



# Board of County Commissioners

## Budget Discussion Item

### Executive Summary

Date of Workshop: June 22, 2010

Date Submitted: June 7, 2010

To: Honorable Chairman and Members of the Board

From: Parwez Alam, County Administrator  
Lillian Bennett, Director of Human Resources

Subject: County Employee Health Insurance Renewal 2011 Plan Year

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#### **Issue Briefing:**

Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) have submitted the renewal for the 2011 Plan Year. CHP has discontinued the current plan design and it is no longer being offered. CHP has proposed a new plan design at a 4% rate increase (Attachment #1).

#### **Fiscal Impact:**

This item has a fiscal impact. The total cost of Health Insurance for the 2011 Plan Year is estimated at \$17.1 million at the 4% Renewal Rate. The Employer portion of these costs at the 90% employer contribution is estimated at \$15.4 million. This represents an estimated increase in total annual costs of \$657,000, of which employer costs is estimated at \$591,000. The inclusion of funding for domestic partner benefits is estimated at \$334,000. Both the \$591,000 and \$334,000 are included in the preliminary budget.

#### **Staff Recommendations:**

Option 1: Approve the renewal of 2011 Plan Year Health Insurance Services with Capital Health Plan/Blue Cross Blue Shield, with the New Plan Design, at a 4% rate increase and authorize the County Administrator to execute the necessary agreements.

Option 2A. Approve the Contribution Percentage for the 2011 Plan Year and maintain the current 90/10 Employer/Employee contribution.

Option 3: Direct staff to include Treatment for Obesity for Medical Procedures and Surgery as an added health benefit with no upfront costs. Any additional costs will be included in the annual renewal rate with no fiscal impact on the 2010/11 tentative budget.

Option 4: Direct staff to add Domestic Partner Benefits as an added health benefit for the 2011 Plan Year at an estimated cost of \$334,000. The Domestic Partner Benefit is included in the 2010/11 tentative budget.

Option 5: Approve the issuance of a Request for Proposal for Health Insurance Services for the 2012 Plan Year and related consulting services in the amount of \$50,000. Consulting services are included in the 2010/11 tentative budget.

## **Report and Discussion**

### **Background:**

Leon County currently contracts with Capital Health Plan and Blue Cross Blue Shield for employee health insurance services. At the June 9, 2009, FY 2010 Budget Workshop, the Board exercised its second of a three-year option to renew the CHP and BCBS agreement. This will be the final option to renew under the current agreement which ends December 2011. The Board adopted a 12% rate increase for the 2010 Plan year and directed staff to bring back for consideration a Request for Proposal (RFP) for health insurance for the 2011 Plan Year. At the January 26, 2010 Budget Workshop, the Board requested that staff review creative alternatives to ~~oo~~ potentially reduce the cost of the health insurance program.

At the March 23, 2010 Board meeting, staff presented an agenda item titled "Consideration of Alternatives for County Employee Health Insurance for the 2011 Plan Year" (Attachment # 2). The agenda item presented several potential alternatives for health insurance as outlined below:

1. Results of County Employee Health Insurance Survey
2. Alternatives to Consider for Health Insurance Program
  - A. Issue Request for Proposal (RFP)
  - B. Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program
  - C. State of Florida Health Insurance Program – (Participating Employer)
  - D. Self-Insured Health Insurance Program:
    - i. On-Site Medical Clinic
    - ii. Alternative Pharmacy Carve Out
  - E. Modifications to Plan Design and/or Contribution Strategy

The Board accepted the results of the Employee Health Insurance Survey and directed staff to determine the costs of providing the following additional or expanded health care services:

- Treatment for obesity such as medical procedures and surgery
- Smoking Cessation Prescription Drugs
- Coverage for Part-time Employees (Same eligibility Criteria and Employer Contribution (currently 90%) as full-time employees.
- Coverage for Domestic Partner Benefits

The Board also directed staff to begin discussions with Rogers, Gunter, Vaughn Insurance (RGVI) on the development of a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program and bring back an agenda item with a proposal and program details to include Broker fees for Board review and consideration.

### **Analysis:**

#### **Broker Services (Joint Health Insurance Program)**

In accordance with Board direction at the March 23, 2010 meeting, staff met with RGVI on April 1, 2010 and held a subsequent meeting with City of Tallahassee representatives on developing a joint program. RGVI has also held separate meetings with City staff regarding a joint program.

Staff requested that RGVI provide a written proposal within two weeks which included the services to be provided under a joint Leon County, City of Tallahassee, Leon County School Board Health Insurance Program. Staff also responded to a letter from the Northeast Business Association expressing concerns regarding awarding a contract to RGVI with out going through the RFP process (Attachment #3)

As indicated in the attached letter dated June 7, 2010, RGVI has not provided a proposal for a Joint Health Insurance Program for Board review and consideration (Attachment #4). At the June 8, 2010 meeting, under Commissioner Proctor's discussion time, staff also updated the Board on the progress of the RGVI proposal. At that time, staff recommended that the Board not pursue Broker Services for a joint program for the 2011 Plan Year. If the Board wants to pursue Broker Services, staff recommended that Leon County do so for the 2012 Plan Year. In order to avoid delays in the budget process, staff has proceeded with the renewal process with CHP/BCBS for the 2011 Plan Year. This will be the final option to renew with CHP/BCBS under the current agreement which ends December 2011.

### **2011 Health Insurance Renewal**

CHP has submitted the renewal for the 2011 Plan Year. CHP has discontinued the current plan design and it is no longer being offering by CHP. CHP and has proposed a new plan design at a 4% rate increase. The total cost of Health Insurance for the 2011 Plan Year is estimated at 17.1 million at the 4% Renewal Rate. The Employer portion of these costs at the 90% employer contribution is estimated at \$15.4 million. This represents an estimated increase in total annual costs of \$657,000, of which employer costs is estimated at \$591,000.

This discussion item will review the following health insurance renewal issues: (1) New Proposed Plan Design and Renewal Rate; (2) Additional or Expanded Medical Services; (3) Employer/Employee Contribution Options and (4) RFP for Health Insurance for 2012 Plan Year.

### **I. New Plan Design and Renewal Rate**

As stated earlier, the current health plan has been discontinued and is no longer offered by CHP. CHP has proposed a new plan design with some increases in co-pays for medical services and prescription drugs. The following table outlines the changes being proposed from the Current Plan Design (A) which has been discontinued to the New Plan Design (B) proposed for the 2011 Plan Year:

**Table #1  
Comparison of Plan Design  
For CHP/BCBS**

<b>Benefits</b>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>
	<b>Current Plan Discontinued and No Longer Offered by CHP Co-pays</b>	<b>CHP New Proposed Plan Design Co-Pays</b>	<b>Blue Cross/ Blue Shield PPO Plan Design Co-pays No change in Plan Design</b>
<b>2011 Plan Year Rate Increase</b>	<b>Plan Discontinued Not Rated</b>	<b>4 %</b>	<b>4%</b>
<b>Total Inc in Cost above 2010 costs (Employer and Employee)</b>		<b>\$657,000 CHP/BCBS</b>	
<b>Office Visits</b>			
Primary Care Physician (PCP)	\$10	\$10	\$15
Office Visits PCP After Hours	\$15	\$20	\$15
Office Visits Specialist	\$10	\$25	\$30
<b>Outpatient procedures, surgical services and other medical care provided by a participating provider</b>	<b>\$10</b>	<b>\$25</b>	CYD + 10% Coinsurance
<b>Outpatient surgical procedures performed in a hospital or ambulatory surgical center</b>	<b>\$0</b>	<b>\$100</b>	\$100
<b>Mental Health &amp; Substance Use Disorder Outpatient Care</b>	<b>\$10</b>	<b>\$25</b>	\$30
Hospital Emergency Room In- Network	\$100 (Waived if admitted)	\$100 (Waived if admitted)	\$100+10% coinsurance
<b>Prescription Co-pays</b>	<b>\$7/\$20/\$35</b>	<b>\$7/\$30/\$50</b>	\$15/\$30/\$50
Diagnostic, MRI,PET &CT Scans	\$0	\$25	\$75
<b>Hospital Services, Mental Health Inpatient and Maternity Inpatient</b>	<b>\$0</b>	<b>\$250 (\$750 max. per calendar year)</b>	\$400/\$800
<b>Short term Physical/Speech &amp; Other Rehabilitation Therapies</b>	<b>\$10</b>	<b>\$25</b>	\$30
Out of Network Benefits	Emergencies only	Emergencies only	Deductible (\$500) + 40% coinsurance
Out-of-Pocket Maximum (per person/family aggregate)	\$1,500/member and \$3,000/family	\$2,000/member and \$4,500 family	\$2,500/\$7,500 In-network/Out-of-Network (same)

The new Plan Design (B) is the only plan being offered by CHP for the 2011 Plan year. BCBS will maintain the current plan design. The CHP/BCBS Plan has a renewal rate increase of 4%. The total cost is estimated at \$17.1 million of which, \$15.4 million is employer costs. The increase in cost of the 2010 Plan year is estimated at \$657,000, of which \$591,000 is the increase in employer costs. The detailed comparison of the Current Plan Design and the New Proposed Plan Design is shown in Attachment #1.

The new proposed plan design continues to have lower co-pays for most services than plans offered to the City of Tallahassee, State of Florida and the Leon County School Board as summarized in Attachment #5.

## **II. Additional or Expanded Medical Services**

At the March 23 Board meeting, staff presented the results of a recently conducted County Employee Health Insurance Survey. The survey was completed by Board and Constitutional Office employees. Eight hundred ninety four (894) employees participated in the survey, representing approximately 53% of the total workforce of approximately 1700 employees. 69% or 525 of the employees surveyed indicated they would not like to pay for any additional or expanded medical benefits or services.

Staff requests Board direction as to whether or not to provide the following additional or expanded medical benefits in the health insurance renewal

- A. Treatment for obesity such as medical procedures and surgery
  - CHP has indicated that they will provide this benefit, however, employees interested in treatment for obesity will be required to follow a twelve month plan as outlined by CHP and any costs incurred will be included in the County's following year renewal rates. Based on survey results, approximately 177 employees or 10%, out of a total workforce of 1700 employees, indicated they would like to have treatment for obesity as an additional benefit. There will be no upfront costs to add this benefit. BCBS does not offer this benefit.
- B. Smoking Cessation Prescription Drugs
  - CHP has indicated that they will not be able to provide the smoking cessation prescription benefit; however, they do provide smoking cessation classes or smoking cessation programs for CHP members. Since this benefit is not being offered by CHP, there will not be a fiscal impact.
- C. Coverage for Part-time Employees
  - CHP has indicated that regular part-time employees may participate in the medical program with the same eligibility criteria and employer contribution (currently 90%) as full-time employees. Currently, part-time employees must be employed for 2 years before receiving a medical benefit. Additionally, Leon County pays 90% of the total premium for single coverage only. The part-time employee pays the additional cost above single coverage for employee +1 or family coverage. Approximately 111 part-time employees participating in the employee survey indicated that they would be interested in this benefit. Staff estimates the additional cost of providing this benefit at \$686,000.
- D. Coverage for Domestic Partner Benefits
  - Domestic partner benefits are benefits that an employer chooses to offer to an employee's unmarried partner. Domestic partnerships may be defined by employer policy, or law. They involve same-sex and opposite sex individuals who live together in a committed relationship but are not legally married, either by state license or common law.

- A fact sheet prepared by the Employee Benefit Research Institute (EBRI) regarding Domestic Partner Benefits is included as Attachment #6. A recent County employee survey indicates that approximately (101) employees expressed an interest in Domestic Partner Benefits. Based on changes in employee level of coverage, staff estimates additional Leon County cost of \$334,000 for employer contributions at 90% on behalf of the domestic partner. Costs could be higher or lower dependent upon actual enrollment in the domestic partner program.

If the Board chooses to offer domestic partnership benefits, the following should be considered in developing a program:

- Define what is an eligible domestic partner
- Define if the benefit is to cover both opposite-sex and same-sex partners
- Determine the documentation for proof that will be required of the domestic partner relationship.
- Revise policies and procedures to include domestic partner benefits and identify which benefits would apply.
- Develop a program based on current federal, state and local regulatory guidelines regarding domestic partner benefits

The City of Tallahassee recently provided Domestic partner benefits for only those employees enrolled in Blue Cross Blue Shield. At that time, CHP enrollees were not included in domestic partner benefits for health insurance due to an additional charge of a 1% rate increase by CHP. BCBS did not charge an additional rate increase due to their experience rating methodology. For the 2011 Plan Year Renewal, CHP indicates that it will not charge an additional 1% rate increase for Domestic Partner Coverage. CHP and BCBS indicate they will consider any added benefits requested in its premium rates provided during the annual renewal process. CHP and BCBS do not provide coverage for the dependents of a domestic partner. Fair market value of employer provided coverage for a domestic partner is taxable income to the employee and must be reported on the W-2.

Should the Board choose to provide domestic partner benefits as an added benefit in the health program; staff will bring back an agenda item outlining any federal and state legal requirements, as well as any required changes in County policies and procedures, and tax implications.

### **III. Employer/Employee Contribution Strategy**

At the June 8, 2010 meeting, the Board directed staff to bring back employer/employee contribution options for Board review and consideration. Staff has prepared estimates for Board review and consideration.

The estimates in Table #2 below do not include the addition of Domestic Partner and Part-time employee benefits; however Domestic Partner Benefits of \$334,000 have been included in the tentative budget. If the Board chooses to also add Part-time employee Benefits to the budget, the additional cost is estimated at \$686,000 and would require a tax increase above the rolled back rate to fund.

The following table provides the annual employer/employee costs for contribution strategies of 90/10, 86.5/13.5 and 85/15:

**Table #2  
 Employer and Employee Cost  
 At 4% Renewal Rate Increase  
 Contribution Options for 90/10 - 86.5/13.5 and 85/15**

	Current Costs	Option A	Option B	Option C
	<b>2011 Plan Year - 4% Renewal Rate Increase</b>			
	CHP/BCBS Current 2010 Costs 90/10 Contribution	Maintain 90/10 Contribution	Shift 100% of Increased Cost to Employees 86.5/13.5 Contribution	Change to 85/15 Contribution
<b>Total Costs</b>	\$16.417 million	\$17.073 million	\$17.073 million	\$17.073 million
<b>Employer Costs</b>	\$14.775 million	\$15.366 million	\$14.775 million	\$14.512 million
<b>Employee Costs</b>	\$1.641 million	\$1.707 million	\$2.298 million	\$2.561 million
<b>Employer Increase (Decrease) in Costs Over 2010 Costs</b>		<b>\$591,000</b>	<b>\$0</b>	<b>(\$263,000)</b>
<b>Employee Increase (Decrease) in Costs Over 2010 Costs</b>		<b>\$66,000</b>	<b>\$657,000</b>	<b>\$920,000</b>
<b>Total Increase over 2010 costs</b>		<b>\$657,000</b>	<b>\$657,000</b>	<b>\$657,000</b>

As shown in Table #2 above, Option A maintains the 90/10 employer/employee contribution and increases employer annual costs by approximately \$591,000 and increases employee costs by \$66,000. Option B shifts 100% of increased cost to employees for an 86.5/13.5 contribution, resulting in \$657,000 in increased costs for employees and no increase for Leon County. Option C changes the employer/employee contribution to 85/15 and reduces employer costs over 2010 costs by an estimated (\$263,000) and increases employee costs by \$920,000.

**Employee Monthly Premiums**

Each of the employer/employee contribution options shown in Table #2 above will have an impact on employee premiums. Staff has prepared a monthly premium analysis of each of the employer/employee contribution options presented in Tables #2 above (Attachment #7).

If the Board maintains the current 90/10 employer contribution, Table #3 below shows the current and new proposed monthly premiums and the increase in cost over 2010:

**Table #3 – Option A**  
**CHP /BCBS New Plan Design Renewal @ 4%**  
**Monthly Cost for 90/10 Contribution**

Category	2010 Total Monthly Premium	Employer 90%	Employee 10%	2011 Total Monthly Premium	Employer 90%	Employee 10%	Employer Monthly Cost Increase	Employee Monthly Cost Increase
Employee	\$487.87	\$439.09	\$48.78	\$507.17	\$456.45	\$ 50.72	\$17.36	\$1.94
Employee+1	\$1,009.92	\$908.94	\$100.98	\$1,049.34	\$944.40	\$104.94	\$35.46	\$3.96
Family	\$1,292.80	\$1,163.52	\$129.28	\$1,342.30	\$1,208.06	\$134.24	\$44.54	\$4.96

Maintaining the 90/10 contribution strategy results in increased employer annual cost of \$591,000 and an increase in employee annual costs of \$66,000.

Table #4 below shows the monthly premiums if 100% of increased costs are shifted to employees.

**Table #4 – Option B**  
**CHP /BCBS New Plan Design Renewal @ 4%**  
**Monthly Cost - Shift 100% of Cost Increase to Employees**

Category	2010 Total Monthly Premium	Employer 90%	Employee 10%	2011 Total Monthly Premium	Employer 86.5%	Employee 13.5%	Employer Monthly Cost Increase	Employee Monthly Cost Increase
Employee	\$487.87	\$439.09	\$48.78	\$507.17	\$439.09	\$ 68.08	\$0	\$19.30
Employee+1	\$1,009.92	\$908.94	\$100.98	\$1,049.34	\$908.94	\$140.40	\$0	\$39.42
Family	\$1,292.80	\$1,163.52	\$129.28	\$1,342.30	\$1,163.52	\$178.78	\$0	\$49.50

Shifting 100% of increased costs to employee's results in a no increase in employer annual costs and an increase in employee annual costs of \$657,000.

At the June 8, 2010 meeting, the Board requested to review a contribution strategy of 85/15. Table #5 below shows the impact of the 85/15 contribution strategy:

**Table #5 – Option C**  
**CHP /BCBS New Plan Design Renewal @ 4%**  
**Monthly Cost for 85/15 Contribution**

Category	2010 Total Monthly Premium	Employer 90%	Employee 10%	2011 Total Monthly Premium	Employer 85%	Employee 15%	Employer Monthly Cost Decrease	Employee Monthly Cost Increase
Employee	\$487.87	\$439.09	\$48.78	\$507.17	\$431.09	\$ 76.08	(8.00)	\$27.30
Employee+1	\$1,009.92	\$908.94	\$100.98	\$1,049.34	\$891.04	\$157.40	(\$17.90)	\$56.42
Family	\$1,292.80	\$1,163.52	\$129.28	\$1,342.30	\$1,186.59	\$209.40	(\$23.70)	\$80.12

Changing to an 85/15 contribution results in a decrease in employer annual costs of (263,000) and increases employee annual costs by \$920,000.

**Request for Proposal**

This will be the final option to renew under the current CHP/BCBS agreement which ends December 2011. Staff requests Board approval to issue an RFP for Health Insurance Services for the 2012 Plan Year. In addition, staff requests Board approval of a Consulting Services line item to assist in the RFP review and analysis process and to begin on-going analysis of the impact of Health Care Reform on Leon County's medical plan design and benefits.

**Summary**

Staff recommends that the Board approve the CHP/BCBS 4% renewal rate increase with the new plan design for the 2011 Plan Year and maintain the current 90/10 employer/employee contribution strategy. Staff also recommends that the Board issue an RFP for Health Insurance Services for the 2012 Plan Year and provide related consulting services in the amount of \$50,000. Additionally, staff recommends approval of additional medical services for Treatment for Obesity (\$0) and Domestic Partner Benefits (\$334,000) for the 2011 Plan Year. Staff recommendations are included in the 2010/11 tentative budget.

**Options:**

1. Approve the renewal of 2011 Plan Year Health Insurance Services with Capital Health Plan/Blue Cross Blue Shield, with the New Plan Design, at a 4 % rate increase and authorize the County Administrator to execute the necessary agreements.
2. Approve the Employer/Employee Contribution Percentages for the 2011 Plan Year:
  - A. Maintain Current 90/10 Employer/Employee contribution
  - B. Shift 100% of 2011 Increased costs to Employees (86.5 / 13.5)
  - C. Change to 85/15 Employer/Employee Contribution
3. Direct staff to include Treatment for Obesity for Medical Procedures and Surgery as an added health benefit with no upfront costs. Any additional costs will be included in the annual renewal rate with no fiscal impact on the 2010/11 tentative budget.
4. Direct staff to add Domestic Partner Benefits as an added health benefit for the 2011 Plan Year at an estimated cost of \$334,000. The Domestic Partner Benefit is included in the 2010/11 tentative budget.
5. Approve the issuance of a Request for Proposal for Health Insurance Services for the 2012 Plan Year and related consulting services in the amount of \$50,000. Consulting Services are included in the 2010/11 tentative budget.
6. Direct staff to expand Part-time Employee Health Insurance Benefits (Same eligibility Criteria and Employer Contribution as full-time employees) for the 2011 Plan Year at an estimated cost of \$686,000. This is not included in the tentative budget and would require a tax increase above the rolled back rate to fund.
7. Board Direction.

**Recommendation:**

Options #1, #2A, #3, #4 and #5

**Attachments:**

1. 2011 CHP/BCBS Proposed Plan Design
  2. March 23, 2010 Agenda Item titled "Consideration of Alternatives for County Employee Health Insurance for the 2011 Plan Year"(without attachments)
  3. Staff Response dated April 19, 2010 to Letter from Northeast Business Association
  4. Staff Letter dated June 7, 2010 to Rogers, Gunter, Vaughn Insurance Inc.
  5. Local Market Comparisons of Plan Design of the City of Tallahassee, Leon County School Board and the State of Florida.
  6. Domestic Partner Benefits Fact Sheet by Employee Benefit Research Institute
  7. Summary of Employer/Employee Contribution Strategies Monthly Premiums
- PA/LWB/EP



# Capital Health

P L A N



An Independent Licensee of the  
 Blue Cross and Blue Shield Association

## Leon County Selection 2011 BENEFIT CHANGES

COVERED SERVICE	UNIT	2010 COPAYMENT	2011 COPAYMENT
<b>Physician Services</b>			
Office visit for services provided by member's primary care physician or other CHP personnel during regular office hours	Per Visit	\$10	\$10
Office visit for services provided by primary care physician or other CHP personnel after regular office hours (including evenings and weekends)	Per Visit	\$15	\$20
Office visit for services provided by participating provider when authorized by primary care physician	Per Visit	\$10	\$25
Outpatient procedures, surgical services, and other medical care provided by the primary care physician or by a participating provider when authorized by primary care physician	Per Visit	\$10	\$25
Mental Health and Substance Use Disorder outpatient care when medically necessary and authorized by the primary care physician.	Per Visit	Covered by Endorsement Only \$10	Covered by Endorsement Only \$25
<b>Hospital Services</b>			
All hospital benefits covered under this agreement	Per admission	\$0	\$250 (\$750 maximum per cal. year)
Outpatient procedures performed in a hospital	Per visit	\$0	\$100
Mental health inpatient care	Per admission	Covered by Endorsement Only \$0	Covered by Endorsement Only \$250 (\$750 maximum per cal. year)
<b>Maternity Services</b>			
<b>Physician Office Services</b>			
Office visit for services provided by a member's primary care physician	Per Visit	\$10	\$10
Office visit for services provided by a participating provider when authorized	Per Visit	\$10	\$25

by the primary care physician or non-plan provider when authorized by the Medical Director of CHP.			
All maternity inpatient care	Per admission	\$0	\$250 (\$750 maximum per cal. Year)
<b>Emergency Services</b>			
Emergency room visit	Per Visit	\$100 (waived if admitted)	\$100 (waived if admitted)
Medically necessary ambulance service	Per transport	\$0	\$0
<b>Other Benefits</b>			
Home Health services	Per occurrence	\$0	\$0
Hospice home care	Per occurrence	\$0	\$0
Hospice outpatient care	Per occurrence	\$0	\$0
Hospice inpatient care	Per occurrence	\$0	\$0
Skilled nursing facility for up to 60 days per admission with subsequent admission available following 180 days from discharge date of the previous admission	Per confinement	\$0	\$0
Outpatient procedures performed in an ambulatory surgical center	Per Visit	\$0	\$100
Durable medical equipment		\$2,500 maximum benefit per calendar year	\$2,500 maximum benefit per calendar year
Orthotic and Prosthetic medical appliances	Per appliance	\$0	\$0
Diagnostic Imaging including MRI, PET, and CT Scan	Per Scan	\$0	\$25
Visits for short-term physical/speech or other rehabilitation therapies	Per Visit	\$10	\$25
Routine eye exam	Per Visit	\$10	\$10
<b>Outpatient Prescription Drugs Covered by Endorsement</b>			
Generic	30 Day Supply	\$7	\$7
Preferred Brand Name	30 Day Supply	\$20	\$30
Non Preferred Brand Name	30 Day Supply	\$35	\$50
Maximum Out of Pocket Excludes Rx drugs	Per Calendar Year	\$1,500/member and \$3,000/family	\$2,000/member and \$4,500/family

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**Benefits for Covered Services**

*Amount Member Pays*

Office Services	In-Network	Out of Network
<b>Physician Office Services</b> Family Physician Specialist e-Office Visit	\$15 Copayment \$30 Copayment \$10 Copayment	CYD + 40% Coinsurance CYD + 40% Coinsurance CYD + 40% Coinsurance
<b>Maternity Initial Visit</b> Specialist	\$30 Copayment	CYD + 40% Coinsurance
<b>Allergy Injections</b> (rendered by an In-Network Physician)	\$10 Copayment	CYD + 40% Coinsurance
<b>Preventive Care</b>		
<b>Adult Wellness Benefit Maximum</b> (PCY <sup>2</sup> max, includes Well Woman and Routine Adult Physical Exam and Immunizations)	\$150	\$150
<b>Routine Adult Physical Exam and Immunizations</b> (Applies towards Adult Wellness PCY max) Family Physician Specialist	\$15 Copayment \$30 Copayment	40% Coinsurance
<b>Well Woman Exam</b> (e.g. Annual GYN) (Applies towards Adult Wellness PCY max) Family Physician Specialist	\$15 Copayment \$30 Copayment	40% Coinsurance
<b>Mammograms</b> (Covered at 100% of Allowed Amount, In- and Out-of-Network)	\$0	\$0
<b>Well Child</b> (No PCY max) Family Physician Specialist	\$15 Copayment \$30 Copayment	40% Coinsurance
<b>Emergency Medical Care</b>		
<b>Urgent Care Centers</b>	\$30 Copayment	CYD + 40% Coinsurance
<b>Emergency Room Facility Services</b> (per visit) (copayment waived if admitted)	\$100 Copayment + 10% Coinsurance	\$100 Copayment + 40% Coinsurance
<b>Ambulance Services</b> (Ground travel / Air and water travel, per day maximum)	CYD + 10% Coinsurance \$400 / \$4,000	CYD + 10% Coinsurance \$400 / \$4,000
<b>Outpatient Diagnostic Services</b>		
<b>Independent Diagnostic Testing Facility Services</b> (per visit) (e.g. X-rays) (Includes Provider Services)	\$75 Copayment	CYD + 40% Coinsurance
<b>Independent Clinical Lab (e.g. Blood Work)</b>	\$0	CYD + 40% Coinsurance
<b>Outpatient Hospital Facility Services</b> (per visit) (e.g. Blood Work and X-rays) (Option 1 / Option 2)	\$100 Copayment / \$200 Copayment	\$300 Copayment

1 CYD = Calendar Year Deductible

2 PCY = Per Calendar Year

3 PBP = Per Benefit Period

Note: Out-of-Network services may be subject to balance billing.

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**Benefits for Covered Services**

<b>Mental Health/Substance Dependency</b>	<b>In-Network</b>	<b>Out-of-Network</b>
<b>Mental Health</b> (No PBP Max) Inpatient Hospital Facility Services (per admit) (Option 1 / Option 2)	\$400 Copayment / \$800 Copayment	\$1,200 Copayment
Outpatient Office Visit Specialist	\$30 Copayment	CYD + 40% Coinsurance
<b>Substance Dependency</b> (No Lifetime Max) Inpatient Hospital Facility Services (per admit) (Option 1 / Option 2)	\$400 Copayment / \$800 Copayment	\$1,200 Copayment
Outpatient Office Visit Specialist	\$30 Copayment	CYD + 40% Coinsurance
<b>Other Provider Services</b>		
<b>Provider Services at Hospital and ER</b>	CYD + 10% Coinsurance	CYD + 10% Coinsurance
<b>Provider Services at Locations other than Office, Hospital and ER</b> Family Physician Specialist	CYD + 10% Coinsurance CYD + 10% Coinsurance	CYD + 40% Coinsurance
<b>Other Special Services</b>		
<b>Combined Outpatient Cardiac Rehabilitation and Occupational, Physical, Speech and Massage Therapies and Spinal Manipulations</b> (PCY max) Locations other than Hospital and Physician's Office	\$2,500 \$30 Copayment	\$2,500 CYD + 40% Coinsurance
Locations other than Hospital Outpatient Hospital Facility Services (per visit) (Option 1 / Option 2)	\$100 Copayment / \$200 Copayment	\$300 Copayment
<b>Durable Medical Equipment</b>	CYD + 10% Coinsurance	CYD + 40% Coinsurance
<b>Home Health Care</b> (PCY max)	\$2,500 CYD + 10% Coinsurance	\$2,500 CYD + 40% Coinsurance
<b>Skilled Nursing Facility</b> (PCY)	60 days CYD + 10% Coinsurance	60 days CYD + 40% Coinsurance
<b>Hospice</b> (Lifetime max)	\$7,500 CYD + 10% Coinsurance	\$7,500 CYD + 40% Coinsurance

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Health Benefit Summary Plan 1551

## Benefits for Covered Services

Hospital/Surgical	In-Network	Out-of-Network
<b>Ambulatory Surgical Center Facility (ASC)</b>	\$75 Copayment	CYD + 40% Coinsurance
<b>Inpatient Hospital Facility and Rehabilitation Services</b> (per admit)  (Option 1 / Option 2)	Rehabilitation Services limit - 21 days PCY  \$400 Copayment / \$800 Copayment	Rehabilitation Services limit - 21 days PCY  \$1,200 Copayment

Hospital/Surgical (Continued)		
<b>Outpatient Hospital Facility Services</b> (per visit) (Option 1 / Option 2)	\$100 Copayment / \$200 Copayment	\$300 Copayment
<b>Emergency Room Facility Services</b> (per visit) (copayment waived if admitted)	\$100 Copayment + 10% Coinsurance	\$100 Copayment + 40% Coinsurance
Financial Features		
<b>Calendar Year Deductible (CYD)</b> (per person / family aggregate)  (CYD is the amount the member is responsible for before BCBSF pays)	\$500 / \$1,500	Combined w/ In-Network
<b>Coinsurance</b>  (Coinsurance is the percentage the member pays for services)	10%	40%
<b>Out-of-Pocket Maximum</b> (per person / family aggregate)  (Out-of-Pocket Maximum includes CYD, Coinsurance and Copayments; Excludes Prescription Drugs)	\$2,500 / \$7,500	Combined w/ In-Network
<b>Total Lifetime Maximum Benefit</b>	\$5,000,000	

## Additional Benefits and Features

### BlueScript Prescription Drug Program

In the event your Group has purchased pharmacy coverage from Blue Cross and Blue Shield of Florida, you'll find a Pharmacy Program information sheet enclosed. Please review it carefully, as you'll find it contains an overview of your benefits and how to utilize them.

1 CYD = Calendar Year Deductible  
2 PCY = Per Calendar Year  
3 PBP = Per Benefit Period  
Note: Out-of-Network services may be subject to balance billing.

# BlueOptions

For Large Groups  
Health Benefit Summary Plan 1551

## Benefits for Covered Services

### An Array of Value-Added Programs and Services\*

- **Access to valuable health information and resources**, including care decision support, our online provider directory at [www.bcbsfl.com](http://www.bcbsfl.com) and other interactive web-based support tools
- **MyBlueService**, our 24/7 online member self-service, where you can request extra ID cards, review benefits, check claims status, print forms and more
- **Discounts** on vision care, hearing care, alternative care, fitness clubs, bicycle helmets and more through our BlueComplements program
- Online access to participating physician offices for **e-office visits**, consultations, appointment scheduling or cancellation, prescription refills and much more\*\*
- A quarterly **Personal Health Report**, and programs to reward you for staying healthy and participating in sports

### Access to Our Strong Networks

**NetworkBlue<sup>SM</sup>** is the Preferred Provider Network designated as "In-Network" for BlueOptions. However, you will have **protection from balance billing** when you receive covered services from a provider in our Traditional Program Network. You may also receive **out-of-state coverage through the BlueCard<sup>®</sup>** Program with access to the participating providers of independent Blue Cross and/or Blue Shield organizations across the country.

### Physician Discount

Many NetworkBlue physicians offer BlueOptions members a rate which is at least 25 percent below the usual fees charged for services that are **not Covered Services** under your health plan. By taking advantage of this discount, you get the care you need from the doctor you trust. However, BCBSF does not guarantee that a physician will honor the discount. Since you pay out-of-pocket for any non-covered services, it's your responsibility to discuss the costs and discounted rates for non-covered services with your physician **before** you receive services. 'Physician Discount' is not part of your insurance coverage or a discount medical plan. For more information, please refer to the online Provider Directory at [www.bcbsfl.com](http://www.bcbsfl.com).

\* As a courtesy, Blue Cross and Blue Shield of Florida, Inc. has entered into arrangements with various vendors to provide value-added features that include care decision support tools and services to its members. These programs are not part of insurance coverage. All decisions that members make pertaining to medical/clinical judgment should be made in conjunction with their Physician since neither BCBSF nor its vendors provide medical care or advice.

\*\* As a courtesy, Blue Cross and Blue Shield of Florida, Inc. has an arrangement with a vendor to provide secure online communication between its members and participating physicians as a value-added feature. The written terms of your policy, certificate or benefit booklet determine what is covered.

**This is not an insurance contract or Benefit Booklet.** The above Benefit Summary is only a partial description of the many benefits and services covered by Blue Cross and Blue Shield of Florida, Inc., an independent licensee of the Blue Cross and Blue Shield Association. For a complete description of benefits and exclusions, please see Blue Cross and Blue Shield of Florida's BlueOptions Benefit Booklet and Schedule of Benefits; its terms prevail.

1 CYD = Calendar Year Deductible  
2 PCY = Per Calendar Year  
3 PBP = Per Benefit Period

Note: Out-of-Network services may be subject to balance billing.

For BlueOptions Plans

# BlueScript Pharmacy Benefits

## Your Prescription Drug Benefit Plan - 15/30/50 (Mail Order Available)

The BlueOptions® health benefit plan your employer is offering you is paired with our BlueScript® Pharmacy Program. With a large network of Participating Pharmacies statewide and nationally, you can obtain Prescription Drugs at a location convenient to you.

You may also be able to receive more savings on Prescription Drugs by purchasing your Drugs through the mail order program.

See below for your specific plan details.

**Benefit Details (amount you pay):**

Deductible .....	\$0
Preferred Generic Prescription Drugs .....	\$15 Copayment (\$40 Mail Order Copayment)
Preferred Brand Name Prescription Drugs .....	\$30 Copayment (\$75 Mail Order Copayment)
Non-Preferred Prescription Drugs .....	\$50 Copayment (\$125 Mail Order Copayment)

All covered prescription drugs purchased from a Non-Participating Pharmacy, the member will be responsible for 50% coinsurance of the Allowed Amount, plus the difference between the Allowed Amount and the Pharmacy's Charge.

If you request a Brand Name Prescription Drug when there is a Generic Prescription Drug available, you will be responsible for: 1) the Copayment applicable to Brand Name Prescription Drugs; and 2) the difference in cost between the Generic Prescription Drug and the Brand Name Prescription Drug, as indicated in the BlueOptions Pharmacy Program Schedule of Benefits.

**Advantages of our Pharmacy Program:**

With our BlueScript Pharmacy Program, you'll receive coverage for Preferred Generic Prescription Drugs, Preferred Brand Name Prescription Drugs and Non-Preferred Prescription Drugs, easy access to Participating Pharmacies throughout Florida and access to National Network Pharmacies which have over 50,000 Participating Pharmacy locations.

**Save when purchasing your Prescription Drugs:**

You can reduce your out-of-pocket costs by purchasing Covered Prescription Drugs listed on our Preferred Medication List. These Prescription Drugs should cost you less than Prescription Drugs that are not on the list. For even greater savings, you will pay a lower cost for Generic Prescription Drugs that appear on the Preferred Medication List. The Preferred Medication List, which is part of the Medication Guide, will be delivered in your member package after you enroll. When reviewing the Preferred Medication List with your doctor, ask your provider to consider a Prescription Drug from the Preferred Medication List, particularly a Preferred Generic Prescription Drug.

**More convenient than ever:**

Take your prescriptions to a participating pharmacy to have it filled. Or, if you are taking a prescription medication on an ongoing basis, you have a couple of convenient options:

1. Your doctor can prescribe a 3-month supply and you can have it filled at select participating retail pharmacies. A 3-month out-of-pocket cost (copay, coinsurance and/or deductible) applies.
2. For additional savings, fill prescriptions via our mail-order program. This program allows covered members taking Prescription Drugs to receive up to a 3-month supply for one Mail Order Copayment. Prescription Drugs ordered through this program are provided by Prime Therapeutics® mail order facility, PrimeMail®.

**The National Pharmacy Network:**

The National Pharmacy Network includes more than 50,000 chain and independent Pharmacies across the United States. These National Network Pharmacies are available to our members traveling or residing outside of Florida. Simply present your member ID card at time of purchase.




 Attachment # 2  
 Page 1 of 10


## Board of County Commissioners

Leon County, Florida

www.leoncountyfl.gov

### Agenda Item Executive Summary

Tuesday, March 23, 2010

**Title:**

Consideration of Alternatives for County Employee Health Insurance for the 2011 Plan Year

**Staff:**

Parwez Alam, County Administrator  
Lillian Bennett, Director of Human Resources

**Issue Briefing:**

Leon County currently contracts with Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) for employee health insurance services. The health insurance program covers Board and Constitutional Office employees, COBRA participants, as well as retirees.

At the June 9, 2009 Budget Workshop, the Board directed staff to bring back for consideration a Request for Proposal (RFP) for health insurance to coincide with the FY 2011 budget cycle. At the January 26, 2010 Budget Workshop, the Board requested that staff review creative alternatives to potentially reduce the cost of the current health insurance program. This agenda item provides the results of a recently conducted County Employee Health Insurance Survey and provides for Board consideration several potential cost saving alternatives for the County Employee Health Insurance Program.

**Fiscal Impact:**

This item will have a fiscal impact. The fiscal impact for Plan Year 2011 will be determined by the plan design and/or contribution strategy approved by the Board through the health insurance renewal process. The total cost of health insurance for the 2010 Plan Year is estimated at 16.4 million. Of this amount, \$14.8 million is the estimated employer costs. For the 2010 Plan Year, the Board approved a 12% rate increase for an increase of \$1.6 million over 2009 costs to maintain the current plan design and contribution strategy (Attachment #1). Leon County was offered an alternative 4.5% rate increase if the plan design was modified for co-pays on prescriptions and certain medical services. At that time, the 4.5% rate option was estimated to save Leon County approximately \$1.0 million. Depending on the alternative selected by the Board as outlined in this agenda item, additional funding may be required for Consulting and Actuary Services.

**Staff Recommendation:**

Board Direction.

## Report and Discussion

Attachment # 2  
Page 2 of 10**Background:**

Leon County currently contracts with Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) for employee health insurance services. The health insurance program covers Board and Constitutional Office employees, COBRA participants, as well as retirees. The initial agreement with CHP expired on December 31, 2008; however, Leon County has the option to renew the current agreement with CHP on an annual basis for three additional plan years. Currently, Leon County has an additional one (1) year renewal option remaining under the current CHP agreement, ending December 2011. As such, Leon County may exercise its one year renewal option for the 2011 Plan Year. At the June 9, 2009, FY 2010 Budget Workshop, the Board exercised its second of a three-year option to renew the CHP and BCBS agreement. The Board approved maintaining the current employer/employee contribution of 90%/10% and maintaining the current plan design for co-pays on prescription drugs and services. This resulted in a 12% rate increase for the 2010 Plan Year or an estimated dollar increase of \$1.6 million over 2009 Plan Year costs (Attachment #1). The total cost of the Health Insurance Program for Plan Year 2010 is estimated at \$16.4 million, of which \$14.8 million is estimated employer costs.

**Analysis:**

At the June 9, 2009 Budget Workshop, the Board directed staff to bring back for consideration a Request for Proposal (RFP) for health insurance to coincide with the FY 2011 budget cycle. Additionally, at the January 26, 2010 Budget Workshop, the Board requested that staff look into other creative alternatives to potentially reduce the cost of the current health insurance program.

Staff has compiled the results of a recently conducted County Employee Health Insurance Survey and a review of several health insurance alternatives for Board consideration, outlined as follows:

1. **Results of County Employee Health Insurance Survey – (Attachment #2)**
2. **Alternatives to Consider for Health Insurance Program**
  - A. Issue Request for Proposal (RFP)
  - B. Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program
  - C. State of Florida Health Insurance Program – (Participating Employer)
  - D. Self-Insured Health Insurance Program:
    - i. On-Site Medical Clinic
    - ii. Alternative Pharmacy Carve Out
  - E. Modifications to Plan Design and/or Contribution Strategy

### 1. Results of County Employee Health Insurance Survey

At the end of February 2010, staff conducted a County Employee Health Insurance Survey (Attachment #2). The purpose of the survey was to allow employees an opportunity to provide valuable input into the health insurance renewal process. Additionally, the results of the employee survey are being presented to the Board for consideration of employee concerns and preferences in making decisions regarding the County's health insurance program for the 2011 Plan Year.

The survey was completed by Board and Constitutional Office employees. Eight hundred ninety four (894) employees participated in the survey. This represents approximately 53% the total employee workforce of approximately 1700 employees. The results of the survey are shown in Attachment #2 and highlights of employee responses are outlined as follows:

- 86% (763) of respondents are enrolled in Capital Health Plan. About 4% (34) respondents are enrolled in BCBS.
- 73% (598) of respondents have dependent coverage (Emp+1 or Family)
- 57% (465) of respondents are over the age of 45. This is an indication that Leon County has an aging workforce.
- 38% (309) of respondents indicated they have CHP staff doctors located at either the Governors Square or Centerville Rd Health Centers.
- 82% (661) of respondents are very satisfied with the group of doctors under their current plan.
- 38% (303) would prefer an increase in premiums over an increase in co-pays for prescriptions/medical services. Another 37% (301) would prefer staff find a balance between increases in co-pays and premiums.
- 69% (525) indicated they would not like to pay for added or expanded benefits. Of the respondents that are willing to pay for added or expanded benefits, these are the services they would like to see provided:
  - Treatment for obesity such as medical procedures and surgery – (177)
  - Smoking Cessation Prescription Drugs – (98)
  - Coverage for Domestic Partner Benefits – (101)
  - Coverage for Part Time Employees (Same Eligibility and Employer Contribution as Full-time) – (111)
- 91% (718) would not like to change from CHP and/or BCBS to a new health provider if it meant **changing** their primary care physician.
- 72% (541) would not want to change from CHP and/or BCBS to a new health provider even if they could **maintain** their current primary care physician.
- 58% (510) have an interest in an On-site Medical Clinic for basic primary care services.
- 42% (362) would like to see a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance program. 36% (313) would not.
- 55% (480) would not like to see Leon County as a participating employer in the State of Florida Health Insurance Program.

Comments from respondents to the survey indicate that employees appreciate the plan design and employer contributions that have been provided by the Board for many years. Employees are willing to pay a small increase in co-pays and/or employee contribution to assist with the rising cost of health insurance; however employees would like to maintain CHP as a healthcare provider, whether or not multiple health care providers are added to the County's program. Employees also indicate they want the control of their health insurance to remain with the Board and feel that the Board and staff have done a good job in providing this service. The complete survey and excerpts from employee comments are shown in Attachment #2.

### **Domestic Partner Benefits**

Domestic partner benefits are benefits that an employer chooses to offer to an employee's unmarried partner. Domestic partnerships may be defined by employer policy, or law. They involve same-sex and opposite sex individuals who live together in a committed relationship but are not legally married, either by state license or common law. A fact sheet prepared by the Employee Benefit Research Institute (EBRI) regarding Domestic Partner Benefits is included as Attachment #3.

If an employer chooses to offer domestic partnership benefits it should consider the following in developing a program:

- Define what is an eligible domestic partner
- Define if the benefit is to cover both opposite-sex and same-sex partners
- Determine the documentation for proof that will be required of the domestic partner relationship.
- Revise policies and procedures to include domestic partner benefits and identify which benefits would apply.
- Develop a program based on current federal, state and local regulatory guidelines regarding domestic partner benefits

The City of Tallahassee recently provided domestic partner benefits for only those employees enrolled in Blue Cross Blue Shield. CHP enrollees were not included in domestic partner benefits for health insurance due to an additional charge of a 1% rate increase by CHP. BCBS did not charge an additional rate increase due to their experience rating methodology. CHP representatives will be available to explain further. For Leon County, CHP and BCBS indicate they will consider any added benefits requested in its premium rates provided during the annual renewal process.

Based on 2010 rates and assuming a 1% rate increase at renewal for domestic partner benefits, Leon County could incur an increased employer premium cost of \$148,000. In addition, according to the recent employee survey, approximately (101) employees expressed an interest in Domestic Partner Benefits. Based on changes in employee level of coverage, staff estimates additional Leon County cost of \$334,000 for employer contributions at 90% on behalf of the domestic partner. The total cost (CHP 1% rate increase and employer contribution) is estimated at \$482,000 to add domestic partner benefits. Costs could be higher or lower dependent upon actual enrollment in the domestic partner program. CHP and BCBS do not provide coverage for the dependents of a domestic partner. Fair market value of employer provided coverage for a domestic partner is taxable income to the employee and must be reported on the W-2.

Should the Board choose to provide domestic partner benefits as an added or expanded benefit in the health program, staff will bring back an agenda item outlining any federal and state legal requirements, as well as any required changes in County policies and procedures, fiscal impacts and tax implications.

## **2. Alternatives for Health Insurance Program**

Staff has prepared several alternatives for Board Consideration to potentially reduce health insurance costs for the 2011 Plan Year. Staff requests Board approval of one of the five alternatives presented in order minimize costs required for Consulting and Actuary Services. The alternatives are outlined as follows:

### **A. Issue Request for Proposal (RFP)**

At the June 9, 2009 FY 2010 Budget Workshop the Board instructed staff to bring back a Request for Proposal for health insurance to coincide with the FY 2011 budget cycle. An RFP is one of several alternatives the Board could use to address rising insurance cost for the 2011 Plan year. Leon County issued an RFP in March 2005 and utilized Mercer Consulting services to review the proposals, verify claims experience, and negotiate rates. As a result, Leon County

experienced a no increase (0%) in premium rates for the 2006 Plan Year and ~~was brought in as a new carrier~~, United Healthcare (Attachment #4). Rates remained in the single digits from (1%- 6%) until the 2008 Plan Year. Due to limited employee enrollment and high claims experience, United Healthcare's rates increased to 38% and they could no longer be competitive. For the 2009 Plan Year, Leon County contracted with CHP/BCBS at a 5% rate increase. For the 2010 Plan Year, CHP/BCBS provided a rate increase of 12% based on claims experience and medical loss ratio of 106%. In addition, Leon County maintained the current plan design with low co-pays for prescriptions and medical services. Attachment #5 provides a 10-year history of rate increases for Leon County.

Should the Board choose to issue an RFP as an alternative, consulting and actuary services will be required to review of proposals, analysis of claims experience and to negotiate rates. The cost of consulting services is estimated at \$60,000 (Attachment #6). Mercer provided consulting for the 2005 RFP process that resulted in a health insurance savings to Leon County of more than \$600,000. Mercer is currently under State Contract #973-020-07-1.

### **B. Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program**

In August 2005, at the request of the Board, staff initiated discussions with the City and the School Board regarding a Health Insurance Consortium (Attachment #4, page 5 of 8). As part of the review, Buck Consultants prepared a white paper on the advantages and disadvantages of Health Care Pooling, sometimes referred to as "group purchasing" (Attachment #7). At that time, staff did not recommend the County pursue the health care consortium based on the loss of complete decision-making authority by the Board regarding County employee's health care plan, the major differences in plan design and level of employee contributions established for each agency. In addition, all three governments contracted with Capital Health Plan and were community rated.

As such, each entity essentially shared in the liability and rate setting of the other. In a sense, the pooling or consortium arrangement, at some level, was already taking place, while at the same time allowing each government entity control over its own health plan. Since that time, Rogers, Gunter and Vaughn Insurance (RGVI) has approached staff regarding the provision of Broker Services to Develop a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program. RGVI currently provides broker services for the Leon County School Board. The broker fee for the School Board is 1% of total premium costs. For Leon County, if rates are the same, this would represent an additional cost of \$164,000 annually. Staff has not received a written proposal from RGVI as to what services will be provided, however, if the Board chooses this alternative, staff can begin to formalize discussions with RGVI and bring back an agenda item with the services to be provided and the cost of hiring a broker on a continuing basis for the Health Insurance Program. The Board would usually issue an RFP for Broker Services; however, the Board could waive this requirement or select a Broker designated under State Contract.

### **Participating Employer - State of Florida Health Insurance Program**

Legislation has been filed that would allow large employers, such as Leon County, an opportunity to join the State of Florida Health Insurance Program as a participating employer. HB 929 and SB 512 would require participating employers to fund 100% coverage of any claims or costs incurred, as well as pay an administrative fee per employee. The program also requires that adequate reserves and cash flow are set aside for unexpected costs by contributing three (3) months premium and costs in advance of the coverage effective date. An RFP process is required to determine eligibility. In addition, adoption of an ordinance or resolution and a minimum of three (3) years of participation in the program is required (Attachment #8). The program is similar to a self-funded program; however, the participating employer must follow the plan design, cost, and eligibility requirements established by the State of Florida. In essence, Leon County would lose any control over how its health insurance program operates. Leon County may also be subject to future legislative changes. The legislature is currently proposing several changes to state employee health insurance as follows:

- HB 1231 and SB 2498 would require all state employees to contribute to health insurance, including those who were previously changed from Career Service to Select Exempt with no job protections in exchange for fully paid State health insurance (Attachment #9).
- HB 1025 and SB 1710 would segregate the claims experience of retirees from that of active employees and authorize separate experience rating of retirees from active employees. This change may result in higher cost for retirees (Attachment #10).

- A Buck Consultant Study provides alternatives to reduce the cost of State of Florida Health Insurance including the elimination of HMO's (Attachment #11).

Should the Board choose the alternative of becoming a participating employer with the State of Florida, staff will continue to follow the current legislation. If passed, staff will bring back an agenda item with the necessary steps to begin the participating employer process.

**C. Self-Insured Health Insurance Program**

Leon County could self-fund all or a portion of its health insurance program. Self-funding would require a consultant study and actuarial analysis of claims activity over several years to determine risk level and reserves required. Leon County would also take on additional liability and risk exposure that is not present under a fully insured arrangement. In

July 2005, Mercer Consulting performed a study for Leon County, titled "Funding Alternatives – Self funding vs. Fully Insured Plan" (Attachment #12). At that time Leon County received a no increase (0%) in rates from CHP and United Healthcare through the RFP process and staff did not recommend establishing a self-funded health plan.

Leon County could also consider partially self-funding the health insurance program by establishing an On-site Medical Clinic or an Alternative Pharmacy Carve Out program as outlined below:

**i. On-site Medical Clinic**

The Board may consider an On-site medical clinic as an alternative to potentially reduce health insurance cost.

Over the past five years, there has been a resurgence of employer-sponsored worksite clinics. Employers have been seeking new solutions to control healthcare costs and improve workforce productivity. An article prepared by Mercer Consulting titled "Worksite clinics: An old concept gets a new lease in the battle to control health care cost and improve productivity", outlines the driving forces behind the growth of on-site medical clinics, including managing chronic illness, expanding health and productivity programs and managing workforce injuries (Attachment #13). Staff has identified a number of Florida municipalities that have developed or are in the process of developing On-site Medical Clinics including the City of Gainesville, City of St. Lucie, St. Lucie County, Sarasota County, Polk County and Escambia County. An on-site medical clinic usually requires a concentration of 750 or more employees in one location.

There are three primary models used for On-site medical clinics:

**On-site Medical Clinic Models**

Employer Managed Clinic	Hybrid	Outsourced
Employer owns clinic	Employer contracts with local clinic/health institution	Employer contracts with third party vendor
Employer controls all clinic operations, personnel and decisions about vendor integration	Employer influences scope of services and vendor integration	Vendor controls all clinic operations, personnel and decisions about vendor integration
Result: High control, high risk, higher barrier to exit	Result: Moderate control, lower risk, easy exit	Result: Low control, lower risk, easy exit

Employers primarily select services to provide under an on-site medical clinic that reduce delivery cost and time lost from work. Services may include: On-site pharmacy; Basic medical care, Disease management, Health promotion and wellness, Workers Compensation, Pre-employment screenings/drug testing, Disability, and Employee Assistance Programs.

There are some key decision points in assessing the feasibility of an On-site medical clinic as follows:

- Self-fund a portion of the employee health insurance program for services provided at the on-site medical clinic and modify current insured arrangements with CHP and BCBS
- Determine what medical services will be provided at the on-site facility
- Determine who is eligible to use the clinic
- Determine what costs underlie an on-site clinic
- Determine how the clinic will be staffed and managed
- Determine what the benefits of an on-site clinic and how they should be measured
- Determine a dedicated on-site facility and any start-up costs
- Determine Return on Investment over a five year period

Should the Board choose to pursue the alternative of an on-site medical clinic, staff recommends a consulting and actuary analysis to determine the feasibility of self-funding a portion of the health insurance program for services provided at the clinic, assess return on investment and to provide recommendations on the most effective way to establish such a program for Leon County. Mercer Consulting has provided a proposal for review of an On-Site Medical Clinic with an estimated cost for consulting services of \$42,000 (Attachment #14)

#### ii. Pharmacy Carve Out

Employee Health Insurance Management/ELECT Rx, a prescription drug management company, contacted staff regarding their pharmacy benefit program (Attachment #15). EHIM/ELECT Rx is a prescription supply source for its members utilizing international pharmacies. The company is able to completely take over the County's pharmacy program or do an overlay to the current pharmacy benefits. Using the overlay option EHIM/ELECT Rx supplies County employees with certain named prescriptions as designated by the County. CHP and BCBS would supply the other remaining prescriptions. Staff contacted CHP and BCBS and was informed that approximately 15.5% or \$2.5 million of the County's health care cost is for the pharmacy benefit. Again, a consultant study and analysis would be required to determine the feasibility of Leon County entering into a Pharmacy Carve Out program. Mercer consulting has provided a proposal with an estimated consultant cost of \$60,000 to review the feasibility of a Pharmacy Carve Out program (Attachment #6, page 2).

#### D. Modifications to Plan Design and/or Contribution Strategy

Annually, during the renewal process, staff has presented options for Board consideration in changing the plan design for co-pays on prescription drugs and medical services. In addition, staff has presented several options for employer/employee contribution strategies. The Board has consistently maintained the current plan design which provides richer benefits than the local market. The Board changed the employer/employee contribution strategy in the 2009 Plan Year from 92.5%/7.5% to the current strategy of 90%/10%. The current CHP and BCBS plan design is shown in Attachment #16.

#### High Plan/Low Plan Option

Another alternative that CHP/BCBS is reviewing is a High Plan/Low Plan Option. In this alternative, Leon County would maintain the current plan design as a High Plan Option and offer an Alternate Plan Design as a Low Plan Option. The employer contribution dollar amount would not exceed that of the lowest cost option. The employee would pay any difference from selecting a higher cost plan option. Staff will bring back additional information on this alternative once it is provided by CHP/BCBS. Staff seeks Board Direction on whether to continue to pursue changes in the current plan design and/or contribution strategy including the High/Low Plan Option for the 2011 Plan Year.

#### State and Local Government Health Insurance Market Comparisons

Staff conducted a survey of the plan design, rates and contribution strategy for the City of Tallahassee, Leon County School Board and the State of Florida. Attachment #17 provides a comparison summary of the plan design, monthly premiums and contribution percentages for each of these local government entities. Staff surveyed 10 Florida Counties with comparable demographics to that of Leon County. Attached are comparisons of plan type and monthly premiums for comparable counties (Attachment #18). The comparison also includes which comparable counties offer Domestic

Partner Benefits and/or On-site Medical Clinics.

Attachment # 2  
Page 9 of 10

### **Health Insurance Committee Recommendations**

The Health Insurance Committee consisting of staff representatives from the Board and Constitutional Offices presented the attached Alternate Plan Design to the Board for the 2010 Plan Year (Attachment #19). The Board approved the current plan design for the 2010 Plan Year. For the 2011 Plan Year, the Health Insurance Committee requests that the Board consider the Alternate Plan Design with moderate increases in co-pays as a viable option to assist in reducing employer costs in the renewal process for the Health Insurance Program. Additionally, the committee recommends that the Board exercise the additional one year renewal option under the existing CHP agreement ending in December 2011. The Health Insurance Committee recommends Options #1 and #2e.

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### **Options:**

**1 Accept the status report on the results of the Employee Health Insurance Survey and direct staff as to whether or not any additional or expanded services are to be negotiated into the 2011 Plan Year Health Insurance Program as follows:**

- a. Treatment for obesity such as medical procedures and surgery
- b. Smoking Cessation Prescription Drugs
- c. Coverage for Domestic Partner Benefits
- d. Coverage for Part Time Employees (Same Eligibility and Employer Contribution as Full-time)

**2 Select one of the following Alternatives Proposals for the 2011 Health Insurance Program:**

- a. Issue a Request for Proposal for Health Insurances Services and contract with Mercer for consulting and actuary review services at a cost of \$60,000.
- b. Waive RFP requirements for Broker Services and begin discussions and with Rogers, Gunter and Vaughn Insurance (RGVI) on the development of a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program and bring back an agenda item with program details and Broker fees for Board review and consideration.
- c. Direct staff to follow current legislation allowing large groups such as Leon County to become a participating employer in the State of Florida Health Insurance Program and if the legislation passes, bring back an agenda item for Board consideration.
- d. Direct staff to contract with Mercer for Consulting and Actuarial Services to review partially self funding the Health Insurance Program as follows:
  - (i) **On-Site Medical Clinic – Consulting Costs \$42,000; or**
  - (ii) **Alternative Pharmacy Carve Out – Consulting Costs \$60,000**
- e. Direct staff to exercise the one year renewal option remaining with CHP/BCBS and make modifications to the current plan design and/or contribution strategy as recommended by the Health Insurance Committee. Review the High/Low Plan Option and bring back an agenda item with premium rate options for the 2011 Plan Year for Board consideration.

**3 Board Direction.**

4

**Recommendation:**

Board Direction.

Attachment #

2

Page

10

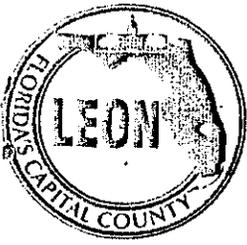
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Attachments:

1. Board Workshop Items dated June 9, 2009 and March 19, 2009 on County Employee Health Insurance w/o attachments
2. Results of County Employee Health Insurance Survey (February 2010)
3. Domestic Partner Benefits – Facts by Employee Benefits Research Institute
4. Agenda Items dated August 30, 2005 and September 20, 2005, Approval to Award County Employee Health Insurance Services w/o attachments
5. Leon County 10 Year Premium Rate History
6. Mercer Pricing Proposal for RFP and Alternative Pharmacy Carve Out Review
7. Buck Consultant Report on Consortium Pooling Arrangements
8. HB929 and SB 512 proposed legislation expanding County Participation in State of Florida Health Plan
9. HB 1231 and SB 2498 proposed legislation requiring employee contributions for State of Florida Health Plan
10. HB 2010 and SB 1710 proposed legislation providing for Market Determination of Premium Cost for Health Insurance for Retirees
11. Buck Consultant Analysis of State of Florida Health Plan Program Options
12. Mercer Consulting Summary of Funding Alternatives: Self-Funding vs. Fully Insured Plan
13. Mercer Consulting Article on Worksite Clinics
14. Mercer Consulting Services Pricing for Feasibility Study on Worksite Clinics
15. Employee Health Insurance Management/Elect Rx Prescription Drug Program
16. 2010 Plan Year CHP/BCBS Plan Design
17. Local Government Comparison of Health Insurance Plan Designs
18. Florida County Comparisons of Health Plan Types and Premiums
19. Summary Comparison of Current and Alternate Plan Design

[Back](#)[Print](#)



# Leon County

## Board of County Commissioners

301 South Monroe Street, Tallahassee, Florida 32301  
(850) 606-5302 www.leoncountyfl.gov

Attachment # 3  
Page 1 of 2

Commissioners

BILL PROCTOR

District 1

JANE G. SAULS

District 2

JOHN DAILEY

District 3

BRYAN DESLOGE

District 4

BOB RACKLEFF

District 5

CLIFF THAELL

At-Large

AKIN AKINYEMI

At-Large

PARWEZ ALAM

County Administrator

HERBERT W.A. THIELE

County Attorney

April 19, 2010

Mr. Scott Hunt  
President  
Northeast Business Association  
Tallahassee, Florida

Ted Thomas  
Past President  
Northeast Business Association  
Tallahassee, Florida

Re: Broker Services for County Employee Health Insurance

Dear Mr. Hunt and Mr. Thomas:

County Administrator Parwez Alam has requested that I reply to your attached letter dated April 13, 2010. Accordingly, I offer the following clarification to your premise that the Board of County Commissioners has awarded Health Insurance Broker Services to Rogers, Gunter Vaughn Insurance (RGVI), without going through the Request for Proposal (RFP) process.

At the March 23, 2010 meeting, the County Commission directed staff to review the potential for a Joint Leon County, City of Tallahassee and Leon County School Board Consortium Health Insurance Program. This program was proposed by RGVI as an alternative to potentially reduce the cost of the County Employee Health Insurance Program. RGVI is currently the broker of record for the Leon County School Board and proposes obtaining broker status for the City of Tallahassee and Leon County in order to bring about a joint health insurance program.

At this time, no RFP has been awarded for these services. Staff is awaiting a written proposal with costs from RGVI. Based on the services outlined in the written proposal, staff will request an opinion from the County Attorney's office as to whether or not the proposed services are unique enough to be classified as a Sole Source or require the issuing of an RFP.

Furthermore, in addition to NEBA requesting small business consideration for providing Broker services to Leon County, Mercer Consulting Services and Brown and Brown, have also contacted staff and requested opportunities to be considered for Broker and Consulting services for the County Employee Health Insurance Program. Both of these vendors indicate that they too can provide the services proposed by RGVI for a Joint Health Insurance Consortium and are willing to submit proposals if this matter is sent out for RFP. Mercer can also provide this service under State Contract.

Once a written proposal is received from RGVI, staff will take this issue back to the County Commission for review and appropriate action. Staff expects to receive a draft proposal from RGVI within the next week or so. Once the proposal is received, I can better provide you a date as to when this item will be placed back on the Board's agenda.

April 13, 2010

Mr. Parvez Alam  
County Administrator  
c/o Leon County Commission  
301 S. Monroe Street, 5<sup>th</sup> Floor  
Tallahassee, FL 32301

Dear P.A.,

As you already know, the Northeast Business Association often and frequently serves to provide a voice for small businesses within Leon County. This often is in the form of helping lend a voice or opinion when critical issues come about that affect our community.

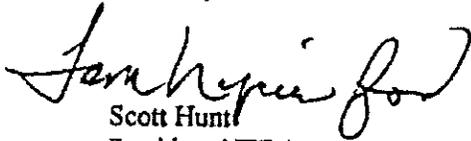
As such, NEBA has recently discovered that the Leon County Commission has decided, without going to RFP, to award RGVI with becoming the assigned health insurance consultant for Leon County. It is our understanding that the fee to be charged is an amount equal to \$150,000 annually.

P.A., NEBA believes that when decisions of this magnitude are made it is incumbent for our elected officials to make this a fair and transparent process. Furthermore, we believe that if possible our commissioners should also consider utilizing small businesses in such a process. Therefore, our association would like a written response to the following:

1. Why did this issue not go through the RFP process?
2. Would the board consider revisiting this issue with the caveat that small businesses also be considered?

Your attention to this matter is appreciated. Our association looks forward to the immediate response of our elected officials regarding this specific issue.

Sincerely,

  
Scott Hunt  
President NEBA

  
Ted Thomas  
Past President NEBA



**Leon County**  
**Board of County Commissioners**  
301 South Monroe Street, Tallahassee, Florida 32301  
(850) 606-5302 www.leoncountyfl.gov

Attachment # 4  
Page 1 of 1

Commissioners

June 7, 2010

BILL PROCTOR  
District 1

Bart Gunter, Agent  
Rogers, Gunter, Vaughn Insurance, Inc.  
1117 Thomasville Road  
Tallahassee, FL. 32303

JANE G. SAULS  
District 2

JOHN DAILEY  
District 3

Re: Broker Services for Joint City, County, School Board Health Insurance

BRYAN DESLOGE  
District 4

Dear Mr. Gunter:

BOB RACKLEFF  
District 5

Thank you for your interest in becoming Leon County's Broker of Record for Employee Health Insurance. At the March 23, 2010 meeting, the Board directed staff to begin discussions with Roger, Gunter and Vaughn Insurance (RGVI) regarding the provision of Broker Services for a Joint City of Tallahassee, Leon County and Leon County School Board Health Insurance Program. On April 1, 2010, Human Resources staff met with you and other RGVI representatives regarding the provision of brokerage services for a joint insurance program. At that meeting, and after discussions regarding the needs of the County in this area, RGVI agreed to present a proposal to Leon County for Broker Services within the next two weeks. Once a proposal was received, staff was to request a legal review by the County Attorney's office to determine if such services required an RFP or could be a sole source.

CLIFF THAELL  
At-Large

AKIN AKINYEMI  
At-Large

PARWEZ ALAM  
County Administrator

HERBERT W.A. THIELE  
County Attorney

It is now June 7, 2010, and Leon County has not received a proposal from RGVI regarding broker services for a Joint Health Insurance Program. Leon County is currently in negotiations with CHP/BCBS for the 2011 Plan Year Renewal. The City and School Board are likewise completing their renewal processes. As such, staff is prepared to inform the Board at the June 22, 2010 Budget Workshop that a proposal has not been received from RGVI for a joint program and will recommend that Leon County not pursue Broker Services for a joint program for the 2011 Plan Year.

Again, thank your for your interest in providing insurance services to Leon County employees.

Sincerely,

Lillian Bennett  
Director of Human Resources

cc: Board of County Commissioners  
Parwez Alam, County Administrator  
Herbert Thiele, County Attorney

**SUMMARY COMPARISON OF CHP MEDICAL PLAN DESIGN  
WITH OTHER LOCAL GOVERNMENTAL ENTITIES**

<b>COVERAGE</b>	<b>LEON COUNTY Current 2010</b>	<b>LEON COUNTY Proposed 2011</b>	<b>STATE OF FLORIDA 2011 Plan Design</b>	<b>CITY OF TALLAHASSEE Current 2010</b>	<b>LEON COUNTY SCHOOL BOARD 10/2009</b>
PCP	\$10	\$10	\$20	\$15	\$15
PCP (Maternity)	\$10	\$10	\$20	\$25	\$40
PCP (after office hours)	\$15	<u>\$20</u>	\$25	\$20	\$25
Specialist	\$10	<u>\$25</u>	\$40	\$25	\$40
Specialist (Maternity)	\$10	<u>\$25</u>	\$40	\$25	\$40
After Hours/Urgent Care	\$15	\$15	\$25	\$20	\$25
Emergency Room	\$100	\$100	\$100	\$100	\$250
Ambulance (Medically Necessary)	\$0	\$0	\$0	\$0	\$100
Inpatient Hospital Includes Maternity	\$0	<u>\$250/Admit (\$750 max/yr)</u>	\$250/Admit	\$250/Admit (\$750 max/yr)	\$250/Admit
Outpatient procedures performed in a hospital	\$0	<u>\$100/visit</u>	\$0	\$100/visit	\$250 (at hospital)
Outpatient procedures & Surgery Physician	\$10	<u>\$25</u>	\$0	\$25	\$40
Outpatient procedures performed in an Ambulatory Center	\$0	<u>\$100</u>	\$0	\$100	\$100 (at ambulatory center)
Diagnostic Procedures, x- ray exams or mammograms	\$0	\$0	NA	NA	NA

Advanced Diagnostic Imaging including MRI,PET, and CT Scan	\$0	<u>\$25</u>	\$0	\$25	\$100
Rehab Therapies (ST,OT,PT)	\$10	<u>\$25</u>	\$40	\$25	\$40
MRI/PET/CT	\$0	\$0	\$0	\$25 per scan	\$100/per scan
Home health services	\$0	\$0	\$0	\$0	\$0
Hospice	\$0	\$0	\$0	\$0	\$0
Skilled Nursing	\$0	\$0	\$0	\$0	\$0
Durable Medical Equipment	\$2,500 max. per cal. year	\$2,500 max. per cal. year	\$2,500 max. per cal. year	\$2,500 max. per cal. year	\$2,500 max. per cal. year
Prosthetic medical appliance	\$0	\$0	\$0	\$0	\$0
Mental Health-Inpatient	\$0	<u>\$250/Admit (\$750 max/yr)</u>	\$250/Admit	\$250/Admit (\$750 max/yr)	\$250/Admit-31 days max/yr
Mental Health & Substance Use-Outpatient	\$10/visit	<u>\$25/visit</u>	\$40/visit	\$25/visit	\$40/visit-20 visits/yr
Routine Vision	\$10	\$10	\$20	\$15	\$15
Prescriptions	\$7/\$20/\$35	<u>\$7/\$30/\$50</u>	\$7/\$30/\$50	\$15/\$30/\$50	\$15/\$30/\$50
Prescriptions-Mail Order	NA	NA	Tier 1:\$14 Tier 2:\$60	Commercial only 90 day supply for 3 month copayment	NA
Out of Pocket Maximum	\$1,500/\$3,000-excludes RX copays	<u>\$2,000/\$4,500-excludes RX copays</u>	\$1,500/\$3,000	\$2,000/\$4,500-excludes RX copays	\$2,000/\$4,500-excludes RX copays
Employee Monthly Cost		<b>90/10 contribution</b>		<b>Does not include \$164/month in FlexBucks</b>	<b>Based on 10 months</b>
Single	\$48.78	<b>\$50.72</b>	\$50.00	\$68.24	\$91.42
Employee+1	\$100.98	<b>\$104.93</b>	NA	\$187.72	\$374.91
Family	\$129.28	<b>\$134.23</b>	\$180.00	\$361.56	\$530.32

Employee Benefit Research Institute • 2121 K Street, NW, Suite 600 • Washington, DC • 20037

February 2009

## Domestic Partner Benefits: Facts and Background (Updated February 2009)

### ■ What is a “domestic partnership” and what proof of the relationship is required?

- Domestic partner benefits are benefits that an employer chooses to offer to an employee's unmarried partner, whether of the same or opposite sex.
- An employer wishing to implement a domestic partner program needs to create a definition of what an eligible domestic partner is. The most common definitions contain four or five core elements: 1) The partners must have attained a minimum age, usually 18; 2) Neither person is related by blood closer than permitted by state law for marriage; 3) The partners must share a committed relationship; 4) The relationship must be exclusive; 5) The partners must be financially interdependent.
- An employer also must decide whether the domestic partner program is to cover same-sex couples only or include opposite-sex couples.
- Documentation of proof of a domestic partner relationship can take many forms. It is up to the employer to determine what is appropriate. Some employers are satisfied with the partners signing a written statement of their relationship. Some employers may require proof of some financial relationship, such as a joint lease or mortgage. Whatever documentation is required must be germane to the issue of validating a domestic partnership, or it could lead to claims of invasion of privacy.

### ■ What is included in domestic partner benefits and how many employers offer this benefit?

- Most employers that offer domestic partner benefits to their workers offer a range of only low-cost benefits, such as family/bereavement/sick leave, relocation benefits, access to employer facilities, and attendance at employer functions. However, most public attention involving domestic partner benefits involves employers that offer health insurance coverage to domestic partners.
- According to a 2007 survey by Hewitt Associates, 54 percent of surveyed firms offered coverage for domestic partners. Seventeen percent of firms offered domestic partner coverage to same-sex couples only; 1 percent of firms offered coverage to opposite-sex couples only; 32 percent of surveyed firms offered coverage for same or opposite-sex couples. According to a 2005 Hewitt Associates study, of those employers that offered domestic partner benefits, 83 percent offered the coverage to dependents of domestic partners. These numbers represent a significant increase since 2002, when 19 percent of surveyed firms offered domestic partner benefits.
- According to the Human Rights Campaign Fund, which describes itself as the largest national lesbian and gay political organization in the United States, as of May 16, 2008, 9,374 employers offered domestic partner benefits. Of that number, 8,653 are private-sector companies, with 270 of the Fortune 500 companies offering domestic partner benefits. A listing of firms that offer full health insurance coverage to domestic partners is posted by the Human Rights Campaign at [www.hrc.org/](http://www.hrc.org/)

### ■ Why an employer offers domestic partner benefits:

- *Market competition and diversity*—The attraction to employees of a comprehensive benefits package that offers health and retirement coverage is well-documented. Given the typically diverse contemporary work force, some employers try to design their benefits package to appeal to that diversity and maintain a recruitment edge. According to a 2005 Hewitt Associates study, the number-one reason for offering domestic partner benefits was to attract and retain employees (cited by 71 percent of organizations offering benefits to same-sex couples and 69 percent to opposite-sex couples).
- *Fairness*—Many employers believe that by offering benefits to legally married partners of employees and not offering the same benefits to the partners of non-legally married employees discriminates on the basis of sexual orientation and/or marital status. Many employers have a formal policy against discrimination on the basis of sexual orientation, as the practice is illegal in some jurisdictions. The decision to offer domestic partner benefits communicates to employees that the employer is committed to its stated policy. According to a 2005 Hewitt Associates study, there was no statistical difference among organizations that

said offering domestic partner benefits to same-sex (65 percent) and opposite-sex (64 percent) couples was the fair/right thing to do.

■ **Costs of domestic partner benefits:**

- This is the primary concern for employers, especially with regard to health benefits, since extending coverage to more individuals increases the cost of health benefits. There are two components driving the cost issue: 1) How many new enrollees the plan can expect to receive; and 2) What risks are likely to be associated with those individuals. In 2005, Hewitt Associates found that in 88 percent of the organizations that offer domestic partner benefits, they comprise less than 2 percent of total benefit costs.
- In a 2005 study of domestic partner benefits, Hewitt Associates found that on average 1 percent of eligible employees offered domestic partner coverage in the health plan actually elected to take it. Many employers, in the planning stage, had anticipated an enrollment rate of 10 percent. In an earlier 1994 study, Hewitt found employers that allow only same-sex couples to enroll domestic partners in the health plan reported a lower enrollment rate, compared with those employers that allow opposite-sex couples to enroll. Overall, Hewitt found in 1994 that 67 percent of the couples electing domestic partner coverage were opposite-sex couples.
- Hewitt found, in 2000, that employers are no more at risk when adding domestic partners than when adding spouses. Experience has shown that the costs of domestic partner coverage are lower than anticipated. There are several reasons why: The employees eligible for domestic partner coverage tend to be young, and, as a result, healthy; enrollment in domestic partner coverage is low, primarily due to the fact that most domestic partners already have coverage through their own employers; any increased risk of AIDS among male same-sex couples appears to be offset by a decreased risk among female same-sex couples; and same-sex domestic partners have a very low risk of pregnancy.
- Most recent estimates (1996) of the lifetime costs of treating a person with HIV disease range from \$71,143 to \$424,763. By way of comparison, the cost of a kidney transplant can be as high as \$200,000, and the cost of premature infant care can run from \$50,000 to \$100,000.

■ **Qualification for benefit privileges under current federal law:**

**Tax Treatment**

- The U.S. Internal Revenue Service (IRS) has addressed the issue of domestic partner coverage in several private letter rulings. According to those rulings, employment-based health benefits for domestic partners or nonspouse cohabitants are excludable from taxable income only if the recipients are legal spouses or legal dependents. The IRS also states that the relationship must not violate local laws in order to qualify for tax-favored treatment. See below for a discussion of the 1996 Defense of Marriage Act.
- The IRS leaves the determination of marital status to state law.
  - ◆ *Tax-Favored Treatment*—There are 11 states plus the District of Columbia that recognize common law marriages<sup>8</sup> and all states recognize common law marriages legally contracted in those jurisdictions that permit it. ([http://topics.law.cornell.edu/wex/table\\_marriage](http://topics.law.cornell.edu/wex/table_marriage)) Couples in those jurisdictions that have a common law marriage do receive the tax favorable treatment in an employment-based plan for domestic partner coverage.
  - ◆ *No Tax-Favored Treatment*—See below for discussions of California's, Connecticut's and Massachusetts' recognition of same-sex marriages. Some cities (i.e., San Francisco and New York City) allow domestic partners to register their relationship with the city, but these registries do not provide legal status as marriage or common law marriage.
- The tax, for those who do not receive tax-favored status, is determined by assessing a fair market value for covering the domestic partner. This amount is then reported on the employee's W-2 form and is subjected to Social Security FICA and federal withholding taxes.
- Employees with domestic partners, including same-sex spouses, can get federal tax-free employer health benefits in two ways: (i) the partner qualifies as the employee's tax dependent for health plan purposes or (ii) the employee claims a federal tax exemption for the partner.

**Sec. 125 Flexible Benefits and Spending Accounts**

- Employee flexible benefit allowances that include extra money or credits toward providing coverage for a domestic partner are treated as taxable income.
- Flexible spending account benefits may not be provided to a domestic partner because such accounts can include only nontaxable income.

**Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)**

- Under federal law, no requirement exists that a plan must extend COBRA rights to domestic partners who lose coverage due to what would otherwise be a qualifying event. An employer may choose to extend COBRA coverage to a domestic partner but is under no legal obligation to do so.

**Health Insurance Portability and Accountability Act of 1996 (HIPAA)**

- Domestic partners may not be considered as dependents. However, an employer that provides health insurance to domestic partners may want to include them in the certification procedure for documenting the partnership and apply the other HIPAA requirements for consistency in administration.

**Defense of Marriage Act of 1996 (DOMA)**

- For purposes of federal tax law and benefits, DOMA established federal definitions of (a) "marriage" as a legal union only between one man and one woman as husband and wife; and (b) "spouse" as a person only of the opposite sex who is a husband or wife. Because of DOMA's provisions, if a state extends marriage to same-sex couples, same-sex partners would not be treated as spouses for federal tax and employee benefit purposes.
- Because marriages are granted through state law, DOMA also gives states the choice to recognize same-sex marriages legally performed in other states. The law does not specifically outlaw same-sex marriage, and states remain free to recognize same-sex marriage if they so choose. But by making one state's recognition of another state's legal acts optional in this instance, DOMA essentially creates an exception to the Full Faith and Credit Clause of the U.S. Constitution, thus raising constitutional questions concerning the validity of the law. Because Vermont created a parallel civil union rather than sanctioning same-sex marriage, the new law does not create an opportunity to challenge DOMA's constitutionality. Since the enactment of DOMA in 1996, the issue has not come before the U.S. Supreme Court for a decision.
- Among the states that ban same-sex marriage, 16 do so by law; eight do so by state constitution; and 18 states ban same-sex marriage and civil unions by state constitutions.  
[www.hrc.org/your\\_community/index.htm](http://www.hrc.org/your_community/index.htm)

■ **State and local government actions affecting domestic partner benefits:**

Benefits generally are regulated at the federal level by the Employee Retirement Income Security Act of 1974 (ERISA), and private employers that choose to offer domestic partner benefits must follow federal law (see section above). Most recent legal activity concerning domestic partner benefits has involved state and local governments acting in their capacity as employers, but subject to local political and legal circumstances. As a result, some jurisdictions have taken very different approaches to the issue, such as:

**Connecticut Supreme Court, Elizabeth Kerrigan et al. vs. Commissioner of Public Health, et al.**

- October 28, 2008, Connecticut became the third state to legalize same sex marriage in a 4-3 ruling by the state's Supreme Court. ([www.jud.state.ct.us/external/supapp/Cases/AROCr/CR289/289CR152.pdf](http://www.jud.state.ct.us/external/supapp/Cases/AROCr/CR289/289CR152.pdf))
- The state enacted a civil union law in 2005 that provides same-sex couples with some of the same rights and responsibilities under state law as marriage. Connecticut became the second state in the United States (following Vermont) to adopt civil unions, and the first to do so without judicial intervention.
- In the case *Kerrigan v Commissioner of Public Health*, eight same-sex couples argued that the state's civil union law was discriminatory and unconstitutional because it established a separate and therefore inherently unequal institution for a minority group. Citing equal protection under the law, the state Supreme Court agreed.

**California Supreme Court, In re Marriage Cases**

- May 15, 2008, the California Supreme court ruled by 4-3 that marriages between people of the same sex are legal, thereby overturning an existing statutory ban on same-sex marriage. The ruling went into effect June 14, 2008. ([www.courtinfo.ca.gov/opinions/documents/S147999.PDF](http://www.courtinfo.ca.gov/opinions/documents/S147999.PDF))
- Proposition 8 "Limit on Marriage" would amend the California state constitution to define marriage as between one man and one woman. Fifty-two percent of the electorate voted in favor of Proposition 8 in November 4, 2008, general election. The California Supreme Court agreed to consider challenges to Proposition 8 in March 2009. ([www.courtinfo.ca.gov/courts/supreme/highprofile/prop8.htm](http://www.courtinfo.ca.gov/courts/supreme/highprofile/prop8.htm))

**Supreme Judicial Court of Massachusetts, Hillary Goodridge & others vs. Department of Public Health & another**

- The Massachusetts Supreme Judicial Court held Nov. 18, 2003, that “barring an individual from the protections, benefits, and obligations of civil marriage solely because that person would marry a person of the same sex violates the Massachusetts Constitution.” The court stayed the entry of judgment for 180 days “to permit the Legislature to take such action as it may deem appropriate in light of this opinion.”  
(<http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=ma&vol=sjcslip/sjcNov03c&invol=1>)
- The Massachusetts State Senate asked the court for an advisory opinion as to whether legalized civil unions would be sufficient for same-sex couples. The court ruled on Feb. 6, 2004, that they would not, saying, “Because the proposed law by its express terms forbids same-sex couples entry into civil marriage, it continues to relegate same-sex couples to a different status. ... The history of our nation has demonstrated that separate is seldom, if ever, equal.”
- The state court’s decision providing state recognition of same-sex marriages went into effect on May 18, 2004. On March 29, 2004, the state legislature narrowly passed a state constitution amendment ballot measure that would overturn Goodridge. The amendment must be approved a second time in the 2005–2006 session of the legislature. On June 14, 2007, the effort to ban same-sex marriage by amending the state constitution was defeated.
- At this point it is unknown what impact the Massachusetts action might have on the federal Defense of Marriage Act, although it is speculated that a challenge arising out of a Massachusetts same-sex marriage (if one occurs) ultimately will test the legality of DOMA before the U.S. Supreme Court. In November 2004, the U.S. Supreme Court refused to hear a case trying to overturn the Massachusetts decision.

**San Francisco City Marriages**

- On Feb. 12, 2004, San Francisco Mayor Gavin Newsom ordered the city to begin approving same-sex marriages, and since then city clerks have conducted hundreds of same-sex marriage ceremonies. While state law and a voter-approved referendum passed in 2000 (Proposition 22) define marriage as a union of a man and a woman, Newsom maintains that the state constitution’s broad equal protection clause pre-empts those laws. Legal challenges to the city’s action currently are underway.

**Vermont’s Civil Union Law for Same-Sex Couples, Effective July 1, 2000**

- On April 26, 2000, Vermont’s governor signed into law H. 847 (Act 91) establishing a system of civil unions for same-sex couples, effective July 1, 2000. Couples entering into a civil union in Vermont will have the same state-guaranteed rights and privileges (and obligations) as married couples, even though they will not be considered “married” under state law.
- The highly controversial law stemmed from a unanimous ruling Dec. 20, 1999, by the state Supreme Court (*Stan Baker et al., vs. State of Vermont et al.*), which held that there was no state constitutional reason for “denying the legal benefits and protections of marriage to same-sex couples.” The case could not be appealed to a federal court because the ruling was based on Vermont’s constitution, so federal law did not apply.
- The Vermont Supreme Court did not give permission for legalizing same-sex marriages, but instead ordered the state legislature to come up with some method for implementing its decision. Because the legislature created a domestic partnership equivalent to marriage, employers are expected to be able to retain more design flexibility over their benefit plans, and ERISA will shield self-funded employers from being forced to cover “domestic partners” of Vermont employees.

**Benefit Provision**

- Because ERISA pre-empts state law provisions that relate to employee benefit plans, private employers will not be required to recognize civil unions as marriages for the purposes of employee benefit plan design. The exception to this is with regard to state family leave benefits and workers compensation benefits, which are not ERISA-covered programs.
- Insurers in Vermont are required to offer coverage to parties in civil unions and their dependents if they offer such coverage to spouses and dependents. It appears that employers are not required to purchase such policies for their employees. The insurance provisions of the law took effect on Jan. 1, 2001.

**Who Is Eligible for a Civil Union and What Are the Rights and Benefits?**

- Civil unions are available to two unrelated persons of the same sex who:
  - 1) Are at least 18 years old.
  - 2) Are competent to enter a contract.

- 3) Are not already married or in a civil union.
- 4) Have a guardian's written permission if they are under a guardianship.

There is no residency requirement, but to dissolve a civil union the parties must follow the same procedures required for divorce.

- Parties to a civil union have exactly the same rights and obligations as married couples and are subject to the state domestic relations laws regarding support, custody, property division, and dissolution of the relationship.

#### Reciprocal Beneficiary Relationships

- Related persons who cannot marry or enter into a civil union (i.e., siblings) can now enter into a "reciprocal beneficiary" relationship. This relationship will entitle them to more limited spousal-type rights than civil unions. Generally, these rights relate to health care decisions, hospital visits, and durable power of attorney for health care (Hawaii has had a similar reciprocal beneficiary law since 1997).
- Two states have enacted civil union laws which provide all the same rights and responsibilities as marriage: New Hampshire ([www.gencourt.state.nh.us/legislation/2007/HB0437.html](http://www.gencourt.state.nh.us/legislation/2007/HB0437.html)) and New Jersey. ([www.njleg.state.nj.us/2006/Bills/A4000/3787\\_H1.PDF](http://www.njleg.state.nj.us/2006/Bills/A4000/3787_H1.PDF))

#### San Francisco Nondiscrimination in Contracts-Benefits Ordinance, Effective Jan. 1, 1997

- The Air Transport Association of America successfully sued the City of San Francisco, claiming airlines do not have to comply with the city's ordinance because the airlines' benefit packages are governed by federal law, specifically ERISA, which pre-empts state and local laws with regard to employee benefits. In an April 10, 1998, ruling, the U.S. District Court for the Northern District of California upheld the San Francisco ordinance *except* with regard to airlines. In her ruling, Judge Claudia Wilkens stated that the city acts as a "market participant" in dealing with city contractors—other than airlines—and the law therefore does not violate the ERISA pre-emption provisions. However, in the city's dealing with airlines at the city-owned airport, the city acts as a regulator, and not a market participant, so therefore the ordinance is pre-empted by ERISA with regard to the airlines, the judge ruled. The ruling applies the "market participant" standard to situations where the city wields no more power than an ordinary consumer in its contracting relationships.
- In November 1999, Los Angeles and Seattle joined San Francisco in enacting an ordinance that requires private employers that contract with the cities to provide benefits to the domestic partners of workers.

#### State and local governments as employers

Because state and local laws tend to vary significantly, there can be sharply different approaches by state and local governments—acting as employers—in the benefits they offer to their workers. For example:

- Virginia—In April 2000, the Virginia Supreme Court, in a unanimous ruling, struck down Arlington County's domestic partner benefits ordinance, holding that the county had exceeded its authority under state law.
- Oregon—A 1998 state appellate court ruling (*Tanner v. Oregon Health Sciences University*), held that the Oregon Constitution requires all state and local government agencies to offer equal benefits to gay and married employees.

For more information, contact Ken McDonnell, (202) 775-6367, or see EBRI's Web site at [www.ebri.org](http://www.ebri.org).

Sources: Melody A. Carlsen, "Domestic Partner Benefits: Employer Considerations," *Employee Benefit Practices*, International Foundation of Employee Benefit Plans (fourth quarter 1994); Hewitt Associates, *Domestic Partners and Employee Benefits: 1994*, Research Paper (Lincolnshire, IL: Hewitt Associates); Hewitt Associates, *Survey Findings: Domestic Partners 2000* (Lincolnshire, IL: Hewitt Associates, 2000); Hewitt Associates, *Survey Findings: Benefit Programs for Domestic Partner & Same-Sex Couples 2005* (Lincolnshire, IL: Hewitt Associates, 2005); Hewitt Associates, *SpecSummary: United States Salaried: 2007-2008* (Lincolnshire, IL: Hewitt Associates, 2007); Barry Newman, Paul Sullivan, RTS, and Michele Popper, *Domestic Partner Benefits: An Employer's Perspective* (Newburyport, MA: Alexander Consulting Group, June 1996); Washington Resource Group of William M. Mercer, Inc., "Vermont Enacts Civil Union Law for Same-Sex Couples," *GRIST Report* (May 15, 2000).

\* For a listing of states recognizing common law marriage, see *Common Law Marriage* at ExpertLaw. ([www.expertlaw.com/library/family\\_law/common\\_law.html](http://www.expertlaw.com/library/family_law/common_law.html))

<sup>b</sup>The United States Constitution ordinarily requires every state to accord "Full Faith and Credit" to the laws of its sister states. Thus, a common law marriage that is validly contracted in a state where such marriages are legal will be valid even in states where such marriages cannot be contracted and may be contrary to public policy. Note: Under current law, this applies to common law marriages only; not all states permit common law marriages; and DOMA defines marriage as between a man and woman (see the section on DOMA above for application to same-sex marriages). For a discussion of the legal issues involved in *Common Law Marriage*, see ExpertLaw. ([www.expertlaw.com/library/family\\_law/common\\_law.html](http://www.expertlaw.com/library/family_law/common_law.html))

## EMPLOYER/EMPLOYEE CONTRIBUTION STRATEGY EFFECTS ON PREMIUM

### Strategies with County or Employee Absorbing 100% of Cost Increase

Current Premium

Table #1

	Total Monthly Cost	Emplr Share Monthly Cost @ 90%	Employee Share Monthly Cost @10%	Employee Monthly Premium Increase over 2010 costs
Single	\$487.87	\$439.09	\$48.78	N/A
Emp+1	\$1,009.92	\$908.94	\$100.98	N/A
Family	\$1,292.80	\$1,163.52	\$129.28	N/A

### 4% Increase in Premium

90%/10% Contribution Strategy Table #2

	Total Monthly Cost	Emplr Share Monthly Cost @ 90%	Employee Share Monthly Cost @10%	Employee Monthly Premium Increase over 2010 costs
Single	\$507.17	\$456.45	\$50.72	\$1.94
Emp+1	\$1,049.34	\$944.41	\$104.93	\$3.95
Family	\$1,342.30	\$1,208.07	\$134.23	\$4.95

### County Absorbs 100% of Total Cost Increase

90.4%/9.6% Contribution Strategy

Table #3

	Total Monthly Cost	Emplr Share Monthly Cost @ 90.4%	Employee Share Monthly Cost @9.6%	Employee Monthly Premium Increase over 2010 costs
Single	\$507.17	\$458.39	\$48.78	\$0.00
Emp+1	\$1,049.34	\$948.36	\$100.98	\$0.00
Family	\$1,342.30	\$1,213.02	\$129.28	\$0.00

### Employees Absorb 100% of Total Cost Increase

86.5%/13.5% Contribution Strategy

Table #4

	Total Monthly Cost	Emplr Share Monthly Cost @ 86.5%	Employee Share Monthly Cost 13.5%	Employee Monthly Premium Increase over 2010 costs
Single	\$507.17	\$439.09	\$68.08	\$19.30
Emp+1	\$1,049.34	\$908.94	\$140.40	\$39.42
Family	\$1,342.30	\$1,163.52	\$178.78	\$49.50

**EMPLOYER/EMPLOYEE CONTRIBUTION STRATEGY EFFECTS ON PREMIUM**

**Current Premium**

**Table #1**

	Total Monthly Cost	Emplr Share Monthly Cost @ 90%	Employee Share Monthly Cost @10%	Employee Monthly Premium Increase over 2010 costs
Single	\$487.87	\$439.09	\$48.78	N/A
Emp+1	\$1,009.92	\$908.94	\$100.98	N/A
Family	\$1,292.80	\$1,163.52	\$129.28	N/A

**4% Increase in Premium**

**90%/10% Contribution Strategy Table #2**

	Total Monthly Cost	Emplr Share Monthly Cost @ 90%	Employee Share Monthly Cost @10%	Employee Monthly Premium Increase over 2010 costs
Single	\$507.17	\$456.45	\$50.74	\$1.96
Emp+1	\$1,049.34	\$944.41	\$104.93	\$3.95
Family	\$1,342.30	\$1,208.07	\$134.23	\$4.95

**4% Increase Premium  
 87.5%/12.5% Contribution Strategy**

**Table #3**

	Total Monthly Cost	Emplr Share Monthly Cost @ 87.5%	Employee Share Monthly Cost @12.5%	Employee Monthly Premium Increase over 2010 costs
Single	\$507.17	\$443.77	\$63.40	\$14.62
Emp+1	\$1,049.34	\$918.17	\$131.17	\$30.19
Family	\$1,344.51	\$1,176.45	\$168.06	\$38.78

**4% Increase Premium  
 85%/15% Contribution Strategy**

**Table #4**

	Total Monthly Cost	Emplr Share Monthly Cost @ 85%	Employee Share Monthly Cost 15%	Employee Monthly Premium Increase over 2010 costs
Single	\$507.17	\$431.09	\$76.08	\$27.30
Emp+1	\$1,049.34	\$891.94	\$157.40	\$56.42
Family	\$1,395.99	\$1,186.59	\$209.40	\$80.12