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Agenda Date: 9/14/2010  
Agenda Placement: 7N

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Karen Brady for Mason, Suzanne R. - Director  
Human Resources  
**REPORT BY:** Lisa Christopherson, HUMAN RESOURCES ANALYST II - (707) 259-8686  
**SUBJECT:** Resolution regarding CalPERS Health Care Insurance Premiums for 2011

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### **RECOMMENDATION**

Director of Human Resources requests adoption of a resolution approving total rates for CalPERS health plans for Public Service Employee Units - Supervisory and Non-Supervisory, Law Enforcement Units Supervisory and Non-Supervisory, Management and Confidential employees and eligible retirees effective January 1, 2011.

### **EXECUTIVE SUMMARY**

The County of Napa contracts with CalPERS to provide a number of health care insurance plans as part of the County's employee and eligible retirees benefits package. The recommended action will implement CalPERS health insurance premium plan rates effective January 1, 2011, for Public Service Employee Units - Supervisory and Non-Supervisory, Law Enforcement Supervisory and Non-Supervisory, Management and Confidential employees. Effective January 1, 2011, premiums for the CalPERS health care insurance plans will increase an average of 8.37%.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Departmental budgets

The FY 2010-11 budget assumptions included the cost of this increase.

Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County of Napa contracts with CalPERS to provide a number of health care insurance plans as part of the County's employee and eligible retirees benefits package. The increased premiums for the CalPERS plans reflect rising statewide and national health care costs. County costs will increase by approximately \$600,000 in fiscal year 2010-11 as a result of the premium increases (\$1,2 million on an annualized basis). Adequate funds have been included in the Fiscal Year 2010-11 budget.
Is the general fund affected?	Yes
Future fiscal impact:	Health care insurance premiums (and anticipated premium increases) are estimated during the normal budget preparation process, and will be budgeted accordingly in future fiscal years.
Consequences if not approved:	If the recommended actions are not approved, the County will not have required health plan options to provide employees beyond December 31, 2010.
Additional Information:	

### **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**

The County provides employees and eligible retirees through CalPERS a choice of two Health Maintenance Organization(HMO) and three Preferred Provider Organization (PPO) health care plans. Utilizing enrollment information as of August 1, 2010, premiums for the CalPERS health care plans will have an average increase of approximately 8.37% effective January 1, 2011. Health care insurance premium percentage increases for 2011 are as follows:

1. Kaiser HMO +6.84%.
2. Blue Shield HMO +17.01%.
3. Choice PPO +10.74%.
4. Care PPO +2.97%.
5. Select PPO +3.74%.
6. Peace Officers Research Association of California (PORAC) - 8.94%.
7. Retirees - 9.7%

Most County employees participate in the Kaiser HMO Plan.

The total premium cost for all plans for calendar year 2011 will be approximately \$16.5 million, an increase of approximately \$1.2, million compared the 2010 premium amount. The total cost for existing employees will be approximately \$14.9 million and the cost for retirees will be approximately \$1.6 million.

Under the terms of the memoranda of understanding (MOUs) with the unions representing County employees, employees may pay a portion of the cost of employee health insurance depending on which plan they choose and how many dependents they have. In FY2010-11, employees will contribute approximately \$1.3 million or about 9.5% of the overall employee premium costs. Under the terms of the MOU with the County's non-safety bargaining unit the County agreed to cover the increase in premium costs in exchange for the union foregoing a salary cost-of-living adjustment.

During the coming year the Patient Protection and Affordable Care Act expanded health care coverage to various groups and provided mechanisms to lower costs and increase benefits. The most significant provisions in the near term are the extension of dependent coverage up to the age of 26 and the Early Retiree Reinsurance Program. CalPERS has applied anticipated subsidies provided through the Early Retirees Reinsurance Program to lower the 2011 premium rates. The premium increases would have been approximately 4.2% higher had these anticipated subsidies not been used to help offset premium increases.

Please refer to Exhibit "A" in the attached Resolution for new total health care insurance premiums.

#### **SUPPORTING DOCUMENTS**

A . 2011 Health Rates Resolution

CEO Recommendation: Approve

Reviewed By: Britt Ferguson