



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT**

Item No.

17

Meeting Date: **OCTOBER 6, 2011**

Subject:

Renewal of the Employee Benefit Program(s) for 2012

Recommendation:

The Executive Personnel and Compensation Committee recommends that the Board adopt Resolution No. 2011-0125, approving the renewal of the Employee Benefit Program(s) for 2012.

Background/Justification:

On September 26, 2011, the Executive Personnel and Compensation Committee received a presentation on the proposed renewal of the employee benefit program for 2012. The Executive Personnel and Compensation Committee listened to the presentation, Committee and Board members made inquiries as to: the competitiveness of the plan's costs and components; market factors; as well as the quality of the programs being offered. After careful consideration and evaluation, the Executive Personnel and Compensation Committee decided to unanimously recommend the renewal of the employee benefits program with the corresponding Authority 7.6% cost increase for 2012.

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 support 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 8 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 2012 employee benefits renewal, the President/CEO 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 2011's costs.

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Over a four month period of time, the 14 employee members of the team were educated by the Authority's consultant, 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 and, as appropriate, considered other plans. 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 7.6% over existing rates for 2012 (\$4,003,718) as compared to 2011 costs (\$3,719,700). For all of calendar year 2012, \$4,356,900 had been allocated for benefits in the FY 2012 approved and FY 2013 conceptual budgets.

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

Coverage	Recommended Carrier	2012 Budgeted Cost	Estimated Authority Cost of Recommendation
Health	Anthem Blue Cross	\$1,927,028	\$1,699,544
Dental	Delta Dental	\$156,201	\$145,674
Vision	Vision Service Plan	\$18,110	\$18,110
ST Disability & AD & D	The Hartford	\$165,360	\$52,924
Basic Life	The Hartford	\$31,860	\$24,722
Health Screenings	Various (biometric health screenings, incentives, etc.)	\$90,500	\$87,670* (net - incl. Anthem credit)

In some cases above, the recommendation includes plan design changes (see Attachment A – Healthcare and Attachment B – Dental and Vision)

To further support and build upon the Airport Authority's successes in employee wellness, Alliant Insurance Services has negotiated a \$5,000 credit from Anthem Blue Cross to offset the cost of the annual employee biometric health screenings. To enable the Authority to take advantage of further wellness affects, and reduce premium increases on its health insurance, staff is recommending that the Airport Authority redirect some of the \$216,801 annual healthcare premium savings and to offer the Anthem Healthy Rewards program to employees at a cost of approximately \$32,352. This reduces the savings achieved by our Task Force's and consultant's efforts to a net savings on healthcare of \$184,449. 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 employees and their eligible dependents, we have a gap in the programs that we are able to address through the Healthy Rewards program. This allows the organization to continue, and expand upon, the positive business effects of existing wellness initiatives (e.g., \$1.2 million in insurance premium savings in three years; moving 10% of the Authority's staff into lower risk categories for chronic disease; etc.).

In addition, at no cost to the organization (100% employee paid), staff is recommending that the Authority offer group discounted home and auto life insurance policies from Liberty Mutual to employees. This was identified as a gap in our current portfolio of offerings and the Authority worked with our consultants at Alliant Insurance Services to identify and secure a provider for consideration. This proposed coverage is voluntary and employees will be able to, if interested, evaluate their existing policies against quoted offerings from Liberty Mutual to select the appropriate type and level of coverage.

Liberty Mutual was selected as the provider based upon the Airport Authority's demand for quality products and high service expectations (employee benefits are the number 1 rated item in the Authority's employee opinion survey). The Authority's Consultant, Alliant Insurance Services, evaluated the carriers and products on the market and matched Liberty Mutual with the Authority through an evaluative screening process, congruent with the Authority's standards. Liberty Mutual is the 5th largest property and casualty insurer, a Fortune 100 corporation doing business in all 50 U.S. states, and has a call center certified by J.D. Powers & Associates. Currently, 98% of Liberty Mutual's policyholders intend on repurchasing, 97% of policyholders would recommend Liberty Mutual to a friend, and policy holders rate Liberty Mutual at a 90% level of satisfaction.

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.

Fiscal Impact:

Adequate funds for the 2012 calendar year renewals are available in the Benefits and Human Resources line items of the FY 2012 Operating Budget for the employee benefit renewal cost of \$2,043,194.

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:

- A. 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.
- B. 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
DIRECTOR, HUMAN RESOURCES

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
ANTHEM BLUE CROSS HMO OPTIONS BENEFIT AND RENEWAL RATE COMPARISON
 January, 2012

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	
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

RATE SUMMARY

	90	48	61	199
Employee Only	\$467.32	\$467.32	\$0.00	
Employee Plus One	\$901.81	\$706.29	\$195.52	
Employee Plus Family	\$1,284.97	\$917.03	\$367.94	
ESTIMATED MONTHLY PREMIUM:		\$163,729		
ESTIMATED ANNUAL PREMIUM:		\$1,964,746		

\$ Difference from Current
 % Difference from Current
 \$ Difference from Renewal

CURRENT			
\$15/\$15 OV - No Charge IP Hospital			
ANTHEM BLUE CROSS			
Premier HMO 15 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.			
Individual	None		
Family	None		
Individual	\$1,500		
Family	\$3,000		
	Unlimited		
Primary Care Physician	\$15 Copay		
Specialist	\$15 Copay		
Routine Physical Exams	No Charge		
Well-Baby & Well-Child Care	No Charge		
Well-Woman Exams	No Charge		
Inpatient	No Charge		
Outpatient Surgery	No Charge		
\$15 Copay per Visit; limited to a 60-day period of care after an illness or injury			
	\$15 Copay		
MRI, CT scan, PET scan & nuclear cardiac scan	\$100 Copay		
All other X-ray & Laboratory Tests	No Charge		
Emergency Room Visit	Waived if Admitted		
Urgent Care Visit	\$100 Copay		
\$15 Copay/\$15 Copay (out of service area)			
30 Day Supply/Mail Order 2X 90 Days			
Generic	\$10 Copay		
Brand Name Formulary	\$20 Copay after deductible		
Brand Name Non-Formulary	\$40 Copay after deductible		
Self-administered injectable drugs, except insulin	30% up to a maximum of \$150 Copay		

ANTHEM BLUE CROSS			
Premier HMO 15 with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded			
HMO			
	Rates	ER Cost	EE Cost
90	\$467.32	\$467.32	\$0.00
48	\$901.81	\$706.29	\$195.52
61	\$1,284.97	\$917.03	\$367.94
199		\$163,729	
199		\$1,964,746	

	Total	Authority	Employee
ER Cost vs. EE Cost	\$163,729	\$131,899	\$31,829
Annual Premium	\$1,964,746	\$1,582,792	\$381,954

RENEWAL			
\$15/\$15 OV - No Charge IP Hospital			
ANTHEM BLUE CROSS			
Premier HMO 15 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.			
Individual	None		
Family	None		
Individual	\$1,500		
Family	\$3,000		
	Unlimited		
Primary Care Physician	\$15 Copay		
Specialist	\$15 Copay		
Routine Physical Exams	No Charge		
Well-Baby & Well-Child Care	No Charge		
Well-Woman Exams	No Charge		
Inpatient	No Charge		
Outpatient Surgery	No Charge		
\$15 Copay per Visit; limited to a 60-day period of care after an illness or injury			
	\$15 Copay		
MRI, CT scan, PET scan & nuclear cardiac scan	\$100 Copay		
All other X-ray & Laboratory Tests	No Charge		
Emergency Room Visit	Waived if Admitted		
Urgent Care Visit	\$100 Copay		
\$15 Copay/\$15 Copay (out of service area)			
30 Day Supply/Mail Order 2X 90 Days			
Generic	\$10 Copay		
Brand Name Formulary	\$20 Copay after deductible		
Brand Name Non-Formulary	\$40 Copay after deductible		
Self-administered injectable drugs, except insulin	30% up to a maximum of \$150 Copay		

ANTHEM BLUE CROSS			
Premier HMO 15 with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded			
HMO			
	Rates	ER Cost	EE Cost
90	\$518.68	\$518.68	\$0.00
48	\$1,000.93	\$783.92	\$217.01
61	\$1,426.19	\$1,017.81	\$408.38
199		\$181,723	
199		\$2,180,681	

	Total	Authority	Employee
ER Cost vs. EE Cost	\$181,723	\$146,396	\$35,328
Annual Premium	\$2,180,681	\$1,756,748	\$423,933

STAFF'S RECOMMENDATION			
\$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.			
Individual	None		
Family	None		
Individual	\$2,000		
Family	\$4,000		
	Unlimited		
Primary Care Physician	\$15 Copay		
Specialist	\$30 Copay		
Routine Physical Exams	No Charge		
Well-Baby & Well-Child Care	No Charge		
Well-Woman Exams	No Charge		
Inpatient	\$250 Copay per Admit		
Outpatient Surgery	\$125 Copay per Admit		
\$15 Copay per Visit; limited to a 60-day period of care after an illness or injury			
	\$15 Copay		
MRI, CT scan, PET scan & nuclear cardiac scan	\$100 Copay		
All other X-ray & Laboratory Tests	No Charge		
Emergency Room Visit	Waived if Admitted		
Urgent Care Visit	\$150 Copay		
\$15 Copay/\$30 Copay (out of service area)			
30 Day Supply/Mail Order 2X 90 Days			
Generic	\$10 Copay		
Brand Name Formulary	\$20 Copay after deductible		
Brand Name Non-Formulary	\$40 Copay after deductible		
Self-administered injectable drugs, except insulin	30% up to a maximum of \$150 Copay		

ANTHEM BLUE CROSS			
Classic HMO 15/30/250A/125OP with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded			
HMO			
	Rates	ER Cost	EE Cost
90	\$515.31	\$515.31	\$0.00
48	\$994.43	\$778.83	\$215.60
61	\$1,416.93	\$1,011.20	\$405.73
199		\$180,543	
199		\$2,166,519	

	Total	Authority	Employee
ER Cost vs. EE Cost	\$180,543	\$145,445	\$35,098
Annual Premium	\$2,166,519	\$1,745,338	\$421,182

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
ANTHEM BLUE CROSS PPO OPTIONS BENEFIT AND RENEWAL RATE COMPARISON
 January, 2012

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
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

CURRENT
 \$15/\$15 OV - \$250/\$750 deductible - 90/70

ANTHEM BLUE CROSS	
Premier PPO 250/15/10 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.	\$250
	\$750
Individual	\$2,000
Family	\$4,000
	Unlimited
\$15 Copay	30% after deductible
\$15 Copay	30% after deductible
No Charge	Not Covered
No Charge	30% after deductible
No Charge	30% after deductible
10% after deductible	\$500 deductible per admission then 30% after deductible
10% after deductible	\$500 deductible per admission then 30% after deductible; limited to \$350 per day
10% after deductible	30% after deductible; limited to \$25 per visit limited to 24 visits per calendar year
10% after deductible	30% after deductible limited to \$30 per visit & 12 visits per calendar year
10% after deductible	30% after deductible
10% after deductible	30% after deductible
\$100 deductible Waived if Admitted	
10% after \$100	10% after \$100
\$15 Copay	30% 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	

RENEWAL
 \$15/\$15 OV - \$250/\$750 deductible - 90/70

ANTHEM BLUE CROSS	
Premier PPO 250/15/10 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.	\$250
	\$750
Individual	\$2,000
Family	\$4,000
	Unlimited
\$15 Copay	30% after deductible
\$15 Copay	30% after deductible
No Charge	Not Covered
No Charge	30% after deductible
No Charge	30% after deductible
10% after deductible	\$500 deductible per admission then 30% after deductible
10% after deductible	\$500 deductible per admission then 30% after deductible; limited to \$350 per day
10% after deductible	30% after deductible; limited to \$25 per visit limited to 24 visits per calendar year
10% after deductible	30% after deductible limited to \$30 per visit & 12 visits per calendar year
10% after deductible	30% after deductible
10% after deductible	30% after deductible
\$100 deductible Waived if Admitted	
10% after \$100	10% after \$100
\$15 Copay	30% 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	

STAFF'S RECOMMENDATION
 \$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.	\$250
	\$750
Individual	\$3,000
Family	\$6,000
	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
\$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	

Enrollment provided by Anthem Blue Cross

Active

Active

Active

RATE SUMMARY

PPO	Rates	ER Cost	EE Cost
72	\$747.68	\$747.68	\$0.00
35	\$1,158.89	\$973.85	\$185.04
31	\$1,532.88	\$1,179.43	\$353.25
138		\$141,907	

PPO	Rates	ER Cost	EE Cost
72	\$829.63	\$829.63	\$0.00
35	\$1,285.91	\$1,080.58	\$205.33
31	\$1,700.68	\$1,308.71	\$391.97
138		\$157,461	

PPO	Rates	ER Cost	EE Cost
72	\$792.43	\$792.43	\$0.00
35	\$1,228.26	\$1,032.14	\$196.12
31	\$1,624.43	\$1,250.03	\$374.40
138		\$150,401	

PPO	Rates	ER Cost	EE Cost
72	\$792.43	\$792.43	\$0.00
35	\$1,228.26	\$1,032.14	\$196.12
31	\$1,624.43	\$1,250.03	\$374.40
138		\$150,401	

ESTIMATED ANNUAL PREMIUM:	138	\$1,702,886
\$ Difference from Current		
% Difference from Current		
\$ Difference from Renewal		

	138	\$1,889,535
		\$186,649
		11.0%

	138	\$1,804,817
		\$101,930
		6.0%
		-\$84,719

Employer Cost vs. Employee Cost	Total	Authority	Employee	Total	Authority	Employee	Total	Authority	Employee
Annual Premium	\$141,907	\$124,480	\$17,427	\$157,461	\$138,124	\$19,338	\$150,401	\$131,931	\$18,471
	\$1,702,886	\$1,493,759	\$209,128	\$1,889,535	\$1,657,485	\$232,051	\$1,804,817	\$1,583,168	\$221,649

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

VOLUNTARY VISION PLAN BENEFIT AND RENEWAL RATE COMPARISON

January, 2012

BENEFIT HIGHLIGHTS

COPAYMENT
Exams
Materials
EXAM SCHEDULE
Exam Allowance
LENS SCHEDULE
Single Vision Allowance
Bifocal Allowance
Trifocal Allowance
FRAME SCHEDULE
Frame Allowance
CONTACT LENSES
Elective Allowance
RATE GUARANTEE

Enrollment count provided by VSP

RATE SUMMARY

Employee Only	119
Employee Plus One	66
Employee Plus Family	33
ESTIMATED MONTHLY PREMIUM:	218

ESTIMATED ANNUAL PREMIUM:	218
\$ Difference from Current	
% Difference from Current	
\$ Difference from Renewal	

CURRENT

VISION SERVICE PLAN Choice Plan C (12/12/12)	
In Network	Out of Network
\$10 Copay	
Not Applicable	
Every 12 Months	
No Charge	Up to \$43
Every 12 Months	
No Charge	Up to \$26
No Charge	Up to \$43
No Charge	Up to \$60
Every 12 Months	
Up to \$130	Up to \$40
Every 12 Months	
In Lieu of Frames and Lenses	
Up to \$130	Up to \$100
Within a multi year rate guarantee until January 1, 2012	

VISION SERVICE PLAN Choice Plan C (12/12/12)	
EE's	
119	\$11.69
66	\$18.16
33	\$28.81
218	\$3,540

218	\$42,485
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RENEWAL

VISION SERVICE PLAN Choice Plan C (12/12/12)	
In Network	Out of Network
\$10 Copay	
Not Applicable	
Every 12 Months	
No Charge	Up to \$45
Every 12 Months	
No Charge	Up to \$30
No Charge	Up to \$50
No Charge	Up to \$65
Every 12 Months	
Up to \$130	Up to \$70
Every 12 Months	
In Lieu of Frames and Lenses	
Up to \$130	Up to \$105
Four Years until January 1, 2016	

VISION SERVICE PLAN Choice Plan C (12/12/12)	
EE's	
119	\$13.36
66	\$20.76
33	\$32.93
218	\$4,047

218	\$48,560
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	\$6,075
	14.3%

Staff's Recommendation

VISION SERVICE PLAN Choice Plan C (12/12/12)	
In Network	Out of Network
\$20 Copay	
Not Applicable	
Every 12 Months	
No Charge	Up to \$45
Every 12 Months	
No Charge	Up to \$30
No Charge	Up to \$50
No Charge	Up to \$65
Every 12 Months	
Up to \$130	Up to \$70
Every 12 Months	
In Lieu of Frames and Lenses	
Up to \$130	Up to \$105
Two Years until January 1, 2014	

VISION SERVICE PLAN Choice Plan C (12/12/12)	
EE's	
119	\$10.42
66	\$16.19
33	\$25.67
218	\$3,156

218	\$37,868
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	-\$4,617
	-10.9%
	-\$10,693

000197

RESOLUTION NO. 2011-0125

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY, APPROVING THE RENEWAL OF THE
EMPLOYEE BENEFIT PROGRAM(S) FOR 2012

WHEREAS, the San Diego County Regional Airport Authority ("Authority") now provides a health and welfare benefits program for Authority employees; and

WHEREAS, the Authority intends to renew the benefits program(s); and

WHEREAS, in order to assist the Board with evaluating options during the renewal process, staff, through the Authority's broker of record, Alliant Insurance Services, has evaluated the competitive marketplace and obtained bids from insurance carriers as well as benefit providers and carefully analyzed same; and

WHEREAS, the Board has also determined that investing in various wellness initiatives has the impact of reducing future plan costs and wishes to continue to support such programs; and

WHEREAS, the Board considered the information provided by staff, reviewed and discussed the various options to provide a comprehensive and competitive benefits program to Authority employees.

NOW, THEREFORE, BE IT RESOLVED that the Board approves the renewal of the employee benefit program(s) for 2012.

BE IT FURTHER RESOLVED that the San Diego County Regional Airport Authority Board of Directors approves staff's request to maintain all current providers: Anthem Blue Cross; Delta Dental; Vision Service Plan; and The Hartford as they are all competitive; and

BE IT FURTHER RESOLVED that the Board further approves staff's request to maintain current Health Risk Assessment programs and incentives in order to maintain the organization's focus on employee health and wellness as cost containment and workforce productivity initiatives; and

BE IT FURTHER RESOLVED that the Board wishes to expand the cost saving benefits of the organization's wellness initiatives through offering the Anthem Healthy Rewards program to employees and eligible dependents; and

BE IT FURTHER RESOLVED that this Board action is not a project as defined by the California Environmental Quality Act (CEQA) Pub. Res. Code Section 21065 and is not a "development" as defined by the California Coastal Act, Pub. Res. Code Section 30106.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 6th day of October, 2011, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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Airport Authority 2012 Employee Benefits Renewal

Presented by:

Jeff Lindeman; Director, Human Resources

Paul LaBounty; Vice President, Alliant Insurance
Services

October 6, 2011

Agenda

- Historical perspective
- 2012 Renewal Strategy
- Benchmark Data
- Recommendations for 2012
- Future considerations
- Request Approval of Staff's Recommendations by Executive Personnel & Compensation Committee
- Questions



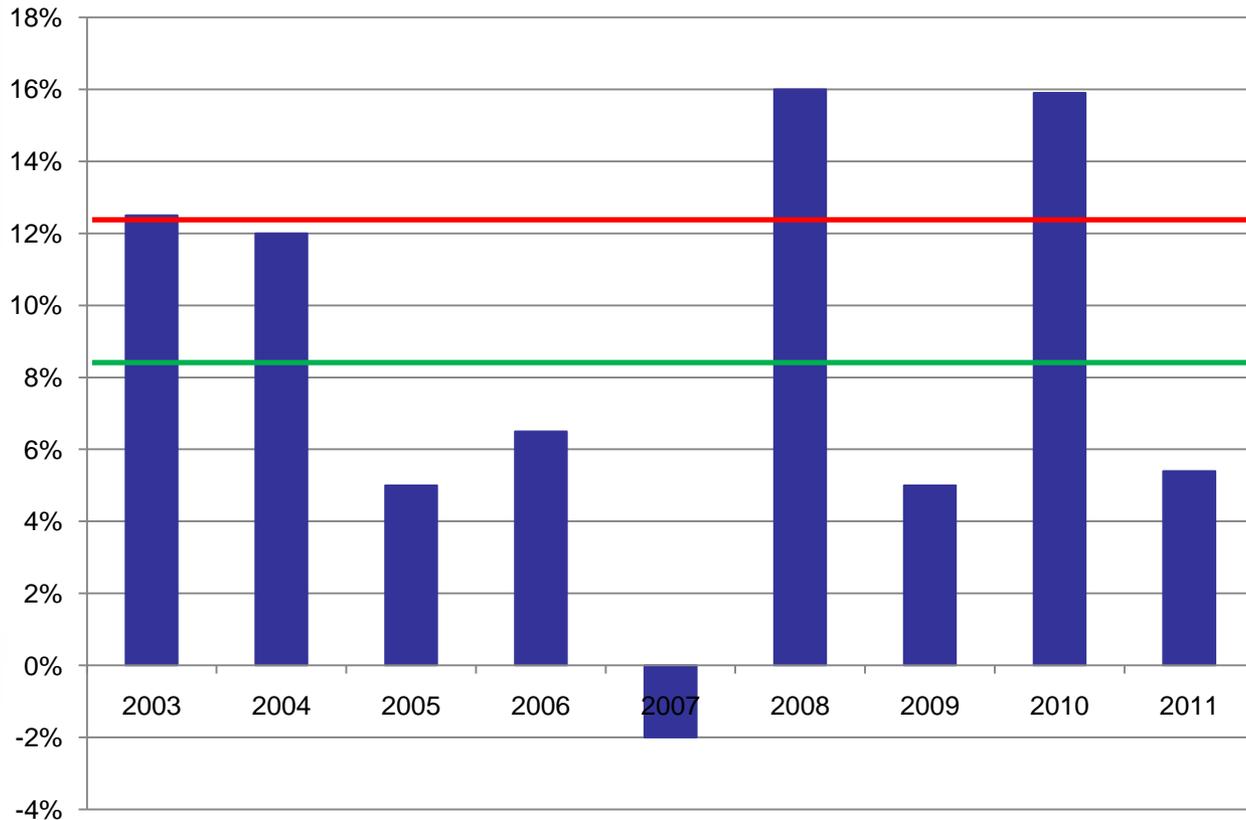
HISTORICAL PERSPECTIVE:

MEDICAL COSTS



Perspective 2003 - 2011

Airport Authority Medical Plan Historical % increase/decrease through 2011



SD Region
Average
increase
12.5%

SDCRAA
Average
incr 8.5%



2012 RENEWAL STRATEGY



AIRPORTS FUEL
REGIONAL ECONOMIES

Health Plan Large Claim Experience - 12 Month Comparison

PPO

- 2010/11 - 6 claims totaled \$960,000
- Compares to \$150,000 from previous period

HMO

- 2010/11 – 2 claims totaled \$146,000
- Compares to \$434,000 from previous year



Health Plan Strategy

Selected “no bid” strategy due to two primary/driving factors:

- Below market renewal rate from existing carrier
- Large claims experience



Employee Benefit Task Force (EBTF) Chartered

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 not increase greater than 14% in FY2012.



Task Force Composition and Meetings

- EBTF chartered by President/CEO 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
- Subsequent focus on pension plan
- Met on 10 occasions over 4 months to:
 - Receive presentations from Authority's consultants (Alliant Insurance) and various providers to:
 - Educate members on market conditions,
 - Review health care reform factors,
 - Available health plans
 - Evaluate options
 - Develop recommendations to Executive Team
- Recommendations made to Executive Team on August 26, 2011



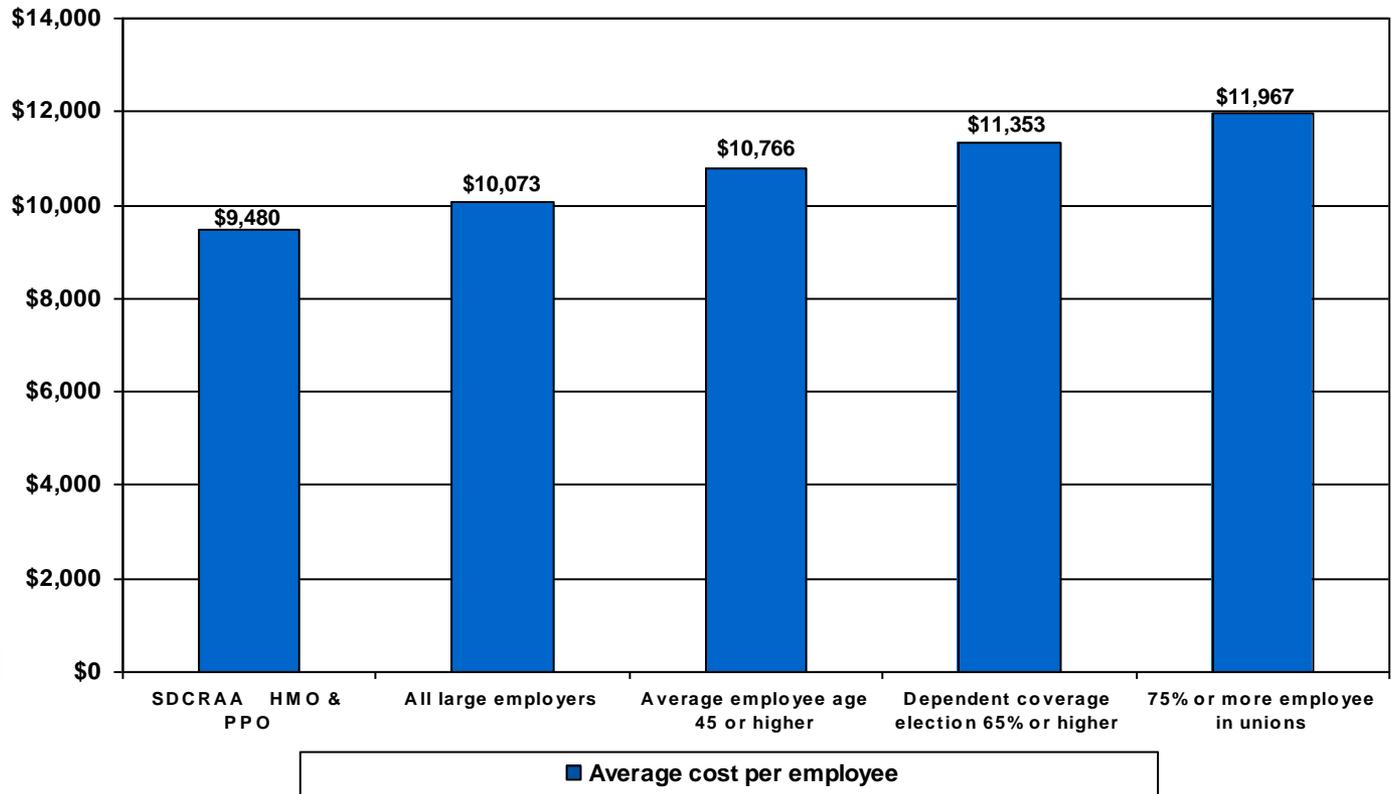
BENCHMARK DATA



AIRPORTS FUEL
REGIONAL ECONOMIES

Benchmark Data

Benefit Survey: Average Cost per Employee



Benchmark Data

Benefit Survey: Medical HMO & PPO Premium Contributions

HMO PREMIUMS	CONTRIBUTIONS				PREMIUMS	
	EMPLOYER MONTHLY	EMPLOYER ANNUAL	EMPLOYEE MONTHLY	EMPLOYEE ANNUAL	TOTAL ANNUAL	EMPLOYEE %
SDCRAA						
Employee Only	\$467	\$5,608	\$0	\$0	\$5,608	0%
Employee & Family	\$917	\$11,004	\$368	\$4,415	\$15,420	29%
SURVEY						
Employee Only	\$327	\$3,924	\$56	\$672	\$4,596	15%
Employee & Family	\$802	\$9,624	\$408	\$4,896	\$14,520	34%
PUBLIC ENTITIES						
Employee Only	\$497	\$5,964	\$0	\$0	\$5,964	0%
Employee & Family	\$984	\$11,808	\$296	\$3,552	\$15,360	23%
PPO PREMIUMS	EMPLOYER MONTHLY	EMPLOYER ANNUAL	EMPLOYEE MONTHLY	EMPLOYEE ANNUAL	TOTAL ANNUAL	EMPLOYEE %
SDCRAA						
Employee Only	\$748	\$8,972	\$0	\$0	\$8,972	0%
Employee & Family	\$1,533	\$18,392	\$353	\$4,239	\$22,631	19%
SURVEY						
Employee Only	\$365	\$4,380	\$67	\$804	\$5,184	16%
Employee & Family	\$989	\$11,868	\$390	\$4,680	\$16,548	28%
PUBLIC ENTITIES						
Employee Only	\$568	\$6,816	\$213	\$2,556	\$9,372	27%
Employee & Family	\$1,062	\$12,744	\$1,369	\$16,428	\$29,172	56%

SDCRAA's 2011 HMO Employee Only total cost is \$467.32

SDCRAA's 2011 PPO Employee Only total cost is \$747.68.

Benchmarking

San Diego Benefit Survey with Local Public Entities Cases:

HMO	SDCRAA	Survey	Public Entities
Individual Deductible	\$0	\$0	\$0
Family Deductible	\$0	\$0	\$0
Coinsurance (employee share)	100%	100%	100%
Individual Out-of-Pocket Maximum	\$1,500	\$1,500	\$1,500
Family Out-of-Pocket Maximum	\$3,000	\$3,000	\$3,000
Emergency Room Copayment	\$100	\$100	\$100
Inpatient Hospital Copayment	\$0	\$250	\$0
Office Copayment: Primary Care Physician	\$15	\$15	\$15
Office Copayment: Specialist	\$15	\$15	\$15

San Diego Benefit Survey with Local Public Entities Cases:

PPO	SDCRAA		Survey		Public Entities	
	In Network	Out of Network	In Network	Out of Network	In Network	Out of Network
Individual Deductible	\$250	\$250	\$500	\$500	\$300	\$600
Family Deductible	\$750	\$750	\$1,000	\$1,000	\$900	\$1,800
Coinsurance (employee share)	10%	30%	10%	30%	20%	40%
Individual Out-of-Pocket Maximum	\$2,000	\$6,000	\$2,000	\$6,000	\$2,500	\$7,500
Family Out-of-Pocket Maximum	\$4,000	\$12,000	\$6,000	\$12,000	\$5,000	\$15,000
Emergency Room Copayment	\$100	\$100	\$100	\$100	\$100	\$100
Inpatient Hospital Copayment	10%	30%	10%	30%	20%	40%
Office Copayment: Primary Care Physician	\$15	30%	\$20	30%	\$20	40%
Office Copayment: Specialist	\$15	30%	\$20	30%	\$20	40%

Benchmark Data

The healthcare legislation could require changes to long-term strategies of companies that provide healthcare benefits to employees and retirees. Over the coming years, executives will face numerous decisions about healthcare for employees.

Companies faced with soaring increases in health care costs are taking the lead in the battle to contain them. Employers looking to reduce benefit expenses are more likely to try and lower cost for the benefits they are offering rather than a reduction in benefits offered.

Possible Recommendations	Average Ranking Order
Reduce level of coverage within selected benefits	1
Shift costs to employees for all or selected benefits (PPO buy-up)	2
<u>Add</u> benefits, but only as voluntary products	3
Use online/self-service to lower administration costs	4
Reduce range of benefits offered	5

RENEWAL RECOMMENDATIONS



Total Gross Cost of Renewal Recommendations (employee cost included)

Current	Original Renewal Quotes	Recommended Renewal Costs
\$4,341,743	\$4,909,591	\$4,705,867
Total % Increase	13.1%	8.4%



Total Authority Net Cost of Renewal Recommendations

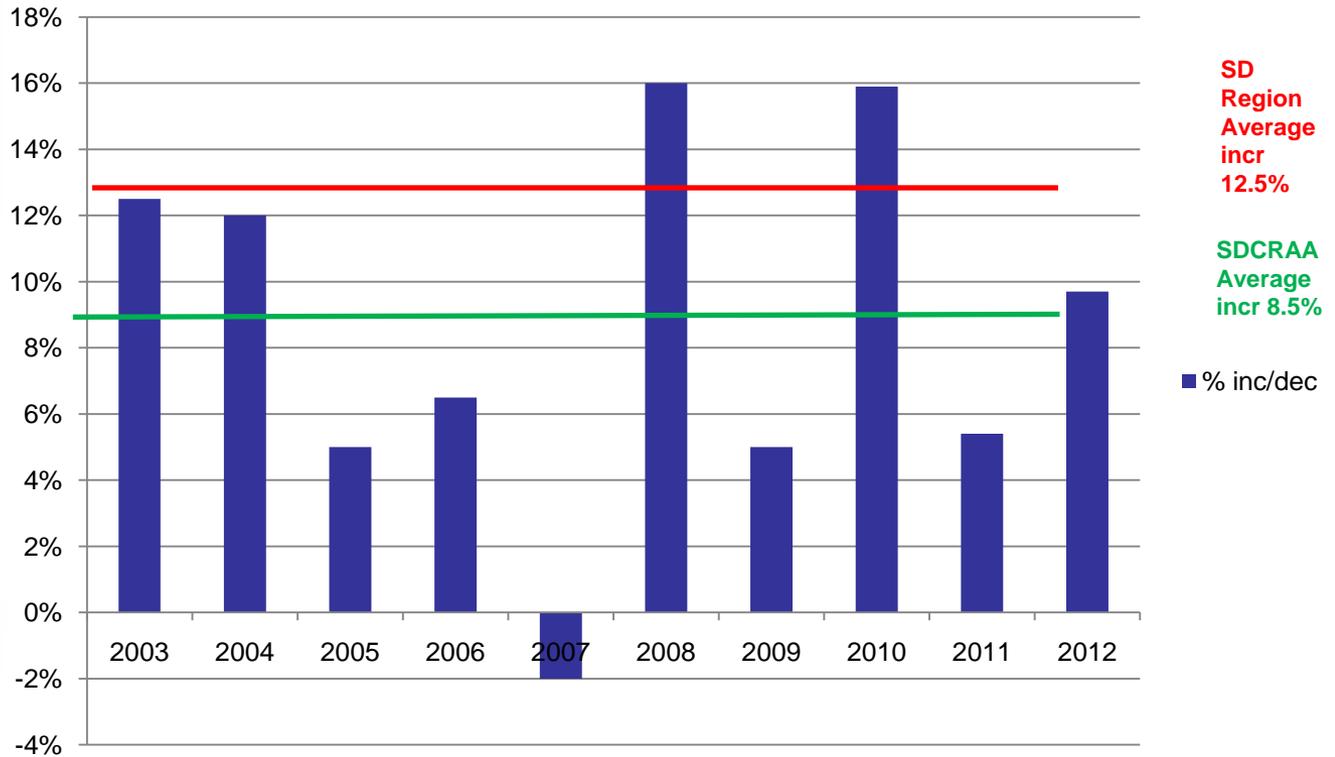
(excludes employee contributions)

	Authority Annual Cost of Proposed Renewals	Authority \$ Difference from Current (\$3,719,700)	Authority % Difference from Current
Renewal	\$4,003,718	\$284,018	7.6%



Perspective: 2003 - 2012

Airport Authority Medical Plan Historical % increase/decrease through 2012



Recommended Medical Plans' Cost

Anthem Blue Cross HMO	2011		2012					
	Number of Enrollees	HMO Total Cost	Original Anthem Renewal	After Alliant Negotiation	Savings	EBTF Recommendation: Plan Design Change to Option #1	Additional Savings	Total Combined Savings Over Renewal
199		\$1,964,746	\$2,269,282	\$2,180,681	-\$88,601	\$2,168,519	-\$12,162	-\$100,763
		% Savings from Current	15.5%	11.0%		10.4%		
		\$ Savings from Current	\$304,536	\$215,935		\$203,773		

Anthem Blue Cross PPO	2011		2012					
	Number of Enrollees	PPO Total Cost	Original Anthem Renewal	After Alliant Negotiation	Savings	EBTF Recommendation: Plan Design Change to Option #2	Additional Savings	Total Combined Savings Over Renewal
138		\$1,702,886	\$1,920,855	\$1,889,535	-\$31,320	\$1,804,817	-\$84,718	-\$116,038
		% Savings from Current	12.8%	11.0%		6.0%		
		\$ Savings from Current	\$217,969	\$186,649		\$101,931		

Dental and Vision Plan Recommendations Cost's

Delta Dental Plans	2011		2012					
	Number of Enrollees	Dental Total Cost	Original Delta Renewal	After Alliant Negotiation	Savings	EBTF Recommendation: No Plan Design Change	Additional Savings	Total Combined Savings Over Renewal
366		\$322,327	\$366,403	\$351,882	-\$14,521	\$351,882	\$0	-\$14,521
		% Savings from Current	13.7%	9.2%		9.2%		
		\$ Savings from Current	\$44,076	\$29,555		\$29,555		

Vision Service Plan	2011		2012					
	Number of Enrollees	Vision Total Cost	Original VSP Renewal	After Alliant Negotiation	Savings	EBTF Recommendation: Plan Design Change Option #1	Additional Savings	Total Combined Savings Over Renewal
218		\$42,485	\$48,560	\$48,560	\$0	\$37,868	-\$10,692	-\$10,692
		% Savings from Current	14.3%	14.3%		-10.9%		
		\$ Savings from Current	\$6,075	\$6,075		-\$4,617		

Summary of Current Plan Recommendations

- Health Plan Design Changes aligned with Authority's historical consumerism approach (see handout)
- No change in Dental Plan Design
- Increase co-pay on Vision Plan exams from \$10 to \$20 (see handout)
- Continue to offer following plans with no cost change(s) for 2012:
 - Basic Life/AD&D
 - Short Term Disability/Long Term Disability
 - Employee Assistance Plan
 - Health Advocate
- Continue to offer Health Risk Assessments, deposits to FSA/457 plans, and Flu Shots to employees as a means to increase employee health and reduce healthcare costs



Additional Recommendations

- Add Anthem Healthy Rewards Package B
 - Rewards employees and eligible dependents for activities which can lead to improved health
 - Opportunity to engage employees and their family members
 - Approximate annual cost of \$32,352 to the Authority
 - Additional cost is offset by \$216,800 savings medical plan premium savings over renewal to the Authority
- Offer group discounted home and auto insurance (100% employee paid)



FUTURE CONSIDERATIONS



**AIRPORTS FUEL
REGIONAL ECONOMIES**

EBTF Recommended Considerations for the Future

- Consider implementing Medical PPO “Buy up”
- Evaluate if/when move to a high deductible health plan/consumer driven health plan to include HSA’s might make sense
- Further explore and evaluate medical HMO provider network change (e.g., excluding Scripps)
- Consider if/when a Kaiser Permanente plan offering makes sense
- Evaluate whether or not to continue the cost of medical employee only credit as well as medical, dental waive credits
- Vision Service Plan - Review upgrade to the provider network



REQUEST



AIRPORTS FUEL
REGIONAL ECONOMIES

Request

Staff respectfully requests that the Executive Personnel & Compensation Committee recommend Board approval for the proposed renewal of the Employee Benefits Plans for 2012



QUESTIONS?

