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Cost Comparison of Health Benefit Plans

Current Benefits

Currently El Dorado LAFCO contracts with the County for health, vision and dental benefits. As part of the County pool, LAFCO employees can choose between three medical plans: Blue Shield of California, Kaiser Permanente and PacifiCare. Two employees are currently using PacifiCare and one is using Kaiser Permanente. The premiums are a flat amount regardless of the plan an employee participates under.

Vision insurance depends on the plan. For the sake of simplicity, VSP is offered as a “bundle” with Blue Shield and PacifiCare while Kaiser offers vision coverage as part of its medical plan. Dental insurance is through Delta Dental regardless of medical plan.

Effective July 1, 2006, the per pay period total health benefit rates (medical, dental and vision) are:

	Employee Only	Employee + 1	Emp + 2 or more
Total Cost (same for all)	\$289.00	\$545.00	\$729.00
Administrative Employees			
LAFCO Contribution (80%)	\$231.20	\$436.00	\$583.20
Employee Contribution (20%)	\$57.80	\$109.00	\$145.80
Executive Officer			
LAFCO Contribution (55%)	\$157.90	\$301.81	\$412.15
Employee Contribution (45%)	\$131.10	\$243.19	\$316.85

The FY 2007-08 annual cost to LAFCO to offer medical coverage to three employees is \$25,195, which is \$5,326 higher from FY2006-07 or a 27% increase. This cost is inclusive of program administration costs.

CalPERS Health Benefits

Based on the Commission’s direction, staff researched the health plan offered by the California Public Employee Retirement System (PERS or CalPERS). PERS offers five medical plans: Blue Shield of California, Kaiser Permanente, PERS Choice, PERSCare and Western Health Advantage (WHA). Of these medical plans, only Kaiser is offered under the PERS and County programs. The two employees currently using PacifiCare would have to enroll under a different program. Both of them would most likely enroll with WHA since its medical coverage is similar to what they are receiving for most services. This assumption will be utilized for the remainder of the discussion.

The PERS health program differs from the County’s program in several ways:

- The employer/employee contribution allocation is not pre-determined (the County’s contribution allocations are listed above)

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- PERS bills its member agencies monthly and the premium for benefits depends on the plan the employee enrolls under
- Administrative costs are not included in the premium rates. These fees are currently set at .44%
- Vision and dental insurance is not covered under these plans
- The employer is required to offer retiree health benefits; however the program allows the employer to provide an employer contribution for active employees at one amount and an initial contribution for retirees at a lesser amount. PERS does require that that the employer contribution for retirees to increase annually until it is equal to that of active employees

For purposes of discussion and in order to make a valid comparison between the PERS and County plans, the following discussion will attempt to calculate the PERS cost using the current assumptions, such as the contribution allocation, programs utilized, etc. Participating under the PERS program, LAFCO's costs in FY 2007-08 are projected to be \$21,385, including administrative costs. This amount is a reduction of over \$3,800 from the budgeted costs for the same time period.

MONTHLY COST*		
	County	PERS
Administrative Employees		
LAFCO Contribution (80%)	\$1,446.00	\$1,190.00
Employee Contribution (20%)	\$361.00	\$297.00
Executive Officer		
LAFCO Contribution (55%)	\$650.00	\$581.00
Employee Contribution (45%)	\$531.00	\$476.00

ANNUAL COST*		
	County	PERS
Administrative Employees		
LAFCO Contribution (80%)	\$17,347.00	\$14,277.00
Employee Contribution (20%)	\$4,337.00	\$3,569.00
Executive Officer		
LAFCO Contribution (55%)	\$7,800.00	\$6,972.00
Employee Contribution (45%)	\$6,372.00	\$5,712.00

* Numbers may not add up because of rounding

Considerations

Vision and Dental Insurance

As noted above, the PERS health benefits do not include vision or dental coverage. Because of its size, LAFCO cannot contract with VSP or Delta Dental directly; it would have to contract with an independent broker to purchase coverage. Staff asked five third-party vendors to submit quotes. Four of the vendors were recommended by VSP or Delta Dental and two were local firms recommended by the El Dorado County Transportation Committee and the City of Placerville. Of these, four have responded and as of this writing staff only two have submitted quotes. Two other vendors will provide quotes during the latter half of the week of March 19th and will be sent to the Commission either as a separate mailing or they will be provided at the time of the hearing.

Infinity Trust Insurance provided quotes for vision insurance only. The cost would be approximately \$376 annually, including a \$10 administrative fee, and using the same contribution allocation assumptions as those for health benefits. Pursuing this option means finding a dental insurance carrier.

Ameritas Insurance offers both vision insurance (through VSP) and dental coverage (through Ameritas). Again, using the same contribution allocation assumptions that were used for the health benefits, the additional cost to add vision and dental insurance would be between \$1,653 and \$2,214, depending on the type of the Ameritas program LAFCO chooses. These amounts do not including the \$180 annual administrative fee.

Health Benefit Coverage

If LAFCO chooses to contract with PERS, two employees will have to change health plans, from PacifiCare to (most likely) WHA. While the plans are *similar*, they are not *comparable*. The current primary care physicians for those employees do not accept WHA. In addition, the County health plans are more comprehensive than those offered by PERS, not only between PacifiCare and WHA but also between the Kaiser Permanente plans. For example, certain health benefits currently enjoyed by employees under the PacifiCare plan are not covered to the same extent as WHA. In other words, there would be an actual reduction in coverage for all employees for certain medical procedures and services.

Retiree Health Benefits

LAFCO currently does not offer retiree health benefits; however, its Policies & Guidelines states that the agency “will independently fund such benefit” (P&G 2.3.6). Since PERS requires its participant agencies to offer such a program, LAFCO would have to set aside funds in its budget to cover this cost should Roseanne Chamberlain choose to receive health benefits through LAFCO. In addition, while PERS allows unequal employer contributions between active and retired employees at the onset, it does require that the contribution levels for retirees increase per year until they are equal to the contributions for active employees by a certain point in time. The starting point and manner of the annual increase is a direct function of the contribution levels for

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active employees. Consequently, LAFCO would have to structure its program so that costs do not escalate rapidly from one year to the next.