

Proposal - CalPERS Medical Insurance Transition

Informational Presentation to Board of Education

March 25th, 2020

Included in Today's Presentation

- History and rationale for potential move to CalPERS Medical
- Cost Comparison
- Implications- of Additional Retirees and Bargaining Considerations
- Impact and Changes for Employees
- Timeline and Process
- Recommendation to the Board of Education

Medical Insurance History

- 20+ Years with Kaiser Permanente Medical Insurance as the only option
- SRCS Groups Covered:
 - SRTA
 - Management
 - Supervisory
 - Confidential
 - Board Members

Medical Insurance History

- Health and Welfare Benefits Subsidy was embedded within the salary schedule for SRTA and Management.
- Unless salaries increased, there was no increase in Subsidy
- Kaiser rates continued to increase as many employees opted out of District Insurance.
- In 2015 the District began providing a separate Annual Subsidy for Medical Insurance for SRTA and Management.
 - 2015 - 2017: \$2,500
 - January 2018 - \$3,500
 - July 2018 - \$5,300
 - July 2019 - \$6,050
 - July 2020 - \$6,800



Represents a
172% increase in
District Subsidy
since 2015

Historical Kaiser Medical Insurance Rate Increases

Year	Rate Increase
2016	10%
2017	0%
2018	3%
2019	8%
2020	10.5%

Current Plan Breakdown

	Employee Only	Employee +1	Family	Total
Kaiser High	111	7	8	126
Kaiser MID	94	11	11	116
Kaiser Low HSA	195	26	24	245
Kaiser Low-Low HSA	80	29	29	138
Waived Medical Plans				448
Total Eligible				1073

Health Benefits Committee

Committee convened to begin studying the possible PERS transition in September 2019. This was a follow up to the District Tentative Agreement with SRTA which directed this action.

Committee is made up of representatives from SRTA, Management, District Office, Supervisory and Confidential.

Committee Members

Cindy Brennan - Management
Joel Dontos-Management
Danita Haynes-SRTA
Kathryn Howell-SRTA
Renee Jackson-Confidential
Eric Lofchie-Supervisory
Ian Myers-SRTA
Mark Mitchell-CTA/SRTA
Stacy Spector-Management
Jeanine Wilson-Management

Historical PERS vs. Kaiser Rate Increases

Year	PERS Rate Increase*	Kaiser Rate Increase
2016	7.7%	10%
2017	3.9%	0%
2018	2.5%	3%
2019	1.1%	8%
2020	4.7%	10.5%
Totals	19.9%	31.5%

*Although HMO and PPO plans will have varying increases, this is the average increase for all plans for non-Medicare employees and retirees.

Plans Offered Through PERS

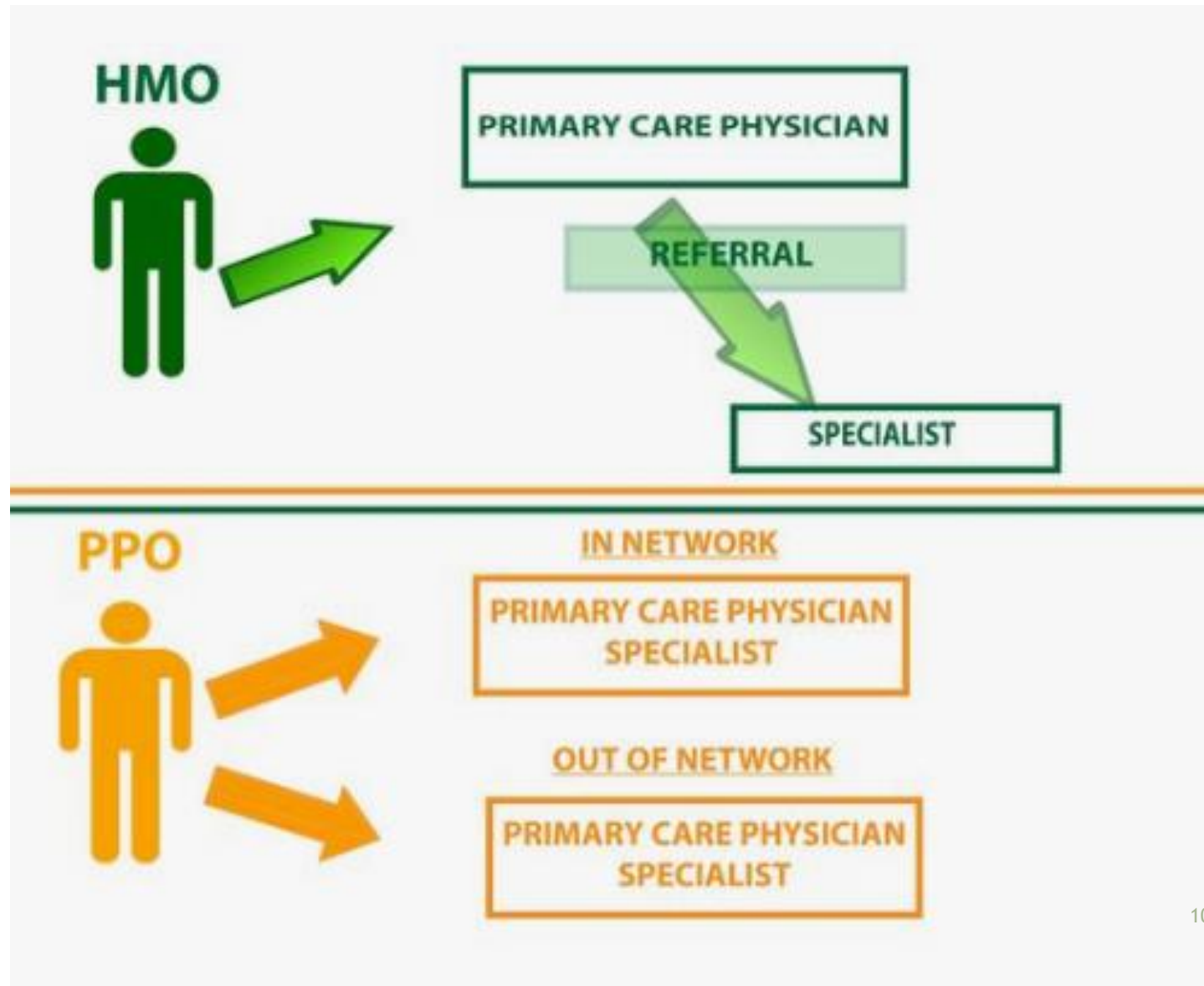
HMO Plans (Health Maintenance Organization)

- Kaiser HMO
- Anthem Traditional HMO
- Health Smart Care HMO
- Western Health Advantage HMO

PPO Plans (Preferred Provider Organization)

- PERS Care PPO
- PERS Choice PPO
- PERS Select PPO

HMO Versus PPO



Plan Name	Single Monthly Premium	Family Monthly Premium
Current Kaiser Plans* - Rates Effective July 1, 2020		
Kaiser Low Low HSA	\$459.24	\$1,354.76
Kaiser Low HSA	\$587.77	\$1,733.92
Kaiser MID	\$749.97	\$2,212.42
Kaiser High	\$952.01	\$2,808.41
PERS Plans - 2020 Rates		
PERS Select PPO	\$520.29	\$1,352.75
Western Health Advantage HMO	\$731.96	\$1,903.10
Kaiser HMO	\$768.49	\$1,998.07
PERS Choice PPO	\$861.18	\$2,239.07
Heath Smart HMO	\$1,000.52	\$2,601.35
PERS Care PPO	\$1,133.14	\$2,946.16
Anthem HMO	\$1,184.84	\$3,080.58

Plan Cost Comparison - *With 10.5% Kaiser increase

Example: Monthly Premiums for 2 Current Kaiser Plans versus a PERS Plan

Current Kaiser Plans	PERS Medical Plan	Cost Difference between PERS Plan and Current Kaiser <u>Employee Only</u>	Cost Difference between PERS Plan and Current Kaiser <u>Family Coverage</u>
Kaiser High	Kaiser HMO PERS	Savings-\$183.52 per month	Savings-\$810.34 per month
Kaiser Low HSA	Kaiser HMO PERS*	Additional \$180.72 per month	Additional \$264.15 per month
Kaiser Low HSA	PERS Select PPO	Savings-\$67.48 per month	Savings-\$381.17 per month

*Although monthly premiums are higher, the PERS Kaiser HMO Plan has much lower out-of-pocket cost at the Point of Service than the Kaiser Low HSA Plan. For example, the Office Visit for the Kaiser Low HSA Plan is \$140 before the deductible is met. For the PERS Kaiser HMO, it is \$15.00.

Who is a Covered Retiree? SRCS vs. PERS

SRCS - A retiree is someone who:

- Is over 55 years of age and
- Has worked for a total of 15 cumulative years of full-time service at Santa Rosa City Schools and;
- Has retired from SRCS and is a member of STRS or PERS

PERS (For Medical Coverage) - A retiree is someone who:

- Has separated from their employer and
- Retires from PERS or STRS within 120 days and;
- Receives a monthly pension check

What Does this Mean for SRCS

- ▶ For the first year of enrollment in PERS Medical, SRCS must contact approximately 800 retirees of PERS and STRS who were not previously eligible for SRCS Retirement Benefits and offer them a subsidy and enrollment in a PERS plan.
- ▶ SRCS will be able to offer a minimum (\$1.00 per month) Subsidy for the first year and it will increase by 5% each subsequent year.

IMPORTANT:

- SRCS will still be able to maintain a higher subsidy level for those who meet the SRCS Retirement definition outlined in a Bargaining Contract or determined by past practice for non-represented groups.
- Also, retirees who are not eligible for a District Subsidy, but are eligible by PERS standards, may still elect a PERS plan by paying the full premium.

Potential Maximum Cost Exposure

If all new eligible retirees take out a medical benefit						
Year	2020 Pemhca Rate (Current year and increase by estimated \$4 each following year)	Required yearly % Increase	Yearly \$ Increase	Yearly Projected Employer Contribution	Possible Retirees	Potential Yearly District Cost
1	\$ 139.00			\$ 12.00	800	\$ 9,600.00
2	\$ 143.00	5%	\$ 7.15	\$ 19.15	800	\$ 15,320.00
3	\$ 147.00	5%	\$ 7.35	\$ 26.50	800	\$ 21,200.00
4	\$ 151.00	5%	\$ 7.55	\$ 34.05	800	\$ 27,240.00
5	\$ 155.00	5%	\$ 7.75	\$ 41.80	800	\$ 33,440.00
6	\$ 159.00	5%	\$ 7.95	\$ 49.75	800	\$ 39,800.00
7	\$ 163.00	5%	\$ 8.15	\$ 57.90	800	\$ 46,320.00
8	\$ 167.00	5%	\$ 8.35	\$ 66.25	800	\$ 53,000.00
9	\$ 171.00	5%	\$ 8.55	\$ 74.80	800	\$ 59,840.00
10	\$ 175.00	5%	\$ 8.75	\$ 83.55	800	\$ 66,840.00
11	\$ 179.00	5%	\$ 8.95	\$ 92.50	800	\$ 74,000.00
12	\$ 183.00	5%	\$ 9.15	\$ 101.65	800	\$ 81,320.00
13	\$ 187.00	5%	\$ 9.35	\$ 111.00	800	\$ 88,800.00
14	\$ 191.00	5%	\$ 9.55	\$ 120.55	800	\$ 96,440.00
15	\$ 195.00	5%	\$ 9.75	\$ 130.30	800	\$ 104,240.00
16	\$ 199.00	5%	\$ 9.95	\$ 140.25	800	\$ 112,200.00
17	\$ 203.00	5%	\$10.15	\$ 150.40	800	\$ 120,320.00
18	\$ 207.00	5%	\$10.35	\$ 160.75	800	\$ 128,600.00
19	\$ 211.00	5%	\$10.55	\$ 171.30	800	\$ 137,040.00
20	\$ 215.00	5%	\$10.75	\$ 182.05	800 ¹⁵	\$ 145,640.00
21	\$ 219.00	5%	\$10.95	\$ 193.00	800	\$ 154,400.00

Potential Cost Exposure at 25%

If 25% of new eligible retirees take out a medical benefit						
Year	Rate (Current	yearly %	Increase	Projected	Retirees	Yearly District
1	\$ 139.00			\$ 12.00	200	\$ 2,400.00
2	\$ 143.00	5%	\$ 7.15	\$ 19.15	200	\$ 3,830.00
3	\$ 147.00	5%	\$ 7.35	\$ 26.50	200	\$ 5,300.00
4	\$ 151.00	5%	\$ 7.55	\$ 34.05	200	\$ 6,810.00
5	\$ 155.00	5%	\$ 7.75	\$ 41.80	200	\$ 8,360.00
6	\$ 159.00	5%	\$ 7.95	\$ 49.75	200	\$ 9,950.00
7	\$ 163.00	5%	\$ 8.15	\$ 57.90	200	\$ 11,580.00
8	\$ 167.00	5%	\$ 8.35	\$ 66.25	200	\$ 13,250.00
9	\$ 171.00	5%	\$ 8.55	\$ 74.80	200	\$ 14,960.00
10	\$ 175.00	5%	\$ 8.75	\$ 83.55	200	\$ 16,710.00
11	\$ 179.00	5%	\$ 8.95	\$ 92.50	200	\$ 18,500.00
12	\$ 183.00	5%	\$ 9.15	\$ 101.65	200	\$ 20,330.00
13	\$ 187.00	5%	\$ 9.35	\$ 111.00	200	\$ 22,200.00
14	\$ 191.00	5%	\$ 9.55	\$ 120.55	200	\$ 24,110.00
15	\$ 195.00	5%	\$ 9.75	\$ 130.30	200	\$ 26,060.00
16	\$ 199.00	5%	\$ 9.95	\$ 140.25	200	\$ 28,050.00
17	\$ 203.00	5%	\$10.15	\$ 150.40	200	\$ 30,080.00
18	\$ 207.00	5%	\$10.35	\$ 160.75	200	\$ 32,150.00
19	\$ 211.00	5%	\$10.55	\$ 171.30	200	\$ 34,260.00
20	\$ 215.00	5%	\$10.75	\$ 182.05	200	\$ 36,410.00
21	\$ 219.00	5%	\$10.95	\$ 193.00	200	\$ 38,600.00

Cost Protection Moving Forward



NOW

- This will be the only year SRCS will need to reach out to PERS Eligible Retirees.
- Create a School Employer Vesting Schedule with each employer group moving to PERS. (SRTA, Management, Confidential, and Supervisory).
 - Schedule will designate how many years the employee (*who would otherwise not have been eligible for SRCS Retiree Benefits*) would need to work to receive a subsidy. (i.e. 50 years)

ONGOING

- Therefore, other than additional financial exposure determined this year, there would not be any substantive financial costs associated with this moving forward.

Potential Successes and Challenges of PERS Migration

Successes	Challenges
<p>7 Plans to choose from. Can go outside of Kaiser Network. (Select PPO Plan even includes incentives to lower deductible by getting preventative care).</p>	<p>Will require HRA or other reimbursement vehicle via 3rd Party Administrator at an estimated cost of \$10,000 per year, (Due to PERS automatic Medical Deduction from Retiree Check).</p>
<p>With the exception of the current Kaiser High Plan, all PERS plans cover more services at a lower out of pocket cost (<i>not necessarily premium cost</i>) to the employee.</p>	<p>There will be support for initial open enrollment but questions throughout the year will need to be answered by District or Insurance provider, not PERS.</p>
<p>Plans available that cover out of area and out of State. (Kaiser is restricted to Northern California).</p>	<p>Only one Kaiser Plan which has a higher premium cost for those on the Low and Low Low Plans. (There are other PERS plan choices at a lower cost)</p>
<p>Provides more sustainable plans for the future being part of a larger pool with less erratic rate increases.</p>	<p>Paper only option for enrollment. (We are fully digitized currently).</p>
<p>Possible enhancement to recruitment efforts due to more Medical Plan Options.</p>	<p>Possible financial exposure for broader definition of retirees by PERS.</p>

Significant Steps to Transition

What	When	Who	Hours to Complete
Decide upon Groups to Transition to PERS.	By May 1, 2020	SRTA and District	5
Contact Kaiser to end contract	After July 1 st , 2020	Human Resources	2
Negotiate new retiree subsidy with SRTA.	By May 15 th , 2020	Bargaining Team	5
Draft & Sign MOU for Contribution Method and School Vesting	By no later than May 15 th , 2020	Bargaining Team	10
Submit Resolution to Board of Education	By June 1 st , 2020	Human Resources	4
Submit Approved Resolution to PERS	By no later than July 1 st , 2020	Human Resources	2

Significant Steps to Transition

What	When	Who	Hours to Complete
<p>Contact 800+ Retirees who are now eligible for subsidy.</p> <ul style="list-style-type: none"><input type="checkbox"/> Letter will need to be drafted and all materials sent to 800 people.<input type="checkbox"/> Set up dedicated SRCS temporary staff member to field all phone calls and assist with questions.<input type="checkbox"/> Calculate final financial impact from this group and report to the Board of Education.	<p>By no later than August 1st, 2020</p>	<p>Will require temporary HR or Fiscal staff to handle this process.</p>	<p>350</p>

Significant Steps to Transition

What	When	Who	Hours to Complete
Set up HRA (Health Reimbursement Accounts) via a third party Administrator to reimburse for premiums to 250+ retirees. (PERS takes all premiums from the retiree's check so SRCS must reimburse retiree for the portion they are entitled to)	By no later than August 15 th , 2020	Arrow Benefits or other 3 rd Party Administrator.	150 hours+
Set up and train all persons who will need access to the PERS online system - Fiscal and HR.	By no later than August 1 st , 2020	All Fiscal, Payroll, HR and Arrow Benefits staff who need access.	15 people/5 hours each = 75

Significant Steps to Transition

What	When	Who	Hours to Complete
Create individualized price sheets for all employee groups and work years.	By August 15 th , 2020	Human Resources	20
Close out all old plans and set up new plan designs in HR/Payroll and Benefits Systems.	By August 15 th , 2020	Human Resources	50
Provide on-site PRE-education for all employees prior to the transition. (All medical insurance vendors to be at sessions).	September 2020	PERS: For all employees in SRTA, Management, Supervisory and Confidential.	800 (based on 800 persons 1 hour each)

Significant Steps to Transition

What	When	Who	Hours to Complete
Set up Digital Enrollment Form to feed into our benefitsCONNECT System (PERS is a complete paper enrollment on their end).	By September 1 st , 2020	Human Resources	7
Open Enrollment (Both Active Employees and Retirees)	October 1- October 30 th , 2020	Human Resources & Arrow	120
Set up accounts in the PERS system for all Active, Retiree and Newly Eligible Retirees. (Separate entries will need to occur for dependents)	By November 15 th , 2020	Human Resources Staff	200 hours- Up to 1000 accounts + dependents.

Significant Steps to Transition

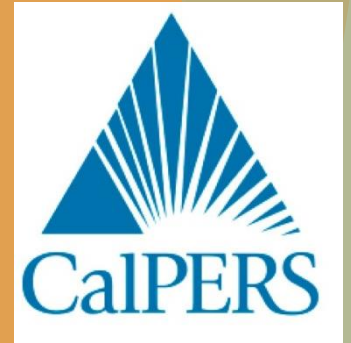
What	When	Who	Hours to Complete
Unless digital upload can be created, manually enter new health plans in PERS System for all employees	By November 30 th , 2020	Human Resources Staff	200 hours
Reset Cobra plans and method with Arrow Benefits.	By December 15 th , 2020	Human Resources and Arrow	15
Migrate up to 1000 employees into new plans in the HR/Payroll System.	By January 15 th , 2020	Human Resources	400+

**This equates to
nearly 2500 hours
of additional work**

Advantages of a January 1st, 2021 Conversion

<p>Education can occur in a more planned manner and not at the end of the school year when our staff is at their busiest. This change will entail a full reenrollment.</p>	<p>The deductible will reset again in January and if we had entertained a July 1 migration, people would lose what they had paid in 6 months prior than they would have planned on. This would have affected up to 500 Employees.</p>
<p>Since employees may be migrating away from the Kaiser culture, we will host pre-education sessions, spread out over several days.</p>	<p>We will not have to hire as much additional staff to do plan development, education, retiree outreach and plan entry and individual plan selection entry.</p>
<p>With over 2500 hours of additional District Office work that will be necessary, we can plan ahead so this is done in a well thought out and organized manner.</p>	<p>Premiums will increase for many employees again on January 1st so we would avoid two increases under PERS.</p>

District Recommendation



- Transition to PERS Medical Plans on January 1st, 2021.
- Move forward with Board Resolutions and MOU's.
- Stay on a month-to-month Plan with Kaiser from July 1st until December 31st.
- Plan a week long education event in September for all employees who are impacted by the change.
- Allow a one month open enrollment period for employees.