

DECISION PAPER



August, 2019

Introduction: Health Insurance Renewal for October 1, 2020

This is the fourth renewal period where we are required to offer full-time equivalent (FTE) employees with medical insurance, due to the Affordable Care Act (ACA). This is in addition to the health benefits we offer our full time, regular employees. Based on our most recent look-back period (July 2018 to July 2019) we have 80 FTE's that will *qualify* for insurance coverage based on the ACA for 2019 (currently we have 62 employees enrolled in medical insurance with Blue Shield).

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, Hendricks & Associates, works with our existing vendors to obtain renewal rates.

As you may or not be aware, the increase in healthcare costs for 2019 with Covered California was 8.7%, which covers more than 1M Californians. In 2018, the increase was 12.7%. Over the last several years, TDA has had single digit increases to our healthcare coverage year over year. One of the benefits that TDA has, is that Tahoe Donner operates on a large group plan and is part of a pool of other large groups in California. That pool will renew October 1st, 2019 with a 12.9% increase. Due to the relationship KC/Hendricks has with Blue Shield and favorable claims history for TDA, we're successfully able to negotiate those rates down to a 6.9% increase. Nearly a 50% drop from the average group with Blue Shield.

With that being said, Blue Shield has given us a total of 3 options to choose from:

1. The first option is the same overall coverage as 2019 for 2020 with an increase in cost of 6.89%. The only changes from 2019 to 2020 would be an increase in out-of-pocket expenses.

(It should be noted that out-of-pocket expenses are increasing across the board on all Blue Shield plans.)

2. The second option is a .5% decrease in cost compared to our current 2019 plan. However, with that change in cost comes a change in coverage. For this plan, there would be a small increase to our deductibles and a substantial increase to the out-of-pocket maximums, almost double of what are current maximums are.

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3. The third option is to offer 2 separate plans for employees to choose from. The base plan would be a high deductible plan that also has an HSA Account (Health Savings Account). This plan does not include any copays and the deductibles are almost 3x the amount of the current offering. The second plan option would be our current plan with a 6.89% increase in cost, it would come with an FSA Account (Flex Spending Account). This plan would be the 'buy-up' plan.

Over the past 12 months, the insurance costs for our health plan have been approximately \$72,000/mo or \$872,000/annually.

All of the details of these plans have been included on the spreadsheets attached to this Decision Paper.

In addition to our medical coverage with Blue Shield, we also offer Vision coverage through VSP, as well as Dental coverage through Guardian. Our VSP vision costs will be remaining flat for 2020, with no additional costs incurred. However, after 2 years without any increases in cost, our dental coverage with Guardian will be increasing rates by 4.9% for 2020. The increase in dental costs equate to roughly \$3,000 over the plan year.

The regional labor pool continues to shrink due to the high cost of living within the region. TDA and every other business within the Tahoe region are fighting for a small workforce population. With competitors in our region offering greater insurance coverage at lower costs, as well as offering insurance for part time employees, TDA needs to retain a competitive advantage or at least parity in attracting new team members, and more importantly, keeping the team members we have. Our annual average increase in wages is roughly 3-3.5%, which doesn't even cover the increase in medical coverage cost.

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Options:

1. Select "Option 1" of the Decision Paper and "A1" in the attached spreadsheets. This is our current Blue Shield offering, with all of the same attributes rolled over to 2020, with a small increase of 6.89%. Our employees are familiar with this plan and would not incur additional fees down the road by paying higher deductibles and higher out-of-pocket costs.
(See attached spreadsheet with costs.)
2. Review other options for consideration implementable before the October 1, 2019 renewal deadline.

Recommendation:

The board approves Option 1.

Prepared By:

Tom Knill, Director of Human Resources

Board Meeting Date:

8/24/2019

General Manager Approval: