

DECISION PAPER



August 25, 2017

Health Insurance Renewal for October 1, 2017

Issue:

We continue to measure and track our variable hour (seasonal) employees for the purpose of offering benefits to ACA eligible participants in addition to the health benefits we offer our full-time, regular employees. We will continue to monitor these employees moving forward and will be offering them insurance as needed. The ACA also requires employers to provide 60 days written notice of any changes to the cost sharing arrangement.

Since 2015, Tahoe Donner Association has paid 75% of the premium cost and the employee has been responsible for the remaining 25% of the premium cost.

Background:

TDA's benefit plan year is October 1-September 30 of each year. Annually, prior to the renewal date, our insurance broker, KC Krichbaum of Hendricks & Associates, Inc., works with our existing vendors to obtain renewal rates. We currently operate a fully insured medical plan with Blue Shield of California. Their proposed medical renewal rate for the 2017-2018 plan year was an increase of 12.9%. However, KC was able to negotiate the renewal rate down to a 7% increase with no plan changes. Single digit renewal increases with no plan design changes are very difficult to come by in this environment. This change also reflects a 'blended rate.' No longer will out of state employees pay a different rate than California employees.

Over the past 12 months, the insurance costs for our health plan have been approximately \$64,087/mo or \$769,044/annually. With a 7% increase we're looking at approximately \$68,573/mo, or \$822,876/annually. Because of federal mandates due to the Affordable Care Act (ACA), those figures represent our current enrollment and do not take into account additional employees who will be offered benefits.

For some history and perspective... we'll illustrate the employee/employer premium sharing formula:

90% TDA / 10% Employee – 2008 and prior

85% TDA / 15% Employee – 2009

80% TDA / 20% Employee – 2010 to 2014

75% TDA / 25% Employee – 2015 to present



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Here are some additional thoughts for the board's consideration regarding benefits and total compensation for key employees. In 2017 Blue Shield of California raised rates on the exchange (Covered California) by **19.9%**. Rising health care costs are a national concern for both employers and employees alike. For our purposes ultimately the goal of the association is to recruit, retain and reward key employees for the purpose of serving our members. In an article by Deloitte, a major accounting and advisory firm, the costs of losing key employees pivot on several factors:

1. The cost of advertising, interviewing, screening and hiring a new employee
2. The cost of onboarding a new person, including training and management time
3. Lost productivity – it may take a new employee one to two years to reach the productivity of an existing person
4. Lost engagement – other employees who see high turnover tend to disengage and lose productivity
5. Customer service and errors – for example new employees take longer and are often less adept at solving problems
6. Training cost – for example, over two to three years, a business likely invests 10 to 20% of an employee's salary or more in training
7. Cultural impact – whenever someone leaves, others take time to ask why

In summary the benefits offered by the association should be viewed in the context of overall employee compensation. The Lake Tahoe region remains a competitive and expensive market for both employees and employers. Housing, cost of living and taxation are other factors that contribute to the complexity of the community.

Options:

1. Medical:

- Stay with Blue Shield of California, at an 7% increased renewal rate with estimated costs of \$784,435/year.
- We always have the option to take our plan to market to determine if a more competitive offer exists, however single digit renewals are hard to come by with no plan changes are we're inclined to accept Blue Shield's offer.
- Blue Shield is adding a TeleDoc service commensurate with this year's renewal. This service should lead to less time employee's spend missing work and greater productivity.

2. Dental:

- Guardian – 3.50% increase (includes adult ortho). Current annual premium paid is approximately \$64,871, the projected annual renewal premium was approximately \$67,141. This equates to an increase of +3.5%



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- We have an option of moving our dental to Blue Shield. While this could lower the medical premiums (potentially 1%) it would result in a 30% increase to current dental rates.

3. Vision:

- Stay with Superior Vision – 4 year rate guarantee, starting 10/1/2017. This represents a 4% increase. Current monthly costs are \$1,544 and will increase to \$1,605 or \$19,269 annually.

4. Life/Vol. Life/ADD:

- Stay with Lincoln Financial. This represents a two year rate guarantee starting 10/1/2017. Current annual premium paid is approximately \$3,165, the projected annual renewal premium is approximately \$3,407. This equates to an increase of +9.79%.

5. LTD:

- Stay with Lincoln Financial, no change. This was a two year rate guarantee from 10/1/2017, cost is \$947/month. Current annual premium paid is approximately \$10,272, the projected annual renewal premium is approximately \$11,364. This equates to an increase of +10.67%. There has been claim activity on the Long-Term Disability plan.

6. Flexible Spending:

- Discovery Benefits – No change is expected in costs. Current costs are \$1825/year.

Recommendation:

Staff recommends the Board of Directors approve the following:

- Remain with Blue Shield of California at 7.0% blended increase;
- Remain with Guardian at 3.5% increase;
- Remain with Superior Vision at 0% increase;
- Remain with Lincoln, Life, AD&D, Supplemental Life at 9.79% increase;
- Remain with Lincoln LTD, at 10.67% increase
- Consider adding Discovery Benefits to administer COBRA. Approximately \$1,000 in annual costs;
- Move away from CONEXIS which although free, is not user-friendly



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Summary of expected cost changes with recommended options:

Coverage	Current Year Costs**	Expected new costs***		Savings
Medical	\$769,044	\$822,876	+ 7%	\$53,832
Dental	\$64,871	\$67,141	+3.5%	\$2,270
Vision	\$18,528	\$19,269	+4.0%	\$741
Life & AD&D	\$3,165	\$3,407	+ 9.79%	\$242
LTD	\$10,272	\$11,364	+10.67%	\$1,092
Total Increase/Savings				\$57,935

**Costs are approximate

***Quotes are subject to change, after underwriting considerations

Prepared By: Tom Knill, Human Resources Director

Board Meeting Date: September 2, 2017

General Manager Approval to place on Agenda: _____ **Date:** _____

