



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

**Item No.
11**

Meeting Date: **OCTOBER 4, 2012**

Subject:

Renewal of the Employee Benefit Program(s) for 2013

Recommendation:

The Executive Personnel and Compensation Committee recommend that the Board adopt Resolution No. 2012-0112, approving the renewal of the Employee Benefit Program(s) for 2013.

Background/Justification:

Updated September 28, 2012

The Executive Personnel & Compensation Committee met on September 27, 2012 with all members except for Board Member Boland in attendance. After receiving a presentation from staff, the Committee unanimously recommended that staff's recommendations be forwarded to the full Board for approval.

During the discussion, staff fielded multiple questions from Board members; many of which were clarifying questions. In addition, staff also was asked to provide the Board with additional information to supplement the initial content presented to the Committee. First, please note that San Diego County Regional Airport Authority ("Authority") employees contribute a portion toward the cost of health and welfare coverage in addition to the co-pays, deductibles, and co-insurance required within each plan. For calendar year 2012, in aggregate staff pays approximately \$627,816 toward the cost of medical coverage and for calendar year 2013's recommendations, the cost increases to \$679,365. The determination of costs are a part of the current Memorandums of Agreement between the Authority and Teamsters, Local 911, which represents three bargaining units: Airport Traffic Officers; Facilities Maintenance; and General Supervisor's. In addition, when first generation retiree healthcare eligible retirees and their dependents enroll in Medicare, the Authority's costs for medical coverage are reduced anywhere from \$576 to \$976 per year depending upon the benefits elected by the individuals.

In addition, staff was asked to share a summary of the options considered. Multiple provider and plan design options have been considered by the Employee Benefits Task Force. After considering options from competing plans from carriers other than the incumbent, staff selected plans from the current carrier, Anthem Blue Cross, for final review and consideration. This would ensure that employees would have the least amount of disruption to provider networks. Additionally, the Anthem Blue Cross's plans were competitively priced. Within the Anthem Blue Cross portfolio of products, the Task Force considered maintaining current coverage levels, which would have resulted in a \$381,131 cost increase, a closely designed set of plans which would have resulted in a \$346,140 cost increase, and ultimately elected to recommend a set of plans which resulted in a \$335,317 cost increase. The differences in plan design included varying elements of co-pays, deductibles, and co-insurance. As outlined in the PowerPoint, staff is recommending plans with increases in prescription drug deductibles as well as office visit co-pay increases in the HMO plan.

The reason staff recommends this set of healthcare plans is that they continue the organization's strategy of incremental changes designed to promote consumerism; those that heavily use the plan pay a larger portion of the cost increase than those who are infrequent users of the plan. This is the strategy which has been in effect over the past 10 years and has resulted in the Authority being able to maintain an average cost increase of 8.6% relative to the regional average increase of 12.6%.

Original Staff Report Submitted to Executive Personnel & Compensation Committee

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. Over the past nine years, this approach has enabled the organization to attract and retain top talent which, in turn, has enhanced the organization's capability to execute the Authority's strategies.

Over a three month period, the 14 employee members of a cross-functional task force 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 interests and concerns, the task force selected options for recommendation to the Authority's President/CEO and Executive Team within budgetary parameters. These recommendations culminate in a net Airport Authority cost increase of 8.22% over existing rates for 2013 as compared to 2012 net costs.

The costs associated with the plan recommendations are as follows:

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
TOTAL		\$4,697,540	\$4,131,382

In some cases above, the recommendation includes plan design changes (see Attachment A – Medical HMO & PPO).

In support of the Authority's efforts 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.

To further mitigate future premium increases on health insurance, staff is recommending that the Airport Authority continue to offer employee wellness programs including the Anthem Healthy Rewards and the Health Advocate to employees, eligible covered dependents and retirees at a cost of approximately \$38,600. The Healthy Rewards program provides incentives to employees and their adult dependents covered by the Authority's health plan, similar to the existing internal wellness program. Existing wellness initiatives focus exclusively on the employee. Since the Authority's health plans cover retirees, employees and their eligible dependents, there is a gap in the programs that can be addressed through the Healthy Rewards program. The Health Advocate program, centered on a team of Personal Health Advocates, typically registered nurses supported by medical directors and benefits specialists, helps members navigate the healthcare system and resolve clinical, insurance and administrative issues. In addition, solutions include Wellness Advocate, a program that features a personal wellness coach supported by online wellness tools.

Staff recommends 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
- Anthem Health Rewards
- Health Risk Assessments

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

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:

This action is not a project that would have a significant effect on the environment as defined by the California Environmental Act (CEQA), as amended. 14 Cal. Code Regs. Section 15378. This action is not a "project" subject to CEQA, Cal. Pub. Res. Code 21065.

This action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code Section 30106.

Equal Opportunity Program:

N/A

Prepared by:

JEFF LINDEMAN
SENIOR DIRECTOR, ORGANIZATIONAL PERFORMANCE & DEVELOPMENT

HMO

ANTHEM BLUE CROSS HMO OPTIONS BENEFIT AND RENEWAL RATE COMPARISON

January, 2013

Full Network w/ABC's & DME Renewal
 \$20/\$20 OV - \$200 per Admit IP Hospital

ANTHEM BLUE CROSS CURRENT		ANTHEM BLUE CROSS	
\$15/\$30 OV - 250 per Admit IP Hospital		Premier HMO 20 with Rx 10/25/50 30% Self-Injectable \$200 Brand Ded	
HMO BENEFIT HIGHLIGHTS	ANTHEM BLUE CROSS	ANTHEM BLUE CROSS	ANTHEM BLUE CROSS
	Classic HMO 15/30/250A/125 OP with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded	Premier HMO 20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded	Premier HMO 20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded
CALENDAR YEAR DEDUCTIBLE	HMO	HMO	HMO
Individual	Up to maximum of three separate deductible per family.	Brand-Name Rx \$200 deductible per member; Up to maximum of three separate deductible per family.	Brand-Name Rx \$250 deductible per member; Up to maximum of three separate deductible per family.
Family	None	None	None
CALENDAR YEAR COPAY MAXIMUM	None	None	None
Individual	\$2,000	\$1,600	\$1,600
Family	\$4,000	\$3,000	\$3,000
LIFETIME MAXIMUM	Unlimited	Unlimited	Unlimited
PROFESSIONAL SERVICES			
Primary Care Physician	\$15 Copay	\$15 Copay	\$20 Copay
Specialist	\$30 Copay	\$30 Copay	\$20 Copay
Routine Physical Exams	No Charge	No Charge	No Charge
Well-Baby & Well-Child Care	No Charge	No Charge	No Charge
Well-Woman Exams	No Charge	No Charge	No Charge
DURABLE MEDICAL EQUIPMENT	20%	20%	20%
(Including Hearing Aids)			(Excludes Hearing Aids)
HOSPITALIZATION			
Inpatient	\$250 Copay per Admit	\$250 Copay per Admit	\$200 Copay per Admit
Outpatient Surgery	\$125 Copay per Admit	\$125 Copay per Admit	\$100 Copay per Admit
CHIROPRACTIC CARE	\$15 Copay per Visit, limited to a 60-day period of care after an illness or injury	\$15 Copay	\$20 Copay per Visit, limited to a 60-day period of care after an illness or injury
ACUPUNCTURE	\$15 Copay	\$15 Copay	\$20 Copay
DIAGNOSTIC X-RAY & LAB			
MRI, CT scan, PET scan & nuclear cardiac scan	\$100 Copay	\$100 Copay	\$100 Copay
All other X-ray & Laboratory Tests	No Charge	No Charge	No Charge
EMERGENCY			
Emergency Room Visit	Waived if Admitted	Waived if Admitted	Waived if Admitted
Urgent Care Visit	\$150 copay	\$150 copay	\$150 Copay
PRESCRIPTION DRUGS			
Generic	\$15 Copay/\$30 Copay (out of service area)	\$15 Copay/\$30 Copay (out of service area)	\$20 Copay/\$20 Copay (out of service area)
Brand Name Formulary	30 Day Supply/Mail Order 2X 90 Days	30 Day Supply/Mail Order 2X 90 Days	30 Day Supply/Mail Order 2X 90 Days
Brand Name Non-Formulary	\$10 Copay	\$10 Copay	\$10 Copay
Self-administered injectable drugs, except insulin	\$20 Copay after deductible	\$20 Copay after deductible	\$25 Copay after deductible
	\$40 Copay after deductible	\$40 Copay after deductible	\$50 Copay after deductible
	30% up to a maximum of \$150 Copay	30% up to a maximum of \$150 Copay	30% up to a maximum of \$150 Copay
Enrollment provided by Anthem Blue Cross			
RATE SUMMARY	ANTHEM BLUE CROSS	ANTHEM BLUE CROSS	ANTHEM BLUE CROSS
Employee Only	Active	Active	Active
Employee Plus One	HMO	HMO	HMO
Employee Plus Family	92	92	92
ESTIMATED MONTHLY PREMIUM:	51	51	51
	67	67	67
	210	210	210
	\$193,069	\$206,476	\$206,476
ESTIMATED ANNUAL PREMIUM:	210	210	210
	\$2,316,705	\$2,477,704	\$2,477,704
% Difference from Current			
			6.9%

RESOLUTION NO. 2012-0112

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY, APPROVING THE RENEWAL OF THE
EMPLOYEE BENEFIT PROGRAM(S) FOR 2013

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; and

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the renewal of the employee benefit program for 2013 including Employee Assistance Program (EAP); Basic Life; Accidental Death & Dismemberment (AD&D); Short Term Disability (STD); and

BE IT FURTHER RESOLVED that the Board approves staff's request to maintain all current providers: Anthem Blue Cross; Delta Dental; Vision Service Plan; Genesis and The Hartford as they are all competitive; and

BE IT FURTHER RESOLVED that the Board further approves staff's request to maintain Health Advocate; 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 eligible dependents and retirees; 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 4th day of October, 2012, 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

HMO

ANTHEM BLUE CROSS

January, 2013

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	HMO
Brand-Name Rx \$200 deductible per member; Up to maximum of three separate deductible per family.	Up to maximum of three separate deductible per family.
None	None
None	None
\$2,000	\$2,000
\$4,000	\$4,000
Unlimited	Unlimited
\$15 Copay	\$15 Copay
\$30 Copay	\$30 Copay
No Charge	No Charge
No Charge	No Charge
No Charge	No Charge
20%	20%
\$250 Copay per Admit	\$250 Copay per Admit
\$125 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 per Visit; limited to a 60-day period of care after an illness or injury
\$15 Copay	\$15 Copay
\$100 Copay	\$100 Copay
No Charge	No Charge
Waived if Admitted	Waived if Admitted
\$150 Copay	\$150 Copay
\$15 Copay/\$30 Copay (out of service area)	\$15 Copay/\$30 Copay (out of service area)
30 Day Supply/Inpatient Order 2X 90 Days	30 Day Supply/Inpatient Order 2X 90 Days
\$10 Copay	\$10 Copay
\$20 Copay after deductible	\$20 Copay after deductible
\$40 Copay after deductible	\$40 Copay after deductible
30% up to a maximum of \$150 Copay	30% up to a maximum of \$150 Copay
ANTHEM BLUE CROSS	ANTHEM BLUE CROSS
Classic HMO 15/30/250A/125 OP with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded	
RATE SUMMARY	RATE SUMMARY
Employee Only	Employee Only
51	51
Employee Plus One	Employee Plus One
67	67
Employee Plus Family	Employee Plus Family
210	210
ESTIMATED MONTHLY PREMIUM:	ESTIMATED MONTHLY PREMIUM:
\$193,059	\$193,059
ESTIMATED ANNUAL PREMIUM:	ESTIMATED ANNUAL PREMIUM:
\$2,316,705	\$2,316,705
6.9% Difference from Current	6.9% Difference from Current

Enrollment provided by Anthem Blue Cross

ATTACHMENT A

ANTHEM BLUE CROSS OPTIONS BENEFIT AND RENEWAL RATE COMPARISON

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	HMO
Brand-Name Rx \$250 deductible per member; Up to maximum of three separate deductible per family.	Up to maximum of three separate deductible per family.
None	None
None	None
\$1,500	\$1,500
\$3,000	\$3,000
Unlimited	Unlimited
\$20 Copay	\$20 Copay
\$20 Copay	\$20 Copay
No Charge	No Charge
No Charge	No Charge
No Charge	No Charge
20%	20%
(Excludes Hearing Aids)	(Excludes Hearing Aids)
\$200 Copay per Admit	\$200 Copay per Admit
\$100 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 per Visit; limited to a 60-day period of care after an illness or injury
\$20 Copay	\$20 Copay
\$100 Copay	\$100 Copay
No Charge	No Charge
Waived if Admitted	Waived if Admitted
\$100 Copay	\$100 Copay
\$20 Copay/\$20 Copay (out of service area)	\$20 Copay/\$20 Copay (out of service area)
30 Day Supply/Inpatient Order 2X 90 Days	30 Day Supply/Inpatient Order 2X 90 Days
\$10 Copay	\$10 Copay
\$25 Copay after deductible	\$25 Copay after deductible
\$50 Copay after deductible	\$50 Copay after deductible
30% up to a maximum of \$150 Copay	30% up to a maximum of \$150 Copay
ANTHEM BLUE CROSS	ANTHEM BLUE CROSS
Premier HMO 20 with Rx 10/25/50 30% Self-Injectable \$250 Brand Ded	
\$550.95	\$550.95
\$1,063.61	\$1,063.61
\$1,515.58	\$1,515.58
\$206,475	\$206,475
\$2,477,704	\$2,477,704
\$160,999	\$160,999
6.9%	6.9%

January, 2013

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 10/20/40 30% Self-Injectable \$250 Brand Ded

ANTHEM BLUE CROSS
Classic PPO 250/20/20 with Rx 10/25/50 30% Self-Injectable \$350 Brand Ded

\$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

ANTHEM BLUE CROSS
Premier PPO 250/20/20 with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded

PPO BENEFIT HIGHLIGHTS

CALENDAR YEAR DEDUCTIBLE	In Network	Out of Network (UCR)
Individual	\$250	\$750
Family	\$750	\$2,250
CALENDAR YEAR COPAY MAXIMUM	Individual	\$6,000
	Family	\$12,000
LIFETIME MAXIMUM	Unlimited	

PROFESSIONAL SERVICES	20% after deductible	40% after deductible
Primary Care Physician	\$20 Copay	\$20 Copay
Specialist	No Charge	No Charge
Routine Physical Exams	No Charge	No Charge
Well-Baby & Well-Child Care	No Charge	No Charge
Well-Woman Exams	20% after deductible	40% after deductible

DURABLE MEDICAL EQUIPMENT (Including Hearing Aids)	20% after deductible	40% after deductible
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HOSPITALIZATION	\$250 deductible per admission then 20% after deductible	\$750 deductible per admission then 40% after deductible
Inpatient	\$250 deductible per admission then 20% after deductible	\$750 deductible per admission then 40% after deductible, limited to \$350 per day
Outpatient Surgery	20% after deductible	40% after deductible, limited to \$25 per visit

CHIROPRACTIC CARE	20% after deductible	40% after deductible, limited to 12 visits per calendar year
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ACUPUNCTURE	20% after deductible	40% after deductible, limited to 24 visits per calendar year
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DIAGNOSTIC X-RAY & LAB	20% after deductible	40% after deductible
MRI, CT scan, PET scan & nuclear cardiac	20% after deductible	40% after deductible
All other X-ray & Laboratory Tests	20% after deductible	40% after deductible

EMERGENCY	\$100 deductible	Waived if Admitted
Emergency Room Visit	20% after \$100	20% after \$100
Urgent Care Visit	\$20 Copay	40% after deductible

PRESCRIPTION DRUGS	30 Day Supply/Mail Order 2x 90 Days	30 Day Supply/Mail Order 2x 90 Days
Generic	\$10 Copay	\$10 Copay
Brand Name Formulary	\$20 copay after ded	copy plus 50% of the limited fee schedule plus any amounts exceeding the fee schedule
Brand Name Non-Formulary	\$40 copay after ded	copy plus 50% of the limited fee schedule plus any amounts exceeding the fee schedule
Self-administered injectable drugs, except	30% up to a maximum of \$150 Copay	30% up to a maximum of \$150 Copay

Enrollment provided by Anthem Blue Cross

RATE SUMMARY

Employee Only	\$792.43
Employee Plus One	\$1,228.28
Employee Plus Family	\$1,624.43
ESTIMATED MONTHLY PREMIUM:	\$128,887
ESTIMATED ANNUAL PREMIUM:	\$1,546,649

\$ Difference from Current

% Difference from Current

11.3%

In Network	Out of Network (MAA)
Brand-Name Rx \$250 deductible per member; Up to maximum of three separate deductible per family.	Brand-Name Rx \$250 deductible per member; Up to maximum of three separate deductible per family.
\$250	\$250
\$750	\$750
\$2,000	\$6,000
\$4,000	\$12,000
Unlimited	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
20% after deductible	40% after deductible, 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	30 Day Supply/Mail Order 2x 90 Days
\$10 Copay	copy plus 50% of the limited fee schedule plus any amounts exceeding the fee schedule
\$25 copay after ded	any amounts exceeding the fee schedule
\$50 copay after ded	the fee schedule
30% up to a maximum of \$150 Copay	30% up to a maximum of \$150 Copay

\$881.15
\$1,367.19
\$1,808.73
\$143,414
\$1,720,967
\$174,318
11.3%

ANTHEM BLUE CROSS
Classic PPO 250/20/20 with Rx 10/25/50 30% Self-Injectable \$350 Brand Ded

ANTHEM BLUE CROSS
Classic PPO 250/20/20 with Rx 10/20/40 30% Self-Injectable \$200 Brand Ded

RESOLUTION NO. 2012-0112

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY, APPROVING THE RENEWAL OF THE
EMPLOYEE BENEFIT PROGRAM(S) FOR 2013

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; and

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the renewal of the employee benefit program for 2013 including Employee Assistance Program (EAP); Basic Life; Accidental Death & Dismemberment (AD&D); Short Term Disability (STD); and

BE IT FURTHER RESOLVED that the Board approves staff's request to maintain all current providers: Anthem Blue Cross; Delta Dental; Vision Service Plan; Genesis and The Hartford as they are all competitive; and

BE IT FURTHER RESOLVED that the Board further approves staff's request to maintain Health Advocate; 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 eligible dependents and retirees; 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 4th day of October, 2012, 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



RENEWAL OF THE EMPLOYEE BENEFIT PROGRAM(S) FOR 2013

Presented by:

Jeff Lindeman; Senior Director, Organizational Performance
& Development

Tony Russell; Director, Corporate Services/Authority Clerk

Paul LaBounty, Alliant Insurance Services

October 4, 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

4

- 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

5

- 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

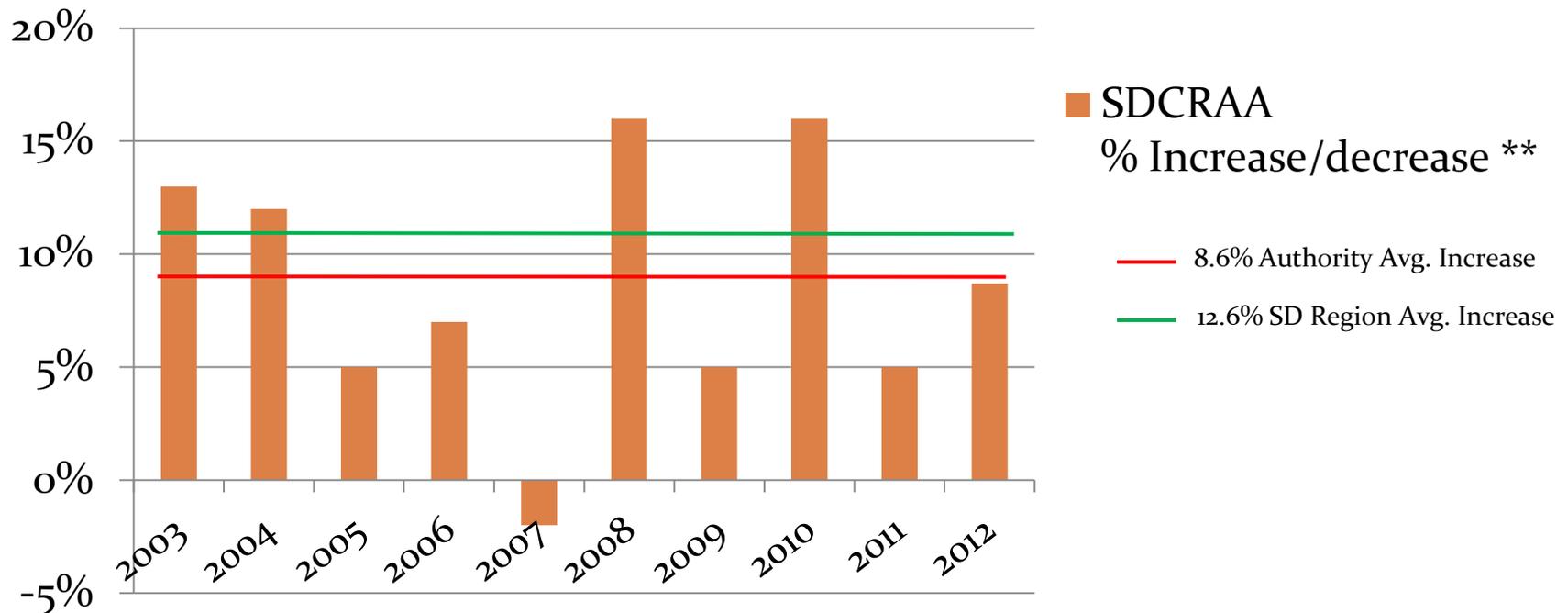
- Current contractual obligations remain intact through September 2013

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%
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

9

- 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)

10

- ❑ 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

11

- 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

13

<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

14

<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

16

Delta Dental

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

17

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

18

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

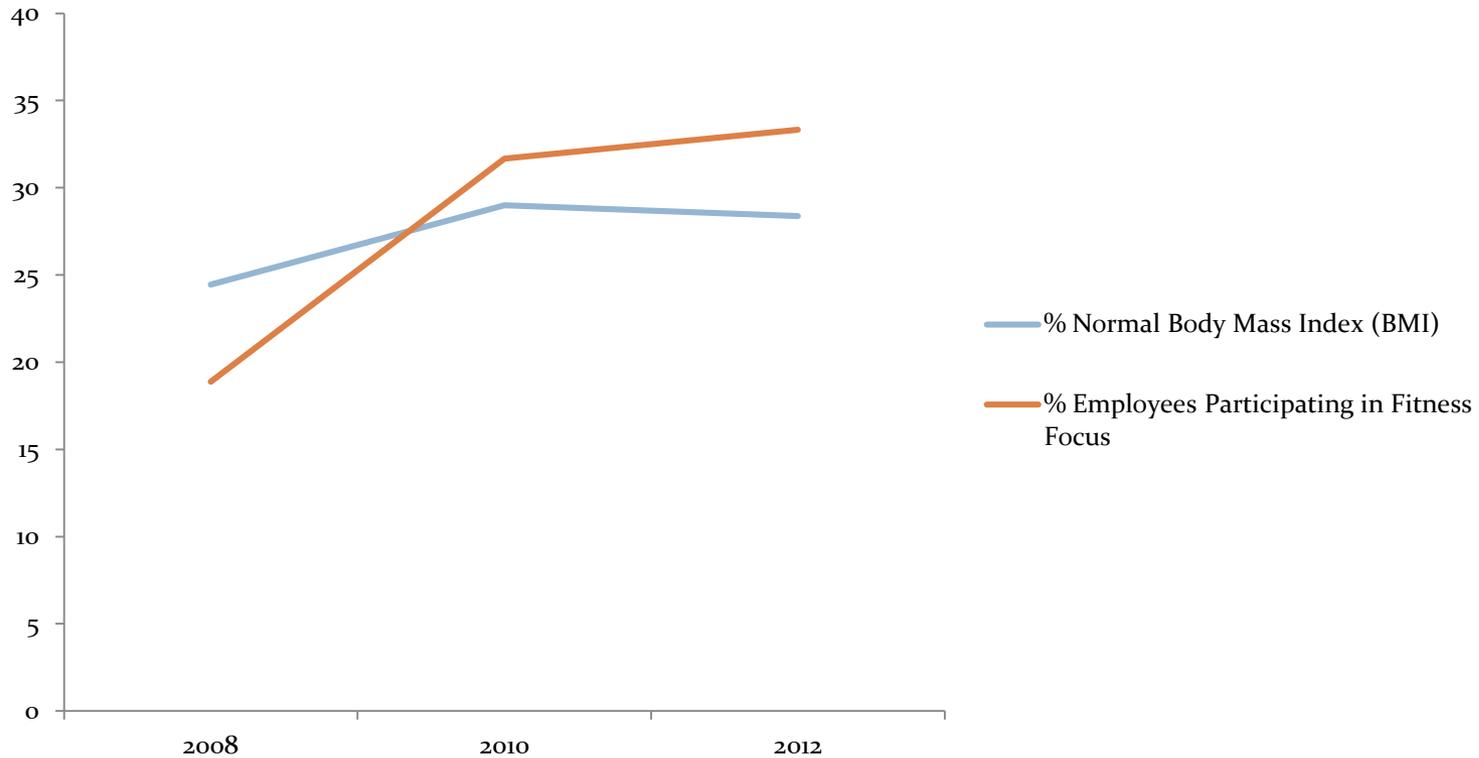
	Authority Net Cost	Authority \$ Diff. from Current	Authority % Diff. from Current
CURRENT	\$3,568,447	n/a	n/a
STAFF RECOMMENDATION	\$4,131,382	\$313,826	8.22%

Note: Net Cost excludes employee share.

Includes medical, 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

21

- 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?