Health Insurance Tentative Agreement on September 22, 2011, which was supported and signed by all County labor organizations. Two labor organizations: American Federation of State, County and Municipal Employees (AFSCME) and Service Employees International (SEIU), participated in negotiations and signed the Health Insurance Tentative Agreement but were unable to ratify the agreement with their individual bargaining unit members. On October 18, 2011, the Board of Supervisors approved the Health Insurance Agreement with the ten employee organizations that ratified the Tentative Agreement and extended the provisions of the new agreement to all unrepresented management and confidential employees.

In response to the failed ratification the County issued two options to AFSCME and requested a new vote of their membership. Option 1 was the original Tentative Agreement signed by all unions on Sept 22, 2011. Option 2 was a new 6-month agreement with an expiration date that was tied to the expiration of the AFSCME Memorandum of Understanding (MOU) on July 1, 2012. Option 2 maintained the existing fully-insured plans with Kaiser and Blue Cross with rate increases of 7.32% for Kaiser and 33.9% for Blue Cross. Under Option 2 AFSCME would not be able to

participate in the new self-insured health plans and the County would pay the same contribution dollars paid in 2011 and employees would pay all cost increases from Kaiser and Blue Cross. The County continued discussions for several weeks with AFSCME to answer information requests and clarify the multiple offers and contingencies received from insurance carriers. On November 7 and 8, 2011 AFSCME held a second ratification vote that allowed members to vote between Options 1 and 2 or to vote no to both options. The membership ratified Option 1 which was the original Tentative Agreement.

Background

The County recognized during negotiations for the 2011 Healthcare Insurance Agreement that the County needed to evaluate other options prior to 2012 for the provision of employee healthcare benefits. In 2011, employee premium cost sharing was included in the agreement with labor for the first time for all health plans and all levels of coverage. With healthcare costs continuing to escalate, it became imperative for the County to find a solution to better control both the County's and employees' costs in future years. To assist with this process, the County engaged benefit consultants Sidles Duncan and Associates to conduct a healthcare strategy evaluation. This included: a comprehensive review of the County's current health care plan arrangements and purchasing practices; evaluation of underlying health status of the population; review of community health care systems, providers, and health plans to identify sources of value and quality to the County; and the development of recommendations and strategies for consideration by the County. This comprehensive review also explored options to implement an alternative self-insured medical benefit program for employee health insurance.

At the completion of the review, Sidles Duncan and Associates presented to the County a recommendation to move the County's existing health plans to a self-insured funding strategy and to create an additional medical plan option built around a custom local network of medical providers.

In advance of scheduled negotiations, the County included three representatives from labor who had been nominated by the bargaining units to participate in presentations with the healthcare consultants. The new medical plan option, Stanislaus County Partners in Health (SCPH) has been designed to offer an alternative non-profit medical plan option focused on high quality care and implementing strategies to increase the effectiveness and value of employee and County medical contributions.

As with all private and public employers, Stanislaus County has continued to experience significant increases in employee medical insurance well above normal inflationary indexes in our overall economy. Since the 2005 plan year, the County has averaged premium increases of 11.5% annually for medical insurance programs and received quotes that would result in a 12% increase in overall premiums in 2012 if the County were to continue the existing fully-insured

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medical plans. The implementation of SCPH will maintain the same plan design for employee benefits while providing medical plan rates similar to the same rates charged in 2011 for employees enrolled in the County's current low cost benefit option through Kaiser. In addition to generating immediate savings from avoiding pending fully-insured rate increases, the financial structure of SCPH is designed to minimize premium rate inflation in future years and provide rate stability in our overall medical insurance program.

In discussions with labor groups, the County shared these findings along with evaluation of the cost impact for pending rate increases from the County's current HMO and HDHP plans offered through Kaiser and Anthem Blue Cross. The County worked with labor groups through multiple proposals to identify a final Health Insurance Tentative Agreement signed on September 22, 2011. The new agreement includes the first year of the new self-insured Stanislaus Partners in Health medical plan option and changes in the benefit structure for dental and visions programs. The Healthcare Agreement also includes increased employee premium cost share for each level of coverage in all medical, dental, and vision plans.

The agreement continues to fund HDHP plan options at a higher level than EPO plans and creates an additional incentive for employees to enroll in these high deductible, consumer driven medical plans. Stanislaus County has offered HDHP options since 2010, with enrollment growing from 5% in 2010 to 29% of employees in 2011. Employees enrolled in HDHP plans are provided an individual Health Savings Account (HSA), with a portion of the employee's annual medical deductible funded by the County directly into their individual HSA. Employees who do not spend all of the funds in their HSA are able to roll-over those funds from year to year and continue to utilize their funds after retirement or resignation from County service. Participation in the HDHP plans with individual Health Savings Accounts over the initial two years has demonstrated an increase in employee awareness of medical plan costs, provided additional pre-tax medical savings opportunities for employees, and provided financial incentives for employees to reduce their utilization of plan benefits where appropriate.

The County has been utilizing a benefit communications firm to administer the open enrollment process. This process is designed to work with departments' specific scheduling needs and to ensure all employees participate in a one-on-one benefit counseling session. The open enrollment sessions will provide a complete overview of all benefit options for employees and personal counseling on strategies for maximizing healthcare contributions and savings. Benefit counselors will provide personal training on the County's new online open enrollment system in our automated payroll system, (PeopleSoft), a detailed comparison of HDHP and EPO benefit options and enrollment opportunities for new voluntary life and accident insurance programs offered for the first time to County employees. The benefit communications process and all voluntary benefit plans are offered at no cost to the County through our existing relationship with

Alliant Insurance Services and the California State Association of Counties – Excess Insurance Authority. Upon approval of this agreement the County will work with representatives from AFSCME to coordinate the open enrollment process for its membership. It is anticipated that the open enrollment process for AFSCME will start at the end of November.

Summary of Tentative Agreement

The following summarizes the final version of the Tentative Agreement and insurance plan selections:

- The County will offer Stanislaus Partners in Health, Kaiser and Anthem Blue Cross medical plan options. Both insurance providers will offer an EPO plan and HDHP with HSA plan for County employees.
- The County will fund 80% of the lowest cost EPO plan and 95% of the lowest cost HDHP at each level of coverage.
- The County will provide an individual Health Savings Account (HSA) for all employees who enroll in a High Deductible Health Plan option to help fund insurance deductibles. The County will fund \$1,200 of the \$1,250 annual insurance deductible limit for employees selecting single coverage. The County will fund \$2,000 of the \$2,500 annual insurance deductible for employees selecting employee +1 and family coverage. The County provides funding through direct contributions to the employee's individual HSA. Unused HSA funds can be rolled over each year and remain with the employee if they resign or retire from County service.
- The County will fund 80% of the premium cost for dental and vision insurance at each level of coverage. Changes in the benefit structure for dental and visions programs have also been included.
- The County and labor groups have agreed to the option to reopen the meet and confer process for all provisions of the agreement for calendar year 2014 based on the potential financial and operational impacts of healthcare reform regulations.

The new health insurance agreement with AFSCME will be effective January 1, 2012 through December 31, 2014.

Attached is the final agreement between the County and the represented employee organizations.

STAFFING IMPACT:

Existing Chief Executive Office staff will continue to implement the insurance plans.

POLICY ISSUE:

Board approval of the tentative Health Insurance Agreement between Stanislaus County and AFSCME supports the Board's priorities of A Healthy Community, Efficient Delivery of Public Services and Effective Partnerships.

CONTACT INFORMATION:

Jody Hayes, Deputy Executive Officer (525-5714)

TENTATIVE AGREEMENT
September 22, 2011

**Health Insurance Agreement Between Stanislaus County and the
California Nurses Association
County Attorneys' Association
District Attorney Investigators Association
Stanislaus County Deputy Probation Officers Association
Service Employees International Union Local 521
Stanislaus County Deputy Sheriffs Association
Stanislaus County Employees Association AFSCME/Local 10
Stanislaus County Sheriff Supervisors Association
Stanislaus Regional Emergency Dispatchers' Association
Stanislaus County Sheriff's Management Association
Stanislaus County Probation Correction Officers' Association
Stanislaus Sworn Deputies Association**

This agreement shall remain in full force and effect for the period of January 1, 2012 through December 31, 2014 unless extended by mutual agreement of the parties.

Medical Insurance

For the term of this agreement, the County will offer the following six medical plan options:

High Deductible Health Plans (HDHP) with Health Savings Accounts

- Stanislaus Partners in Health HDHP
- Anthem Blue Cross HDHP
- Kaiser HDHP

Exclusive Provider Organization (EPO) Plans

- Stanislaus Partners in Health EPO
- Anthem Blue Cross EPO
- Kaiser EPO

For employees enrolled in an EPO plan, the County shall contribute an amount equal to 80% of the lowest cost EPO plan at each level of coverage.

For employees enrolled in a High Deductible Health Plan, the County shall contribute an amount equal to 95% of the lowest cost HDHP at each level of coverage. The County will also fund individual HSA accounts in the following amounts:

Employee only - \$1,200 annually

Employee +1 - \$2,000 annually

Family - \$2,000 annually

HSA account contributions will be made twice per month, for a total of 24 equal installments each year. The County will fund 6-months of the HSA account contribution in January of each year for any employee in an HSA plan. The County would make no

other contributions until July of each year and then would fund the remaining annual account contribution through 12 equal installments over the last six months of the calendar year. Employees are responsible for paying any account related fees on their individual Health Savings Account (up to \$3.25 monthly as of January 2012).

Employees enrolled in HDHP plan options will be subject to minimum deductible payments for each calendar year. Please refer to the specific plan documents to confirm minimum deductibles and co-payments for each plan option.

Health insurance co-pays for employees enrolled in EPO plan options will be as follows:

Office Visit	\$20.00	Chiropractic	\$15.00
RX	\$10.00/\$20.00	Emergency Room	\$50.00

The parties recognize that health insurance providers may institute benefit changes that are not within the control of the County. This provision does not apply to the Stanislaus Partners in Health medical plan.

The "waive" credit for health insurance will remain at current levels for the term of this agreement for those employees who waive health insurance. The waive credit for health insurance is \$47.50 monthly for regular employees and \$150.00 monthly for management employees. Proof of other coverage is still required.

Dental and Vision

The County will provide dental coverage through the Delta Dental PPO plan. The County shall pay 80% of the premium cost at each level of dental coverage (Employee only, Employee +1 and Family).

The County will provide vision coverage through the VSP Choice Plan. The County shall pay 80% of the premium cost at each level of vision coverage (Employee only, Employee +1 and Family).

Please refer to the specific dental and vision plan documents for more information on benefit coverage levels.

Impacts of Healthcare Reform

The parties recognize the implementation of additional healthcare reform regulations in 2014 may present financial and operational consequences to the County. The County reserves the right to reopen the meet and confer process for all provisions of this agreement for calendar year 2014 based on the financial and operational impacts of healthcare reform regulations.

Additional Provisions

1. Benefit deductions are taken out of 24 of the 26 paychecks each year (twice monthly). Benefits for new hires are effective the 1st of the month following date of hire. For terminated employees, benefits continue through the last day of the month of termination.
2. The County will invite a representative of each labor group to participate in the County's Employee Wellness Program Workgroup. Participation is voluntary and subject to department head or designee approval for any changes in standard working hours and will not result in overtime compensation.
3. Employee Benefits Committee consisting of one employee and/or the designated labor representative per bargaining unit will meet semi-annually to evaluate the financial performance of the self insured medical plans and recommended rate adjustments. The parties agree to conduct meetings on a quarterly basis for the first year during the implementation of the new self-funded medical plans in 2012. The County maintains all plan fiduciary responsibilities, including setting annual rate adjustments based on actuarial review and analysis.
4. Regular full-time employees must work 30 hrs/wk to qualify for a County benefit contribution (medical, dental, vision and/or waive credit). Employees working 30-34 hrs/wk will be credited with 75% of benefit contributions. Employees working 35-39 hrs/wk will be credited with 90% of benefit contributions. Additional employee contributions to health insurance premiums will be paid through payroll deduction.
 - For purposes of this policy, hours worked includes all forms of paid time rounded to the nearest whole number. Examples of paid time include, but are not limited to vacation, sick, comp time off, 4850 leave, paid admin leave, etc.
 - This provision does not apply to part-time extra-help employees who are not eligible for benefits.
 - For regular full-time employees who change their employment status to percentage employment, this provision will be effective the first of the month following the date they assume the reduced percentage employment schedule. Benefits will return to 100% the first of the month following the effective date the employee returns to 100% regular employment status.
 - For regular full-time employees who are paid less than 80 hours per 14-day pay period (employees going into DOC time, etc.), employee contributions will be adjusted if the employee does not receive 80 hours of paid time in three consecutive pay periods. This process will be modified for regular full-time employees working an alternative work schedule that does not provide 80-hours of regular compensation per pay period (such as the "6/3" work schedule). Unpaid suspension time as a result of employee disciplinary actions will not count against an employee in determining health insurance eligibility.
 - Employee benefit eligibility will be evaluated on a quarterly basis.

- If an employee's hours fall below 80 hours in three consecutive pay periods within a quarter, the employee will be provided a letter of warning for the first quarter.
 - If the employee's hours fall below 80 hours in three consecutive pay periods the following quarter, the employee's contributions will be adjusted based on the employee's quarterly average. The effective date of the adjustment will be the first pay period of the following quarter.
 - Benefits will be restored to 100% effective the first pay period of the following quarter in which the employee is paid an average of 80 hours in the quarter.
- For employees on a paid leave of absence, the County will continue the current process for coordinating leave accruals with State Disability benefits. This process allows an employee to combine their State Disability benefits with their leave accruals to equal 40 hours of compensation per week while maintaining their full health insurance benefits. For employees participating in disability plans other than State Disability, the County will continue to provide the same level of coordinated benefits consistent with the benefits available through State Disability.
 - Under current policy, employees on an unpaid leave of absence do not receive health insurance contributions effective the first of the month following the start of their unpaid leave status. Employees returning from an unpaid leave will have their health insurance contributions restored effective the first of the month following their return to paid status. Please see applicable County policies regarding unpaid leave status, exceptions for FMLA eligible employees and the availability of COBRA benefits.
 - For benefit information related to Voluntary Time Off, Job Sharing and benefit provisions for Certain Part-Time Nurses, please refer to the individual County policies and CNA labor agreement.
 - Nothing in this agreement shall enhance or reduce existing policy provisions related to military leave benefits.

It is understood by the parties that these provisions fully set forth the agreement of the parties in matters of health insurance as herein specified. Other than the provisions contained herein, the parties agree that only through mutual agreement of all the parties to this agreement would discussion occur during the term of this agreement on health insurance matters.