



Agenda Date: 5/8/2007
Agenda Placement: 9C

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Michael Willihnganz for Gregersen, Mark - Director
Human Resources
REPORT BY: Caryn Fagundes, Benefits Administrator, 253-4488
SUBJECT: Possible Elimination of CalPERS Blue Shield HMO

RECOMMENDATION

County Executive Officer and Human Resources Director request discussion and possible action pertaining to Blue Shield's recommendation to eliminate the CalPERS Blue Shield HMO in the County of Napa.

EXECUTIVE SUMMARY

CalPERS is taking an item to its Board of Directors on May 15, 2007 recommending the elimination of the CalPERS Blue Shield HMO plan from 4 counties. The 4 counties are Lake, El Dorado, Plumas and Napa. These counties have cost-to-premium ratios well in excess of the statewide average which creates higher premiums in all lines of Blue Shield coverage. The CalPERS Board decision will be made during their May 15th meeting. Approximately 250 Napa County employees will be affected. The effective date of the elimination will be January 1, 2008. The 250 County employees will be required to enroll in another CalPERS health plan. As of today the 2008 health plan options will be Kaiser, Blue Cross Care and Choice PPO plans and Western Health Advantage offered only to residents of Solano County. The County employees that would be impacted by the proposed elimination of the Blue Shield health plan have been notified.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Napa County offers its employees options for healthcare plans through the California Public Employees' Retirement System (CalPERS). One of the options is Blue Shield Health Maintenance Organization (HMO). Over the past 3 years Blue Shield has experienced an increase in operating costs in several lines of health coverage. In order to identify the underlying reasons for the increasing costs, pricing development research was conducted which found significantly higher operating costs in several counties, including the County of Napa.

As part of the pricing development research, Blue Shield created a cost-to-premium ratio that measures the amount of premium required to cover costs versus the actual amount of premiums paid. As a result of the ratio analysis Blue Shield identified 12 of the highest cost counties. Four of the counties (El Dorado, Lake, Plumas and Napa) have ratios significantly above the average. The cost of health care in these four highest cost counties exceeds the CalPERS statewide cost of health care by 78%. Facility costs were the primary driver of the cost difference.

Blue Shield created a Regional Council to identify strategies to improve health care affordability in the 12 counties. The Council recommended increasing co-pays for office visits and prescription drugs as well as promoting the use of urgent care centers rather than using the emergency room for non-emergency care which increases costs. The Council determined that the 4 highest cost counties would remain significantly above the statewide average even with the completion of targeted actions.

To address the ongoing high cost issue in the four high cost counties, Blue Shield analyzed four options:

1. Develop a program that allows all the CalPERS health plans to share in the high costs of the specified counties. This was rejected due to Public Employees' Hospital and Medical Care Act (PEHMCA) regulation concerns.
2. Implement a different benefit design in some or all of the high cost counties. This was rejected due to risk selection concerns and no rural subsidy available.
3. Allow regional pricing factors to more accurately reflect actual costs for public agencies. This will be considered during rate negotiations between Blue Shield and CalPERS to establish health premiums for the 2008 calendar year.
4. Discontinue coverage in some or all of the high cost counties. This makes business sense.

Consequently, Blue Shield proposed the elimination of the HMO coverage in the 4 highest cost counties. The elimination of the health plan will impact approximately 9,000 members and will favorably improve premiums of the remaining 356,000 members by 2%. Napa County currently has approximately 250 Blue Shield members which is about 3% of the total number of members impacted. The County employees that would be impacted by the proposed elimination of the Blue Shield health plan have been notified.

On May 15, 2007 the CalPERS Board of Directors will meet and decide if the Blue Shield HMO plan will be offered in the 4 highest cost counties for the 2008 plan year which begins January 1, 2008. If the CalPERS board chooses to exit the four counties, Napa County employees will still be able to choose from Kaiser HMO, Blue Cross Choice PPO, and Blue Cross Care PPO. Employees who live in Solano County will also have the option of enrolling in the Western Health Advantage plan. Peace officers will have one additional plan to choose from, PORAC Blue Cross PPO.

While there are no staff recommendations and your Board need not take any action, possible actions might include;

1. a letter to the CalPERS Board in support of the continued offer of Blue Shield HMO under some scenario. (This would result in higher premiums to the County and employees); or
2. a letter in support of discontinuance. (Some employees will be denied their first choice in health care options. However, this makes sense from a business or premium payer standpoint, improving rates for remaining members); or
3. any other action deemed appropriate by your board.

Staff understanding is that, in order to preserve and promote cost effective health care benefits for as many state and contracting agency enrollees as possible, there is a high probability that the CalPERS board will likely vote to exit the four highest cost counties, including Napa, from its Blue Shield HMO.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Karen Gratton