



Agenda Date: 7/19/2005
Agenda Placement: 6K

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
County Executive Office
REPORT BY: Andrew Carey, Management Analyst, 253-4477
SUBJECT: Agreement with Delta Dental

RECOMMENDATION

County Executive Officer requests approval of and authorization for the Chair to sign an agreement with Delta Dental for the term March 1, 2005 through June 30, 2006 for a self-insured employee dental plan.

EXECUTIVE SUMMARY

Since August 1994, the County has participated in a self-insured dental plan where dental services have been provided to eligible participants (employees and their dependents) by Delta Dental, while third party administration services have been provided by Preferred Benefits Insurance Administrators (PBIA). Under the plan, payments for the County's dental claims and administrative costs have been made to PBIA and then forwarded by PBIA to Delta Dental.

Effective March 1, 2005, the Human Resources Director terminated the agreement with PBIA and brought administration of the self-insured Delta Dental plan back into Human Resources. However, the agreement with PBIA was terminated before a replacement agreement had been finalized with Delta Dental. Consequently, although Delta Dental has continued to provide dental services, there has not been a Board approved agreement authorizing the Auditor-Controller to make payments to Delta Dental.

To remedy the situation, on May 25, 2005, the Board granted the Auditor-Controller authorization to pay Delta Dental invoices dating from April 1, 2005 for claims beginning in the month of March 2005 and continuing until such time as a new agreement with Delta Dental for employee dental services has been approved by the Board. A new agreement with Delta Dental has been prepared and is hereby submitted to the Board for approval of and authorization for the Chair to execute the agreement.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Departmental budgets - group insurance
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	There is a need to have an executed agreement for dental services.
Is the general fund affected?	Yes
Future fiscal impact:	Employee dental expense is an ongoing cost and will be budgeted accordingly in departmental budget request for future years. Self-insured dental expenses, including administrative fees, are approximately \$150,000 per month.
Consequences if not approved:	The County would not have an agreement for dental services.
Additional Information:	None

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

August 2, 1994, The Board of Supervisors authorized, upon the recommendation of the County Administrator and the Personnel Director, a statement of intent to enter into an agreement to transfer into the California State Association of Counties-Excess Insurance Authority Delta Dental Insurance Program, effective September 1, 1994. The California State Association of Counties (CSAC) - Excess Insurance Authority (EIA) provides several self-insurance (self-funded) programs for counties, with dental benefits being one of those programs.

On August 23, 1994, the Board gave approval of and authorization for the Chair to sign an agreement with Preferred Benefits Insurance Administrators (PBIA), Inc., to provide third party benefits administration for the self insured Delta Dental Plan through the CSAC - EIA effective September 1, 1994. This agreement (No. A-3554) authorized PBIA to enter into an "Administrative Service Agreement" with Delta Dental for the purpose of providing eligibility data and forwarding the County's payments for claims and administrative costs to Delta Dental. PBIA served as the "single contract source" for the County in relation to administering the County's self-insured Delta Dental plan. Agreement No. A-3554 remained in force until March 1, 2005.

In February, 2005, the Human Resources Director determined that PBIA was not performing to the standards necessary to service the County's dental administration requirements and decided to return administration of the Delta Dental plan to Human Resources. Thus, on February 9, 2005, the Human Resources Director approved a letter terminating the agreement with PBIA effective March 1, 2005 and stating the County's intention of dealing directly with Delta Dental concerning the administration of dental services. However, the agreement with PBIA was terminated before a replacement agreement had been finalized with Delta Dental. Consequently, although Delta Dental has continued to provide dental services, there has not been a Board approved agreement authorizing the Auditor-Controller to make payments to Delta Dental.

To remedy the situation, on May 25, 2005, the Board granted the Auditor-Controller authorization to pay Delta Dental invoices dating from April 1, 2005 for claims beginning in the month of March 2005 and continuing until such time as a new agreement with Delta Dental for employee dental services has been approved by the Board.

A new agreement with Delta Dental has been prepared and hereby submitted to the Board for approval and authorization for the Chair to execute the agreement. Eligibility requirements, services provided, and fees for dental services in the new agreement remain the same as the previous agreement. However, the new agreement does incorporate some changes in the methodology selected for providing payment to Delta Dental and a 1% increase in administrative fees as discussed below.

Administrative fees under the new agreement will be 8.9% of total claims through June 30, 2006. This is a 1% increase from the previous agreement. However, the previous agreement would have been subject to an increase in administrative fees that was anticipated to be at least 1%. Administrative fees under the new agreement are subject to review upon annual renewal of the agreement and any changes up or down in the administrative fee will reflect changes in the County's claims experience.

Because Delta Dental makes payments to dental service providers prior to submitting reimbursement claims to the County, the agreement with Delta Dental requires the County pay to Delta Dental, on or before July 31, 2005, the sum of \$58,000.00 as adequate prefunding for services rendered by dental providers and paid for by Delta Dental. This prefund amount is based upon the County's recent payment experience (timeliness of payments) and reflects the risk Delta Dental assumes by paying dental service providers in advance of receiving payment from the County. The agreement also requires the County to process Delta Dental's monthly reimbursement claim within three days after receipt of each monthly invoice. Eligibility adjustments and any necessary adjustments in reimbursable claims reported to Delta Dental after the date the invoice is prepared will be reflected on the subsequent month's invoice.

The term of the agreement extends through June 30, 2006, although the agreement also contains a provision for automatic annual renewal unless either party to the agreement elects to implement the agreement's terms for termination.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Britt Ferguson