



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
2

**Executive Personnel and
Compensation Committee**

Meeting Date: **SEPTEMBER 27, 2012**

Subject:

Renewal of the Employee Benefit Program for 2013

Recommendation:

Staff recommends that the Executive Personnel and Compensation Committee forward this item to the Board for approval.

Background/Justification:

The San Diego County Regional Airport Authority ("Authority") provides a comprehensive employee benefit program that is directly aligned with two organizational strategies (financial and employee) and supports the organization in executing the remaining three (operations, customer and community). The philosophy utilized in designing and sustaining the program has been to provide quality care at a sustainable price while maintaining the organization's ability to attract and retain the best and brightest employees. Doing so over the past 9 years has enabled the organization to attract and retain top talent which, in turn, has enhanced the organization's capability to execute during routine and non-routine, airport operations. For the 2013 employee benefits renewal, the President/CEO once again, chartered a cross functional team of employees to assist the organization in doing so and provided them with a further caveat: that total employee benefits costs would not increase more than 14% over 2012's costs.

Over a three month period of time, the 14 employee members of the team were educated by the Authority's consultants, Alliant Insurance Services, on various employee benefit plans and options as well as market trend data. After becoming educated, the task force received the Authority's renewal quotes from existing carriers as well as bids from Cigna and Sharp Health Plan. As a result of careful evaluation and consideration of market comparisons, existing plan options, past organizational experience, as well as employee interest and concerns, the task force selected options for recommendation to the Authority's President/CEO and Executive Team. These recommendations culminate in a net Airport Authority cost increase of 8.22% over existing rates for 2013 as compared to 2012 net costs.

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Recommendations include existing providers for all plans due to the competitive nature of the renewal costs (see below):

Coverage	Recommended Carrier	2013 Budgeted Cost	Estimated Authority Cost of Recommendation
Health	Anthem Blue Cross	\$4,074,590	\$3,519,306
Dental	Delta Dental	\$316,466	\$293,088
Vision	Vision Service Plan	\$36,968	\$31,776
Short Term Disability	The Hartford	\$111,303	\$96,302
Basic Life and AD&D	The Hartford	\$58,133	\$88,960
Health Screenings	Various (biometric health screenings, flu shots, incentives, etc.)	\$100,080	\$101,950

In some cases above, the recommendation includes plan design changes (see attachments A – Healthcare)

As chartered by the President/CEO, the included recommendations reflect prudent decision making and achieve the fiscal sustainability objective as well as the organization's interest in remaining a competitive and attractive employer.

In support of the Authority's strategy supporting employee wellness to maintain/improve workplace productivity and decrease healthcare costs, the provisions of the proposed benefit plans are intended to maintain competitive benefits coverage and cost effectiveness for the Authority and its employees. Staff is recommending that the following Authority benefit programs be provided for 2013:

- Continuation of Employee Assistance Program (Anthem Blue Cross) and Health Advocate resources for all employees
- Continuation of Health Risk Assessments and \$250 per employee FSA/457 Deferred Compensation deposit incentives in order to utilize data to address organizational employee wellness and health opportunities
- Maintain current Medical, Dental and Vision plan providers (current carriers: Anthem, Delta Dental & VSP)
- Maintain Basic Life, Accidental Death & Dismemberment (AD&D), and Short-Term Disability (STD) Plans with The Hartford
- Maintain Third Party Administration of Flexible Spending Account (FSA), VEBA and COBRA administration with Genesis Benefits.

The Authority will continue to offer the following additional voluntary benefits products where 100% of the premium costs are paid by employees:

- Long-Term Disability
- Voluntary Term Life and AD&D Insurance
- Accident/Cancer/Hospital Protection/Specified Health Insurance
- Pre-paid Legal coverage
- Long Term Care Insurance

To enable us to take advantage of further wellness affects, and reduce premium increases on our health insurance, staff is recommending that the Airport Authority continue to offer the Anthem Healthy Rewards program to employees and eligible covered dependents at a cost of approximately \$30,700. The Healthy Rewards program provides incentives to employees and their adult dependents covered by our health plan, similar to the existing Airport Authority wellness program. Existing wellness initiatives focus exclusively on the employee. Since our health plans cover retirees, employees and their eligible dependents, we have a gap in the programs that we are able to address through the Healthy Rewards program.

Fiscal Impact:

Adequate funds for the 2013 calendar year renewals are available in the Benefits and Human Resources line items of the FY 2013 Operating Budget for the employee benefit renewal cost of \$4,131,382.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☐ Customer Strategy ☒ Employee Strategy ☒ Financial Strategy ☐ Operations Strategy

Environmental Review:

1. This Board action, as an administrative action, is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA, Cal. Pub. Res. Code §21065.
2. This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Equal Opportunity Program:

Not applicable.

Prepared by:

JEFF LINDEMAN
SENIOR DIRECTOR, ORGANIZATIONAL PERFORMANCE & DEVELOPMENT

HMO

ANTHEM BLUE CROSS OPTIONS BENEFIT AND RENEWAL RATE COMPARISON

January, 2013

HMO BENEFIT HIGHLIGHTS

CALENDAR YEAR DEDUCTIBLE	
Individual	
Family	
CALENDAR YEAR COPAY MAXIMUM	
Individual	
Family	
LIFETIME MAXIMUM	
PROFESSIONAL SERVICES	
Primary Care Physician	
Specialist	
Routine Physical Exams	
Well-Baby & Well-Child Care	
Well-Woman Exams	
DURABLE MEDICAL EQUIPMENT (Including Hearing Aids)	
HOSPITALIZATION	
Inpatient	
Outpatient Surgery	
CHIROPRACTIC CARE	
ACUPUNCTURE	
DIAGNOSTIC X-RAY & LAB	
MRI, CT scan, PET scan & nuclear cardiac scan	
All other X-ray & Laboratory Tests	
EMERGENCY	
Emergency Room Visit	
Urgent Care Visit	
PRESCRIPTION DRUGS	
Generic	
Brand Name Formulary	
Brand Name Non-Formulary	
Self-administered injectable drugs, except insulin	

Enrollment provided by Anthem Blue Cross

Actives

RATE SUMMARY

	HMO	
Employee Only	92	\$515.31
Employee Plus One	51	\$994.43
Employee Plus Family	67	\$1,416.93
ESTIMATED MONTHLY PREMIUM:	210	\$193,059
ESTIMATED ANNUAL PREMIUM:	210	\$2,316,705

\$ Difference from Current

% Difference from Current

CURRENT

\$15/\$30 OV - 250 per Admit IP Hospital

ANTHEM BLUE CROSS	
Classic HMO 15/30/250A/125 OP with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded	
HMO	
Brand-Name Rx \$200 deductible per member; Up to maximum of three separate deductible per family.	
	None
	None
	\$2,000
	\$4,000
	Unlimited
	\$15 Copay
	\$30 Copay
	No Charge
	No Charge
	No Charge
	20%
	\$250 Copay per Admit
	\$125 Copay per Admit
	\$15 Copay per Visit; limited to a 60-day period of care after an illness or injury
	\$15 Copay
	\$100 Copay
	No Charge
	Waived if Admitted
	\$150 copay
	\$15 Copay/\$30 Copay (out of service area)
	30 Day Supply/Mail Order 2X 90 Days
	\$10 Copay
	\$20 Copay after deductible
	\$40 Copay after deductible
	30% up to a maximum of \$150 Copay

ANTHEM BLUE CROSS

Classic HMO 15/30/250A/125 OP with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded

Full Network w/ABC's & DME**Renewal**

\$20/\$20 OV - \$200 per Admit IP Hospital

ANTHEM BLUE CROSS	
Premier HMO 20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded	
HMO	
Brand-Name Rx \$250 deductible per member; Up to maximum of three separate deductible per family.	
	None
	None
	\$1,500
	\$3,000
	Unlimited
	\$20 Copay
	\$20 Copay
	No Charge
	No Charge
	No Charge
	20%
	(Excludes Hearing Aids)
	\$200 Copay per Admit
	\$100 Copay per Admit
	\$20 Copay per Visit; limited to a 60-day period of care after an illness or injury
	\$20 Copay
	\$100 Copay
	No Charge
	Waived if Admitted
	\$100 Copay
	\$20 Copay/\$20 Copay (out of service area)
	30 Day Supply/Mail Order 2X 90 Days
	\$10 Copay
	\$25 Copay after deductible
	\$50 Copay after deductible
	30% up to a maximum of \$150 Copay

ANTHEM BLUE CROSS

Premier HMO 20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded

	\$550.95
	\$1,063.61
	\$1,515.58
	\$206,475

\$2,477,704

\$160,999

6.9%

ANTHEM BLUE CROSS PPO OPTIONS BENEFIT AND RENEWAL RATE COMPARISON

January, 2013

PPO BENEFIT HIGHLIGHTS

CALENDAR YEAR DEDUCTIBLE
Individual
Family
CALENDAR YEAR COPAY MAXIMUM
Individual
Family
LIFETIME MAXIMUM
PROFESSIONAL SERVICES
Primary Care Physician
Specialist
Routine Physical Exams
Well-Baby & Well-Child Care
Well-Woman Exams
DURABLE MEDICAL EQUIPMENT (Including Hearing Aids)
HOSPITALIZATION
Inpatient
Outpatient Surgery
CHIROPRACTIC CARE
ACUPUNCTURE
DIAGNOSTIC X-RAY & LAB
MRI, CT scan, PET scan & nuclear cardiac
All other X-ray & Laboratory Tests
EMERGENCY
Emergency Room Visit
Urgent Care Visit
PRESCRIPTION DRUGS
Generic
Brand Name Formulary
Brand Name Non-Formulary
Self-administered injectable drugs, except

Enrollment provided by Anthem Blue Cross

RATE SUMMARY

Employee Only
Employee Plus One
Employee Plus Family
ESTIMATED MONTHLY PREMIUM:
ESTIMATED ANNUAL PREMIUM:

\$ Difference from Current

% Difference from Current

CURRENT

\$20/\$20 OV - \$250/\$750 / \$750/\$2,250 deductible - 80/60

ANTHEM BLUE CROSS	
Premier PPO 250/20/20 with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded	
In Network	Out of Network (UCR)
Brand-Name Rx \$200 deductible per member; Up to maximum of three separate deductible per family.	
Individual	\$250
Family	\$750
	\$2,250
\$3,000	\$6,000
\$6,000	\$12,000
Unlimited	
\$20 Copay	40% after deductible
\$20 Copay	40% after deductible
No Charge	Not Covered
No Charge	40% after deductible
No Charge	40% after deductible
20% after deductible	40% after deductible
\$250 deductible per admission then 20% after deductible	\$750 deductible per admission then 40% after deductible
\$250 deductible per admission then 20% after deductible	\$750 deductible per admission then 40% after deductible; limited to \$350 per day
20% after deductible	40% after deductible; limited to \$25 per visit
limited to 24 visits per calendar year	
20% after deductible	40% after deductible
limited to \$30 per visit & 12 visits per calendar year	
20% after deductible	40% after deductible
20% after deductible	40% after deductible
\$100 deductible Waived If Admitted	
20% after \$100	20% after \$100
\$20 Copay	40% after deductible
30 Day Supply/Mail Order 2X 90 Days	
\$10 Copay	copay plus 50% of the limited fee schedule plus any amounts exceeding the fee schedule
\$20 copay after ded	
\$40 copay after ded	
30% up to a maximum of \$150 Copay	
ANTHEM BLUE CROSS	
Premier PPO 250/20/20 with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded	
Active	
PPO	
70	\$792.43
32	\$1,228.28
21	\$1,624.43
123	\$128,887
123	\$1,546,649

w/ABC's Plan Changes & w/DME Renewal

\$20/\$20 OV - \$250/\$750 deductible - 80/60

ANTHEM BLUE CROSS	
Classic PPO 250/20/20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded	
In Network	Out of Network (MAA)
Brand-Name Rx \$250 deductible per member; Up to maximum of three separate deductible per family.	
Individual	\$250
Family	\$750
\$2,000	\$6,000
\$4,000	\$12,000
Unlimited	
\$20 Copay	40% after deductible
\$20 Copay	40% after deductible
No Charge	Not Covered
No Charge	40% after deductible
No Charge	40% after deductible
20% after deductible (Excludes Hearing Aids)	40% after deductible (Excludes Hearing Aids)
20% after deductible	\$500 deductible per admission then 40% after deductible
20% after deductible	\$500 deductible per admission then 40% after deductible
20% after deductible	40% after deductible; limited to \$25 per visit
limited to 24 visits per calendar year	
20% after deductible	40% after deductible
limited to \$30 per visit & 12 visits per calendar year	
20% after deductible	40% after deductible
20% after deductible	40% after deductible
\$150 deductible Waived If Admitted	
20% after \$150	20% after \$150
\$20 Copay	40% after deductible
30 Day Supply/Mail Order 2X 90 Days	
\$10 Copay	copay plus 50% of the limited fee schedule plus any amounts exceeding the fee schedule
\$25 copay after ded	
\$50 copay after ded	
30% up to a maximum of \$150 Copay	
ANTHEM BLUE CROSS	
Classic PPO 250/20/20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded	
	\$881.15
	\$1,367.19
	\$1,808.73
	\$143,414
	\$1,720,967
	\$174,318
	11.3%



AIRPORT AUTHORITY RENEWAL OF THE EMPLOYEE BENEFIT PROGRAM FOR 2013

Presented by:

Jeff Lindeman; Senior Director,
Organizational Performance & Development

Tony Russell; Director,
Corporate Services/Authority Clerk

September 27, 2012

San Diego
International Airport

Mastering the Art of Airports

Employee Benefits Task Force (EBTF) Chartered

2

Purpose:

Identify a way forward with offering employees benefits that provide quality care at a sustainable price. The program should also be able to support the Authority in attracting and retaining the best and brightest employees. The budgetary commitment is that employee benefits cost would be within budget in FY2013.

Retirement Project Update

3

- Focus of this project is on retirement programs – retiree healthcare program addressed in 2008/2009
- Task Force has met on multiple occasions over last several months to:
 - ▣ Receive overview of retirement plans (conducted by Aon/Hewitt)
 - Defined Benefit Plans
 - Defined Contribution Plans
 - ▣ Become educated on current plan provisions (conducted by SDCERS)
 - Plan benefits
 - Plan funding
 - ▣ Understand fiscal impact on Authority budget (conducted by Scott Brickner)
 - FY 13 Budget and FY 14 Conceptual Budget costs
 - Authority's Plan of Finance

Retirement Project Update

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- Future meetings scheduled to:
 - ▣ Receive presentation on Total Rewards Strategy (presented by Barney & Barney)
 - Understand impact to recruitment and retention, both current and future
 - ▣ Understand impact of CA Assembly Bill 340 on the work being done by the Task Force
 - ▣ Workshops to evaluate, consider, and select option(s) for management consideration (facilitated by Aon/Hewitt)
 - ▣ Task Force to make recommendations to Executive Team February/March 2013

Retirement Project Update

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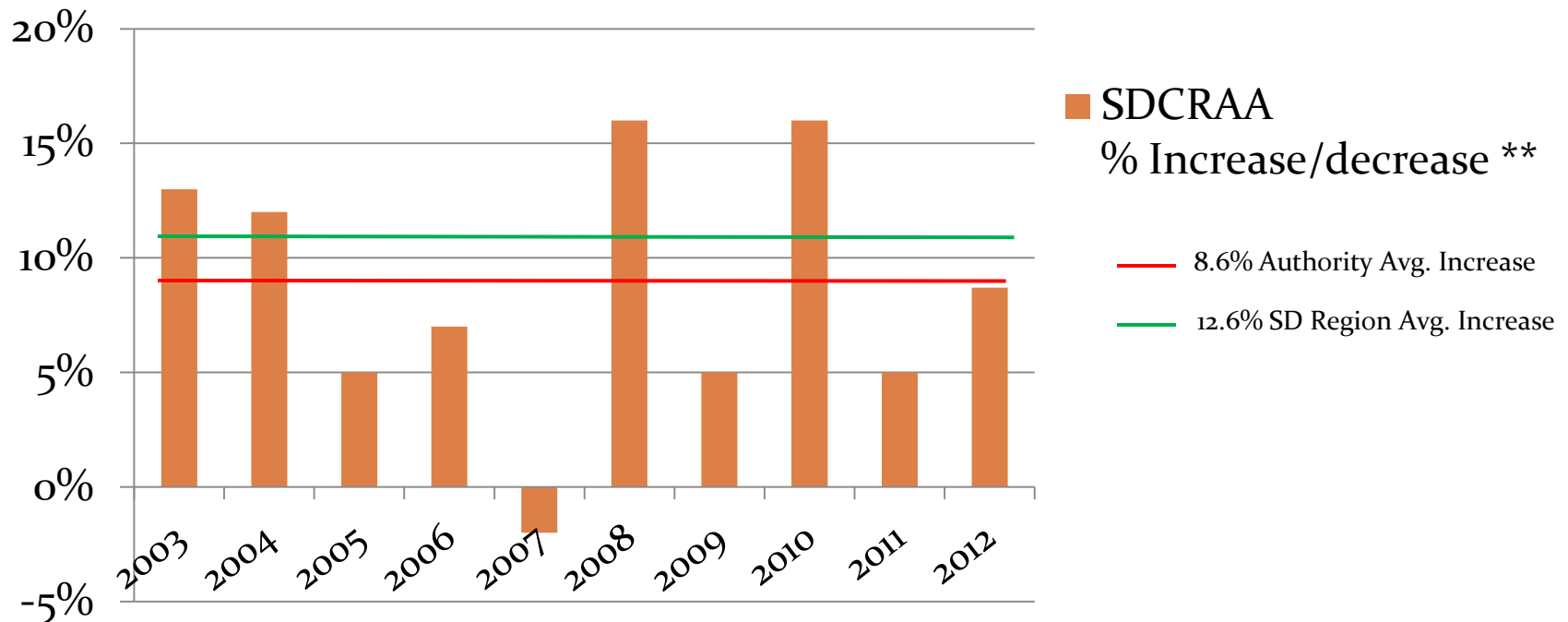
- Board and Management Consideration
 - ▣ Management will receive Employee Benefits Task Force Recommendations in February/March
 - ▣ Management will then be able to consider and discuss options, as well as management recommendations, with the Board
- Current contractual obligations remain intact through September 2013

Airport Authority Medical Plan Historical

6

SDCRAA

% Increase/decrease **



Renewal Process

7

- **Marketing analysis conducted by Alliant**
- **Carrier proposals illustrated along with renewal options**
 - Seven (7) medical carrier quotes were requested – three (3) received to include current carrier, Anthem Blue Cross
 - Six (6) dental carrier quotes were requested/received – including current carrier, Delta Dental (rate pass for 2013)
 - Two (2) vision plan carrier quotes requested/received-including current carrier VSP (current rate guarantee through 2016)
 - Six (6) carrier quotes were requested – Five (5) were received for Short Term Disability; Long Term Disability; Accidental Death & Dismemberment; and Basic Life Insurance policies and were competitively bid – The Hartford most competitive
- **Plan design change options considered**

Negotiated Renewal

8

Anthem Blue Cross

	Gross Annual Premiums	Gross % Increase	FY' 13 Budgeted Increase
Current	\$3,863,355	-	14 ⁰ %
Original Renewal	\$4,476,945	15.9% increase from current	
Negotiated Renewal	\$4,244,485	9.87%	

Note: Gross Premiums includes employee cost

Task Force Composition and Meetings

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- EBTF chartered in April 2011 consisting of:
 - ▣ 14 voting team members; 3 support team members; and 1 Executive Team Sponsor;
- Initial focus on health/welfare plan renewals
- Met on 8 occasions over 3 months to:
 - ▣ Receive presentations from Authority's consultants (Alliant Insurance) to:
 - Educate members on market conditions,
 - Review health care reform factors,
 - Available health plans
 - ▣ Evaluate options
 - ▣ Develop recommendations to Executive Team
- Culminating in today's presentation

Team Members' Consideration(s)

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- ▣ Quality, depth, and breadth of coverage
- ▣ Satisfied with Anthem Blue Cross as a provider which has been validated through Employee Opinion Survey
- ▣ Market factors (e.g., solicit other bids, etc)
- ▣ Cost: both Authority and individual premiums as well as co-pay/deductible, etc.
- ▣ Positioning the Authority for future years' renewal and anticipated changes
- ▣ Educate employees about anticipated changes in future years

Options/Strategy

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▣ Options explored

- HMO Narrow Network (excluding Scripps),
- Anthem Benefit Changes (ABC's),
- Sharp Health Plan HMO/POS,
- Cigna Health Plan
- Bundled (medical + dental) Rates

▣ Strategy

- Educate employees
- 2012 Plan design changes (not required by budget)
- Sync up with contractual and federal/state obligations

Summary of Current Plan Recommendations

12

- Continue to offer the following plan with no cost change for 2013:
 - ▣ Anthem Health Rewards
- Continue to offer Health Risk Assessment and incentives as a means to increase employee health and reduce healthcare costs
- Effective January 1, 2013, the health care reform law caps annual FSA contributions at \$2,500 per year

Recommendations For HMO Medical Plan Renewal

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<u>HMO</u>	<u>Current</u>	<u>Option 1</u>
CALENDAR YEAR COPAY MAX. PER INDIVIDUAL	\$2,000	\$1,500
Primary Care Physician	\$15 Copay	\$20 Copay
HOSPITALIZATION		
Inpatient	\$250 Copay per Admit	\$200 Copay per Admit
Outpatient Surgery	\$125 Copay per Admit	\$100 Copay per Admit
CHIROPRACTIC CARE	\$15 Copay	\$20 Copay
ACUPUNCTURE	\$15 Copay	\$20 Copay
EMERGENCY	Waived if Admitted	Waived if Admitted
Emergency Room Visit	\$150 copay	\$100 Copay
Urgent Care Visit	\$15 Copay/ \$30 Copay (out of service area)	\$20 Copay/\$20 Copay (out of service area)
PRESCRIPTION DRUGS	Brand-Name Rx \$200 deductible per member	Brand-Name Rx \$250 deductible per member
Generic	\$10 Copay	\$10 Copay
Brand Name Formulary	\$20 Copay after deductible	\$25 Copay after deductible
Brand Name Non-Formulary	\$40 Copay after deductible	\$50 Copay after deductible

Recommendations For PPO Medical Plan Renewal

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<u>PPO</u>	<u>Current</u>		<u>Option 1</u>	
Individual-Calendar Yr. Deductible	\$250	\$750	\$250	
Individual-Calendar Yr. CoPay Max.	\$3,000	\$6,000	\$2,000	\$6,000
HOSPITALIZATION				
Inpatient-Per Admission	\$250 then 20% after deductible	\$750 then 40% after deductible	20% after deductible	\$500 then 40% after deductible
Outpatient Surgery-Per Admission	\$250 deductible per admission + 20% after deductible	\$750 deductible per admission + 40% after deductible	20% after deductible	\$500 deductible per admission + 40% after deductible
EMERGENCY				
Emergency Room Visit (admitted)	20% after \$100	20% after \$100	20% after \$150	20% after \$150
Urgent Care Visit	\$20 Copay	40% after deductible	\$20 Copay	40% after deductible
PRESCRIPTION DRUGS (Same as HMO above)				

Medical ONLY

Net Cost of Recommendations

15

	Authority Net Cost	Authority Net \$ Diff. from Current	Authority Net % Diff. from Current
CURRENT	\$3,235,539	n/a	n/a
STAFF RECOMMENDATION	\$3,519,306	\$283,767	8.77%

Note: Net Cost excludes employee share

Dental and Vision Plan Recommendations

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Delta Dental

	GROSS Annual Cost	\$ Difference from Current	% Difference from Current
Current	\$353,736	\$13,814	
Original Renewal	\$367,550		3.8%
Negotiated Renewal	\$353,736		0%

Vision Service Plan (VSP)

The Vision plan is currently in a multi-year rate guarantee until January 1, 2016.

Basic Term Life/AD&D

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The Hartford- Basic Life/AD&D

	Annual Cost	\$ Difference from Current	% Difference from Current
Current	\$48,187	\$40,773	84.6%
Renewal	\$88,960		

Note: Several claims on all lines of coverage plus a change in demographics led to the increase.

Short Term Disability and Health Advocate

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The Hartford- Short Term Disability

	Net Annual Cost	\$ Difference from Current	% Difference from Current
Current	\$106,516	(\$10,214)	-9.6%
Renewal	\$96,302		

Health Advocate

The Health Advocate plan received an increase of \$.05 PEPM from \$1.93 PEPM to \$1.98 PEPM for 12 months until January 1, 2014.

ALL Benefits

Net Cost of Recommendation

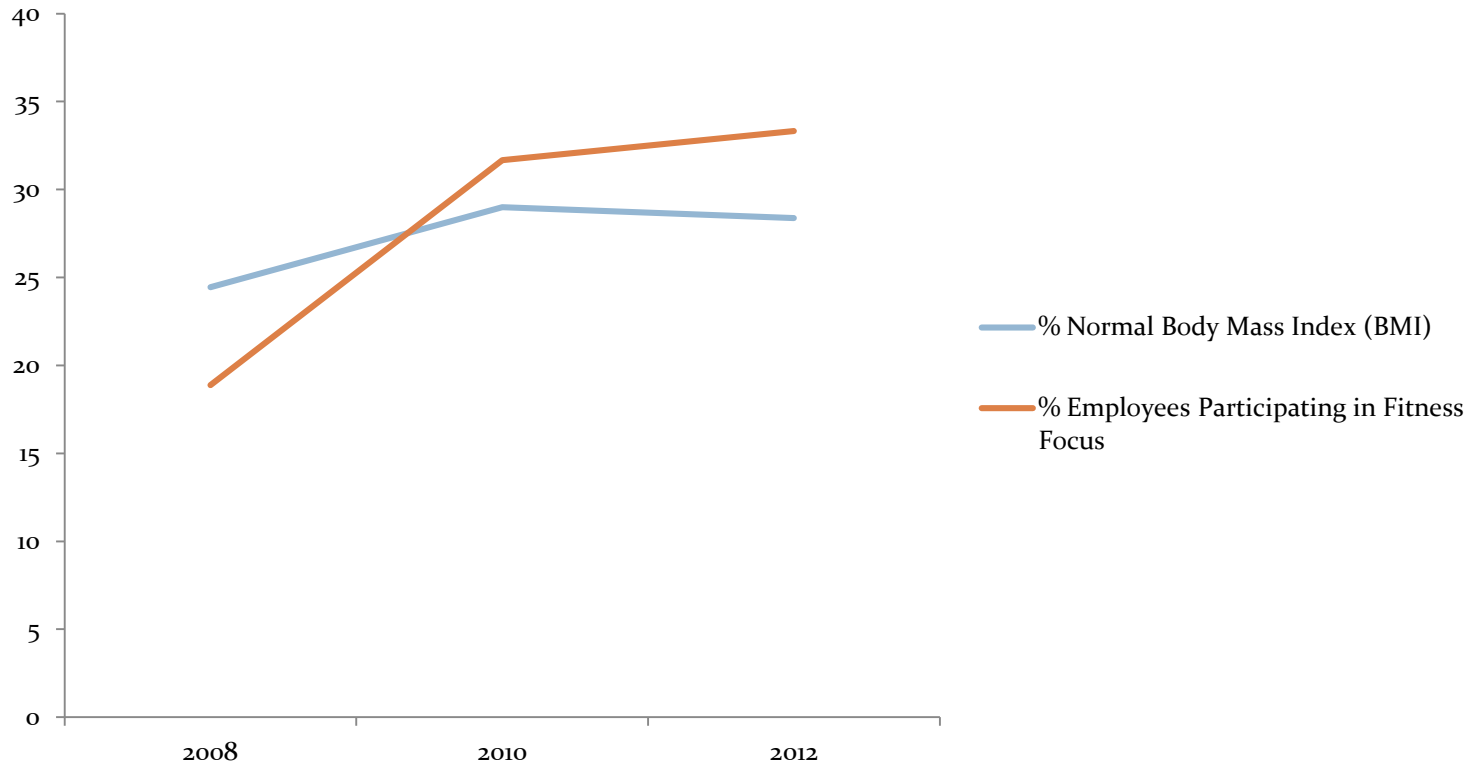
19

	Authority Net Cost	Authority \$ Diff. from Current	Authority % Diff. from Current
CURRENT	\$3,568,447	n/a	n/a
STAFF RECOMMENDATION	\$4,131,382	\$313,826	8.22%

Note: Net Cost excludes employee share.
Includes medical, Anthem Health Rewards, dental, vision credit, basic life/AD&D, short term disability, wellness screenings and employee wellness incentive.

Wellness Value Added

20



EBTF Recommended Considerations for the Future

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- Review Sharp Health Plan HMO/POS
- Changes to medical PPO cost sharing
- Medical HMO provider network change to narrow network (e.g., excluding Scripps)
- 2013 Employee communication regarding anticipated health care options/costs for 2014 plan year
- Align actions with contractual and federal/state obligations
- Sustainable contribution strategy

Questions?