

ORANGE COUNTY  
BOARD OF COMMISSIONERS

ACTION AGENDA ITEM ABSTRACT

Meeting Date: September 15, 2009

Action Agenda  
Item No. 6-C

**SUBJECT:** Employee Benefits Recommendation and Update

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**DEPARTMENT:** Human Resources

**PUBLIC HEARING:** (Y/N)

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**ATTACHMENT(S):**

1. Health Plan Participation and Rate History
2. Health Insurance Current and Renewal Costs
3. Health Insurance Option 2 Detail
4. Dental Insurance Table of Allowances with Recommended Changes

**INFORMATION CONTACT:**

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**PURPOSE:** To approve the County Manager's 2010 employee benefits recommendations becoming effective January 1, 2010, and to provide the Board with an update on employee benefits.

**BACKGROUND:** The County provides employees with a comprehensive benefits plan including health, dental and life insurance, an employee assistance program, flexible compensation plan and supplemental retirement plans. Annually staff reviews the County employee benefits package and advises the Manager regarding a recommendation to the Board on benefit plans that become effective for the next calendar year.

Presentations and discussions have been held throughout the year with the Employee Relations Consortium (ERC) and its Pay and Benefits Committee to solicit their opinions regarding employee benefits. In August 2009, the ERC distributed a benefits survey to employees. Over 32% of permanent employees responded. The results indicated employees want to be rewarded for participating in healthy behaviors, and employees highly value the no cost component of the County health insurance coverage. Employees are willing to engage in healthier activities to minimize the increases in their health insurance costs.

Survey responses included the following:

- 73% of respondents believe their benefits are similar or better than those offered by other employers.
- 85% understand the basics and/or details of their current health benefit options.
- 77% rate the overall communication of health benefits as good or excellent.
- Over 75% of respondents use the preventive services available through the County Health Plan.
- The most important benefit feature of the options provided is low office visit co-pays (\$25 or less for primary care and \$50 or less for specialists)
- The least important of the features listed in the survey is the ability to use out-of-network providers.

- Employees overwhelmingly preferred to be encouraged to be more health conscious rather than having benefits reduced or a premium required without encouraging healthy behavior.

### **Health Insurance**

The County offers two fully insured health insurance plans. Both health plans are contracted through the NCACC Health Insurance Trust and administered by CIGNA. One plan is a Health Maintenance Organization (HMO) that requires participants to use a provider network of physicians and facilities. The second plan is a Preferred Provider Organization (PPO) that allows both in- and out-of-network services. When a PPO member uses out-of-network services, the cost is higher. Both plans offer physicals, health screenings and immunizations at no cost to the member.

Orange County health insurance premiums have doubled between 2002 and 2010. The current number of employees enrolled in each plan, past rate changes, and past plan changes to employee health insurance are shown on Attachment 1.

The County currently pays the entire monthly premium for individual coverage with both the HMO and PPO plans. The County also subsidizes the premium cost for the employee's dependent coverage at 52%, based on the lower priced plan (which is the PPO plan). This practice was established several years ago to provide affordable and thus, accessible health insurance coverage for dependents (spouse, domestic partner, children, or entire family) to employees. This is particularly attractive to lower salaried employees for whom dependent health insurance coverage is a significant percentage of salary. Continuation of the subsidy at this level maintains a "family friendly" feature that is highly valued by the 46% of employees with dependent coverage; however, it does present an equity issue for employees without dependent coverage. Employees with dependent coverage will see increases in their premiums this year.

Efforts were initiated in October 2008 to further educate employees on the impact their actions have on the cost of health insurance and ways to most effectively use their benefits. Employee meetings were held with employees describing ways employees could become wise health care consumers and save money. Wellness Open Houses, *Orange Alive* articles, and discussions with the Pay and Benefits Committee and several departments further informed employees on how to use their health care most effectively.

As a way to encourage healthy behavior and best utilize health insurance benefits, employees were encouraged to complete a health risk assessment (HRA) during Open Enrollment for 2009. In 2009, health insurance was renewed with one enhancement: the addition of *Health Advisor*, a CIGNA program which provides participating employees with a health coach who can assist an employee in improving his or her health. The HRA is a key component of *Health Advisor* because the assessment allows the creation of an individual health improvement plan. Since then, approximately 5% of employees have taken the Health Risk Assessment affiliated with this program. The goal for 2010 is to have 100% of employees completing the HRA.

For 2009, the national health care trend (percentage increase in claims costs that actuaries expect to see in the next 12-month period) has been increasing 10% over the previous year. Orange County's increase has trended at 8%. The FY 2009-10 budget includes a 4% increase for health insurance. County staff requested a renewal from NCACC of the same health insurance plan with no increase. Negotiations with the NCACC resulted in an overall increase

of 3% effective January 2010. Because employees' and retirees' utilization of health care in 2009 was less than the previous year, the NCACC based the renewal on the improved performance of the most recent year. The final renewal rate is well below the average NCACC renewal of 10.7%.

The first half of 2009 showed several significant improvements that directly led to the low renewal. Key changes to utilization by employees/retirees that impacted the 3% renewal included:

- Increased use of the mail order prescription service
- Elimination of diabetes as a top 10 diagnosis codes (it was replaced by bronchitis)
- A drop of 30% in Emergency Room usage for January-June 2009 compared to January-June 2008

During a year when employees will not receive a COLA or in-range increase, are not receiving a County 401(k) contribution (except for law enforcement officers) and are facing increased workloads due to the retirement incentive and hiring freeze, staff is pleased that reduced utilization resulted in an increase below the budgeted amount. Staff has developed several renewal options, each of which enhances current employee benefits: 1) The County continues to pay the full cost of employee coverage, with enhancements to both plans; 2) The County continues to pay the full cost of employee coverage, with enhancements to both plans; AND employees are encouraged to complete a Health Risk Assessment. Attachment 2 compares the current premiums with the renewal.

Option 1: Enhanced Renewal: The County pays the employee premium as in previous years, for both plans. Both HMO and PPO plan designs are renewed at the same level with 2 enhancements.

a) Improved prescription coverage to provide a \$0 co-pay for generics, whether purchased at retail (30 day supply) or mail order (90 day supply). The current co-pays are \$5 for a 30 day supply and \$13 for a 90-day supply. This benefit will encourage employees to ask providers for lower cost yet effective generic medications, thus reducing the cost to employees and Orange County.

b) An increase in the number of physical and occupational therapy visits per year from 20 to 30 with no increase in premium.

Option 2: Enhanced Renewal with Incentive: The benefits of both HMO and PPO are enhanced as above; however, each employee contributes a \$10.00 health insurance premium each month. By completing the confidential Health Risk Assessment (HRA), this premium will be waived. Option 2 rewards employees for healthy behaviors and enables employees to achieve a feature they highly value: no employee cost for health insurance.

More importantly, the HRA informs employees about their health risks and provides guidance on how to become healthier. Healthier employees have a higher quality of life, and lower health care costs aid in reducing future premiums. Aggregate results from the confidential HRA can be used to design additional wellness programs and to further tailor health insurance coverage to best meet the needs of employees. Employees continue to have very competitive health benefits but become more responsible for their health. Attachment 3 provides a more complete description of Option 2.

*The Manager recommends Option 2.*

### Employee Waiver of Health Insurance

The FY 2009-10 approved budget included an increase in the amount provided to employees who waive health insurance coverage to be effective January 1, 2010. Orange County currently compensates employees \$25 or \$50/month (depending on the date an employee first waived coverage) if they waive Orange County health insurance. Employees must provide proof of other coverage.

According to the recent employee survey, 18 employees out of 260 respondents would consider waiving County insurance. Eleven specified an amount (shown below) for which they would consider waiving County insurance. If these are representative of the entire employee population, potentially 30-40 additional employees would be able to waive coverage.

Amount of Incentive	# of employees
\$50-\$100	8
\$125-\$200	2
\$200-\$400	1

A \$100 incentive will result in \$4,800 not paid for health insurance per employee annually. Eight new waivers will result in a \$0 net gain from offering the higher incentive. If an additional 16 (beyond the 8) employees opted to waive coverage, overall personnel expenses would be reduced by \$60,000 for the remaining six months of FY 2009-10. If there were only 16 total new waivers, the reduction would be \$38,400 for the remainder of FY 2009-10.

### Dental Insurance

The County provides a self-insured dental plan through Delta Dental of N.C. The County pays all premiums for employee coverage and an administrative fee to Delta Dental. Dental claims are paid according to a Table of Allowances (TOA) which Orange County sets and reviews annually. In January 2009, the County increased the amount it reimburses for preventive, diagnostic and maintenance services to the maximum amount allowed by Delta Dental (based on participating providers' charges). Despite these efforts, the TOA still lags behind standard rates of reimbursement for restorative services, which are paid at 85% or 50% of the County's TOA. Because of the difference between County reimbursements and actual charges, employees pay an increasingly higher portion of charges for these services.

Staff reviewed the TOA and identified basic restorative services where the reimbursement could be increased without negatively affecting the Dental Fund balance. Attachment 4 provides a comparison of the current and proposed TOA. This change can be absorbed by the current funding over the next several years.

Total contributions for the first half of 2009 were approximately \$224,500 and claims and fees paid were \$226,500. Claims for the same period in 2008 totaled \$213,250, showing that costs increased \$13,250 (6.2% increase) in a six month period. This anticipated increase is due to the adjustment of reimbursement rates for preventive, diagnostic and maintenance services effective January 1, 2009, and a greater number of procedures performed.

As described in the FY 2009-10 budget documents, the dental plan's fund balance at the end of FY 2008-09 was in excess of \$300,000, and the fund continues to be robust. The administrative fee of \$2.02 will increase to \$2.25 per member per month (approximately \$2,550/year for all employees), effective January 2010, after two years of remaining static. The

fund will be able to absorb this budgeted increase of \$.23 per employee per month. *The Manager recommends increasing the reimbursement amounts for basic restorative services.*

### **Life/Accidental Death and Dismemberment Insurance**

The County provides an employer-paid life insurance benefit at the employee's annual salary (rounded to the next thousand dollars) with a maximum benefit of \$50,000. An employee also has the option to purchase additional coverage. Effective January 2008, MetLife became the carrier for a three-year contract ending December 2010. The Plan design for 2010 has no changes. The County pays 22.5 cents for every thousand dollars of coverage per month for life and accidental death and dismemberment insurance. *No changes are recommended for 2010.*

### **Flexible Compensation Plan**

The County provides a Section 125 Flexible Compensation Plan administered by Tucker Administrators. This Plan consists of a) tax sheltering of health and dental premiums and b) two Flexible Spending Accounts (a medical spending account and dependent/child care spending account). These accounts enable employees to increase their take home pay by eliminating income and Social Security taxes on contributions made to the Flexible Spending Account(s). Reductions in taxes are also realized by the County because the County does not pay Social Security taxes on the set-aside funds. Employees may contribute a maximum of \$3,000 to the Medical Spending Account and up to \$5,000 to the Dependent/Child Care Spending Account each plan year.

The 2009 Plan incorporated a debit card feature which enables employees to pay for expenses at time of service with the funds from their accounts. Participation more than doubled in 2009. As employees learn more of the benefits of the flexible spending accounts, more employees are expected to participate in the next plan year, and contribute at higher amounts. *No changes are recommended for 2010.*

### **Employee Assistance Program (EAP)**

Magellan Behavioral Health provides the County's EAP for County employees and their dependents. The EAP provides several services including confidential assessment and counseling services, 24/7 emergency services, and legal consultation. The EAP is a complement to services provided through the County Health Plan at no cost to employees, and saves employees a \$30 co-pay for behavioral health services if they use the EAP instead of their health insurance.

In 2009, the number of counseling sessions increased from three to five, and we substituted financial consultation services for the unused child care and senior care referral service benefit. These changes resulted in an increase of 7 cents per month per employee for a new cost of \$1.61 per employee per month (\$15,500/year). More employees have utilized this benefit compared to the previous years. *No changes are recommended for 2010.*

### **Supplemental Benefits**

Colonial Insurance has been providing supplemental insurance benefits such as short term disability, cancer and hospitalization insurance to County employees through payroll deduction for almost twenty years. These programs can provide income to employees when they are unable to work and/or need additional funds for medical expenses.

An increased number of employees have entered a leave without pay status since 2008. Between January and August 2009, 43 employees have been in a leave without pay status

compared to 44 employees in all 2008. While employees who exhaust paid leave for health reasons may request 80 hours of Shared Leave and 96 hours of Advanced Sick Leave, they have no income once this time has elapsed. Being covered by disability insurance would protect employees from losing income due to inability to work.

While the County does not pay for disability insurance, we recognize it as a valuable benefit for employees. It is of particular value because premiums can be deducted from payroll. Fewer than 10% of employees participate in any supplemental coverage, and fewer than 5% have short term disability coverage. In 2010 we will better communicate to employees the importance of disability coverage, so that fewer employees miss pay checks. *No changes are recommended for 2010.*

**Next Steps**

Pending approval of the 2010 Employee Benefits Renewal on September 15, staff will

- Develop and disseminate communications and schedule informational meetings.
- Hold Open Enrollment, tentatively scheduled for October 23 to November 11.
- Conduct multiple wellness events over several months at various locations instead of a one day Benefits Fair. The first event is scheduled for October 23.
- Provide employees and retirees with ample opportunities to get a flu shot and complete a Health Risk Assessment.

**FINANCIAL IMPACT:**

Health Insurance: This is within the FY 09-10 approved budget.

	<b>County Cost</b>	<b>Employee Cost</b>
<b>Current Premium</b>	\$6,980,000	\$1,465,000
<b>Renewal and Options 1 &amp; 2 (3% increase)</b>	\$7,186,000	\$1,580,000

Dental Insurance: There is no budget impact in the FY 2009-10 approved budget. Premiums will remain the same for 2010. The proposed changes will reduce the balance in the dental account over time, depending on utilization.

Life/Accidental Death and Dismemberment Insurance; Flexible Compensation Plan/Flexible Spending Accounts; and Employee Assistance Program:

There is no additional budget impact. All costs per employee or premiums will remain the same for 2010.

**RECOMMENDATION(S):** The Manager recommends that the Board approve the renewal of the health insurance with enhancements and incentive (Option 2), and the enhancements to the dental insurance, effective January 1, 2010.

**Participants in Health Plans**

Health Plan	# Enrolled		
	Total	Active Employees	Retirees
Open Access Plus In-Network Co-Pay (HMO)	886	784	105
Open Access Plus Co-Pay (PPO)	103	93	10

**Health Insurance Rate Changes**

The chart below lists past increases implemented by the NCACC Health Insurance Trust:

Calendar Year	Percentage Increase	Cost of Employee Only (monthly premium)	Difference (per month per employee)	Changes to the Plan
2009	7.9%	\$485.88 (HMO)	\$40.82	Addition of Health Advisor program
2008	9.7%	\$445.06 (HMO)	\$39.42	Increased office visit co-pays (\$10/\$20 to \$15/\$30)
2007	1.9%	\$405.64	\$7.40	
2006	16.5%	\$398.24	\$55.47	\$250 deductible added to HMO
2005	-3.6%	\$342.77	-\$12.84	
2004	13.8%	\$355.61	\$43.17	Increase in ER co-pay (\$100 to \$150)
2003	25.0%	\$312.44	\$62.50	
2002	8.0%	\$249.94	\$18.41	
2001	18.9%	\$231.53		

**Health Insurance Renewal and Options  
Rates Effective January 1, 2010 to January 1, 2011**

Current Program	Current Rates			Current Membership			County Pays			Employee Pays		
	PPO	HMO	Total	PPO	HMO	Total	PPO	HMO	Total	PPO	HMO	Total
Employee	\$465.40	\$485.88		65	511	576	\$465.40	\$485.88		\$0.00	\$0.00	
Employee / Spouse	\$981.98	\$1,025.20		12	112	124	\$734.02	\$734.02		\$247.96	\$291.18	
Employee / Child	\$651.56	\$680.22		9	101	110	\$562.20	\$562.20		\$89.36	\$118.02	
Employee / Children	\$898.22	\$937.74		5	71	76	\$690.46	\$690.46		\$207.75	\$247.28	
Family	\$1,396.18	\$1,457.62		12	91	103	\$949.41	\$949.41		\$446.78	\$508.21	
Annual/Total	\$829,729	\$7,572,387	\$8,402,116	103	886	989	\$707,571	\$6,272,353	\$6,979,924	\$122,158	\$1,300,034	\$1,422,192

**Renewal, Enhanced Renewal (Option 1) and Enhanced Renewal with Incentive (Option 2)**

	Renewal Rates			Current Membership			County Pays			Employee Pays		
	PPO	HMO	Total	PPO	HMO	Total	PPO	HMO	Total	PPO	HMO	Total
Employee	\$479.14	\$500.24		65	511	576	\$479.14	\$500.24		\$0.00	\$0.00	
Employee / Spouse	\$1,010.98	\$1,055.48		12	112	124	\$755.70	\$755.70		\$255.28	\$299.78	
Employee / Child	\$670.80	\$700.32		9	101	110	\$578.80	\$578.80		\$92.00	\$121.52	
Employee / Children	\$924.76	\$965.44		5	71	76	\$710.86	\$710.86		\$213.90	\$254.58	
Family	\$1,437.42	\$1,500.68		12	91	103	\$977.45	\$977.45		\$459.97	\$523.23	
Annual/Total	\$854,231	\$7,796,122	\$8,650,353	103	886	989	\$728,465	\$6,457,666	\$7,186,131	\$125,766	\$1,338,456	\$1,464,222
Increase Overall	3.0%	3.0%	3.0%						3.0%			3.0%

**Renewal and Options**  
Assumes the county pays 100% of the employee rate based on 52% of the PPO cost of dependent rates for both plans

**DEPENDENT COVERAGE DEDUCTIONS  
Employee Monthly Premiums**

**Renewal and Option 1**

	2009	2010	3% Difference
<b>PPO</b>			
Employee	\$0.00	\$0.00	\$0.00
Employee / Spouse	\$247.96	\$255.28	\$7.32
Employee / Child	\$89.36	\$92.00	\$2.64
Employee / Children	\$207.75	\$213.90	\$6.14
Family	\$446.78	\$459.97	\$13.20

<b>HMO</b>			
Employee	\$0.00	\$0.00	\$0.00
Employee / Spouse	\$291.18	\$299.78	\$8.60
Employee / Child	\$118.02	\$121.52	\$3.50
Employee / Children	\$247.28	\$254.58	\$7.30
Family	\$508.20	\$523.23	\$15.03

**Option 2 For Employees Who do NOT Complete the HRA  
Monthly Cost**

<b>PPO</b>			
Employee	\$0.00	\$10.00	\$10.00
Employee / Spouse	\$247.96	\$265.28	\$17.32
Employee / Child	\$89.36	\$102.00	\$12.64
Employee / Children	\$207.75	\$223.90	\$16.15
Family	\$446.78	\$469.97	\$23.19

<b>HMO</b>			
Employee	\$0.00	\$10.00	\$10.00
Employee / Spouse	\$291.18	\$309.78	\$18.60
Employee / Child	\$118.02	\$131.52	\$13.50
Employee / Children	\$247.28	\$264.58	\$17.30
Family	\$508.20	\$533.23	\$25.03

## Option 2 Enhanced Renewal with Incentive

Option 2 continues the current HMO and PPO plans with the enhancements of Option 1 (\$0 generics for both plans and increased therapy visits for HMO). It requires employees and retirees who have not completed the free Health Risk Assessment (HRA) to pay a premium of \$10 per month for health insurance. The \$10 premium will be waived for all employees and retirees who complete the HRA.

Our goal is for 100% of employees and retirees to complete the Health Risk Assessment (HRA) and for no one to pay the \$10 per month premium. To ensure success, key elements are:

1. Communications to employees and retirees
2. Completion of the Health Risk Assessment (HRA)
3. Wellness events
4. Impact on retirees

### 1. Communications

All employees and retirees will be notified of the \$10/month premium and simultaneously informed that completing the HRA will eliminate the premium for the year. Communications will be sent upon approval of the 2010 benefits recommendation to ensure all employees are able to complete the HRA to avoid paying the new premium. Employees will be notified by email, through department communications, payroll staffers and through the ERC. A web site will be created.

### 2. Health Risk Assessment (HRA)

A free online HRA is provided as part of the NCACC health benefit. The HRA is confidential and no individual data is provided to Orange County. Numbers completed and composite results can be tracked (without disclosing the individual results) by CIGNA and reported to Orange County weekly. Results will be used to improve plan design and develop additional and meaningful wellness activities.

An HRA can be completed online or on a hard copy. Employees will be directed to the online HRA and can complete it at home, at work, at the public library or anywhere they can access the Internet. Meetings will be scheduled with departments to assist those without access to the Internet.

Individuals may complete the HRA at any time between approval of the benefits recommendation and September 30, 2010. Because of the added cost of data entry of hard copies, employees are encouraged to complete it online. There may be unusual circumstances where an individual is unable to physically



complete the HRA. Employees/Retirees may request an exception that would waive the \$10 monthly payment.

Once the HRA is completed, employees receive a comprehensive personalized report and invitations to participate in programs designed to improve their health. Examples of programs are Energy & Performance, Weight Management, and Tobacco Cessation. The *Health Advisor* program is also accessed through the HRA. Through this program, a employees are contacted by a health coach to assist them in making improvements identified in the HRA. If an employee chooses not to participate, he or she may opt out.

### 3. Wellness events

Beginning October 23, several wellness events will be scheduled instead of the usual Benefits Fair. Free flu shots will be available as in past years. Employees and retirees will also be able to have their blood pressure and cholesterol checked so they can enter this information in their HRA. Scales will be available to determine weight (and Body Mass Index). Employees and retirees will be invited to complete their HRA on laptop computers at the events, and volunteers will be available to help with this process. NCACC and CIGNA have committed to providing additional assistance.

### 4. Retirees

Retirees will receive individual letters advising them of the changes to the 2010 health benefits and inviting them to the October 23 event. Only 115 retirees are members of the County Health Plan and will be required to either complete the HRA or be charged the premium. All retirees will be invited to the Wellness events and will have multiple opportunities to complete the HRA, get a flu shot, or both.

Retirees will be notified of this change in writing at Open Enrollment and those who do not complete the HRA will be billed regularly until they complete the HRA. Retirees receiving health care through Medicare supplements will not be required to participate, in part because their coverage is not through CIGNA, the sponsors of the HRA.

**Changes to Dental Table of Allowances  
Recommended Effective January 2010**

**Increase Table of Allowances to Delta Dental's Maximum Payable Amount**

**Most Common Basic Restorative Services and Proposed Reimbursement Rates**

		2009	Proposed 2010	Difference
02140	Amalgam Fillings	\$97	\$119	\$22
02150	Amalgam Fillings	\$128	\$151	\$23
02160	Amalgam Fillings	\$155	\$182	\$27
02332	Composite Fillings	\$160	\$181	\$21
02330	Resin-One Surface Anterior	\$100	\$122	\$22
02331	Composite Fillings	\$125	\$149	\$24
02335	Fillings	\$125	\$230	\$105

**2009 Changes made to Delta Dental's Maximum Payable Amount  
Preventive and Diagnostic Services**

00120	Periodic oral exam	\$37
00140	Periodic oral exam	\$98
00150	Periodic oral exam	\$65
00210	Full Series x-rays	\$128
00230	X-rays	\$11
00272	(2) Bitewings	\$35
00274	(4) Bitewings	\$50
00330	Panorex x-rays	\$88
01110	Prophylaxis (adult)	\$68
01120	Prophylaxis (child to age 14)	\$53
01203	Fluoride Treatment	\$27
01351	Sealants (limitation) (child)	\$45