



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™

# Bonita Unified School District Initial Overview and CalPERS Discussion

OCTOBER 25, 2016

# Bonita USD Initial Overview Agenda

- Purpose of the Benefits Committee
- Out of Pocket Expenses / Maximums
- Current State / Demographics
- Current Contributions
- Current / Renewal Medical Costs with CalPERS
- CalPERS Premium Change History
- CalPERS Exit Requirements
- CalPERS Advantages / Disadvantages
- Considerations
- Discussion Regarding Objectives / Expectations
- Next Steps

# Purpose of the Benefits Committee

- The Committee will provide an overview of the purpose of the benefits committee based on the CBA.



# Out of Pocket Expenses

- CalPERS' medical plans have separate out of pocket maximums for medical and prescription drugs.
- The chart below summarizes the out of pocket maximums for the top 4 plans based on 2016 enrollment:

	Kaiser	BS Access +	UHC	PERChoice	
	In-Network Only	In-Network Only	In-Network Only	In-Network	Out-of-Network
<b>Medical OOP</b>					
- Individual	\$1,500	\$1,500	\$1,500	\$3,000	No maximum
- Family	\$3,000	\$3,000	\$3,000	\$6,000	No maximum
<b>Rx OOP</b>					
- Individual	\$5,630	\$5,350	\$5,650	\$5,150	No maximum
- Family	\$11,300	\$10,700	11300	\$10,300	No maximum

# Current State

- The District offers all full-time employees working 20 hours or more per week the medical offerings through CalPERS
- Out of 875 active employees: 590 (67%) are enrolled, 270 (33%) are not enrolled in a CalPERS medical plan
- Dental enrollment is 977, so much higher participation than medical.
- Retirees under and over age 65 are covered under CalPERS. There are currently 173 retirees enrolled in the District's retiree medical plan. 79 (45%) are under age 65; and 94 (55%) are over 65.
- Retirees over age 65 are eligible for the CalPERS minimum contribution toward medical coverage.
- Based on the significant renewal increase to the CalPERS Anthem HMO and Blue Shield Access+ plans, the District is seeing a high number of employees moving in to the United Healthcare HMO plan effective 1/1/2017
- 15 Employees are currently grandfathered under a cash in lieu arrangement

# Demographics

- Average age of medical-eligible employees: 45.2
  - Enrolled: 45.6      - Not enrolled: 44.7
- 72.5% Female; 27.5% Male

## Enrollment by Bargaining Group

Tier	Certificated	Classified	Management	Total
EE	215	160	34	409
EE+1	38	25	3	66
EE+2	83	15	17	115
<b>Grand Total</b>	<b>336</b>	<b>200</b>	<b>54</b>	<b>590</b>

Tier	Certificated	Classified	Management	Total
EE	36%	27%	6%	69%
EE+1	6%	4%	1%	11%
EE+2	14%	3%	3%	19%
<b>Grand Total</b>	<b>57%</b>	<b>34%</b>	<b>9%</b>	<b>100%</b>

# Medical Demographics - Actives

<b>Status</b>	<b>Subscriber Counts</b>	<b>% of Enrollment</b>
Active	590	67.4%
Waivers	270	30.9%
Cash-In-Lieu	15	1.7%
<b>Total Benefit-Eligible</b>	<b>875</b>	<b>100.0%</b>

## **Average Contract Size (ACS)**

Active Subscribers	590
Minimum Members	891
Minimum ACS	1.51



# Medical Demographics - Retirees

## Enrollment by Bargaining Group

Tier	Certificated	Classified	Management	Total
EE	106	30	10	146
EE+1	15	8	4	27
<b>Grand Total</b>	<b>121</b>	<b>38</b>	<b>14</b>	<b>173</b>

Tier	Certificated	Classified	Management	Total
EE	61%	17%	6%	84%
EE+1	9%	5%	2%	16%
<b>Grand Total</b>	<b>70%</b>	<b>22%</b>	<b>8%</b>	<b>100%</b>

# Demographics – Enrollment by Plan

Enrollment by Plan	Actives	Percentage of Enrolled		Percentage of Retirees		Total	Percentage of Total
		Actives	Retirees	Retirees	Total		
BSC Access+	212	36%	25	14%	237	31%	
Kaiser Permanente	207	35%	47	27%	254	33%	
PERS Choice	60	10%	0	0%	60	8%	
UnitedHealthcare	43	7%	23	13%	66	9%	
PERS Select	19	3%	77	45%	96	13%	
BSC NetValue	15	3%	0	0%	15	2%	
PERSCare	15	3%	0	0%	15	2%	
Anthem HMO Select	10	2%	1	1%	11	1%	
Health Net Salud y Más	5	1%	0	0%	5	1%	
Health Net SmartCare	3	1%	0	0%	3	0%	
Anthem HMO Traditional	1	0%	0	0%	1	0%	
<b>Total</b>	<b>590</b>	<b>100%</b>	<b>173</b>	<b>100%</b>	<b>763</b>	<b>100%</b>	

There are 7 retirees who are out of Los Angeles county or out of state so their premium increases were estimated based on the LA county increases.

# Current Contributions

- Active employees receive a flat amount of \$8,000 annually (used for medical, dental, vision & voluntary benefits)
  - If employees are using the entire amount that's \$4,920,000/year
  - If the employee doesn't use the whole amount, the rest is forfeited
- Retirees under age 65 receive a flat amount of \$2,000 annually (\$158,000/year)
- Retirees over age 65 currently receive the CalPERS required minimum contribution of \$125/month (\$128/month in 2017) (\$144,384/year)
- Based on October 2016 enrollment and contribution structure, the most the District will pay in 2017 is \$5,222,384

# Renewal Medical Costs - Actives

## Kaiser Permanente

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	152	543.83	573.89	\$ 30.06	5.5%
Employee + 1	18	1,087.66	1,147.78	\$ 60.12	5.5%
Employee + 2	37	1,413.96	1,492.11	\$ 78.15	5.5%
<b>Totals</b>	<b>207</b>	<b>154,556.56</b>	<b>163,099.39</b>	<b>\$ 8,542.83</b>	<b>5.5%</b>

## BSC Access+

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	128	566.53	675.98	\$ 109.45	19.3%
Employee + 1	28	1,133.06	1,351.96	\$ 218.90	19.3%
Employee + 2	56	1,472.98	1,757.55	\$ 284.57	19.3%
<b>Totals</b>	<b>212</b>	<b>186728.4</b>	<b>222803.12</b>	<b>36074.72</b>	<b>19.3%</b>

## United Healthcare

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	27	492.24	545.71	\$ 53.47	10.9%
Employee + 1	5	984.48	1,091.42	\$ 106.94	10.9%
Employee + 2	11	1,279.82	1,418.85	\$ 139.03	10.9%
<b>Totals</b>	<b>43</b>	<b>32290.9</b>	<b>35798.62</b>	<b>3507.72</b>	<b>10.9%</b>

## BSC NetValue

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	14	576.46	675.98	\$ 99.52	17.3%
Employee + 1	0	1,152.92	1,351.96	\$ 199.04	17.3%
Employee + 2	1	1,498.80	1,757.55	\$ 258.75	17.3%
<b>Totals</b>	<b>15</b>	<b>9569.24</b>	<b>11221.27</b>	<b>1652.03</b>	<b>17.3%</b>

## Anthem HMO Select

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Total Dollar Change	Percentage Change
Employee Only	8	543.47	592.78	\$ 394.48	9.1%
Employee + 1	1	1,086.94	1,185.56	\$ 98.62	9.1%
Employee + 2	1	1,413.02	1,541.23	\$ 128.21	9.1%
<b>Totals</b>	<b>10</b>	<b>6847.72</b>	<b>7469.03</b>	<b>3382.67</b>	<b>9.1%</b>

# Renewal Medical Costs – Actives continued

## Anthem HMO Traditional

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	0	610.64	713.69	\$ 103.05	16.9%
Employee + 1	1	1,221.28	1,427.38	\$ 206.10	16.9%
Employee + 2	0	1,587.66	1,855.59	\$ 267.93	16.9%
<b>Totals</b>	<b>1</b>	<b>1221.28</b>	<b>1427.38</b>	<b>206.1</b>	<b>16.9%</b>

## Health Net Salud y Más

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	4	466.11	414.79	\$ (51.32)	-11.0%
Employee + 1	0	932.22	829.58	\$ (102.64)	-11.0%
Employee + 2	1	1,211.89	1,078.45	\$ (133.44)	-11.0%
<b>Totals</b>	<b>5</b>	<b>3076.33</b>	<b>2737.61</b>	<b>-338.72</b>	<b>-11.0%</b>

## Health Net SmartCare

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	3	585.39	526.73	\$ (58.66)	-10.0%
Employee + 1	0	1,170.78	1,053.46	\$ (117.32)	-10.0%
Employee + 2	0	1,522.01	1,369.50	\$ (152.51)	-10.0%
<b>Totals</b>	<b>3</b>	<b>1,756.17</b>	<b>1,580.19</b>	<b>\$ (175.98)</b>	<b>-10.0%</b>

## PERS Choice

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	46	598.75	637.53	\$ 38.78	6.5%
Employee + 1	8	1,197.50	1,275.06	\$ 77.56	6.5%
Employee + 2	6	1,556.75	1,657.58	\$ 100.83	6.5%
<b>Totals</b>	<b>60</b>	<b>46,463.00</b>	<b>49,472.34</b>	<b>\$ 3,009.34</b>	<b>6.5%</b>

## PERS Select

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	15	547.55	565.33	\$ 17.78	3.2%
Employee + 1	2	1,095.10	1,130.66	\$ 35.56	3.2%
Employee + 2	2	1,423.63	1,469.86	\$ 46.23	3.2%
<b>Totals</b>	<b>19</b>	<b>13,250.71</b>	<b>13,680.99</b>	<b>\$ 430.28</b>	<b>3.2%</b>

## PERSCare

Coverage Type	Subscribers	Current Rates	2017 Renewal Rates	Dollar Change	Percentage Change
Employee Only	12	666.91	715.88	\$ 48.97	7.3%
Employee + 1	3	1,333.82	1,431.76	\$ 97.94	7.3%
Employee + 2	0	1,733.97	1,861.29	\$ 127.32	7.3%
<b>Totals</b>	<b>15</b>	<b>12,004.38</b>	<b>12,885.84</b>	<b>\$ 881.46</b>	<b>7.3%</b>

## Total Active Employees (No Retirees)

Coverage Type	Subscribers	Current Monthly Total	2017 Renewal Total	Dollar Change	Percentage Change
<b>Totals</b>	<b>590</b>	<b>\$ 467,764.69</b>	<b>\$ 522,175.78</b>	<b>\$ 57,172.45</b>	<b>11.6%</b>

# Current Medical Costs - Retirees

Carrier and Product - Rolled Up by Geography	Employee				Employee + 1				Totals			
	Enrolled	2016 Costs	2017 Costs	% Change	Enrolled	2016 Costs	2017 Costs	% Change	Enrolled	2016 Costs	2017 Costs	% Change
<b>Anthem</b>	<b>1</b>	<b>543.47</b>	<b>592.78</b>	<b>9.1%</b>					<b>1</b>	<b>543.47</b>	<b>592.78</b>	<b>9.1%</b>
HMO	1	543.47	592.78						1	543.47	592.78	
<b>Blue Shield</b>	<b>22</b>	<b>12,493.45</b>	<b>14,871.56</b>	<b>19.0%</b>	<b>3</b>	<b>3,419.04</b>	<b>4,055.88</b>	<b>18.6%</b>	<b>25</b>	<b>15,912.49</b>	<b>18,927.44</b>	<b>18.9%</b>
Access+	19	10,764.07	12,843.62		2	2,266.12	2,703.92		21	13,030.19	15,547.54	
NetValue	3	1,729.38	2,027.94		1	1,152.92	1,351.96		4	2,882.30	3,379.90	
<b>Kaiser Permanente</b>	<b>40</b>	<b>15,750.68</b>	<b>16,239.09</b>	<b>3.1%</b>	<b>7</b>	<b>5,147.62</b>	<b>5,300.36</b>		<b>47</b>	<b>20,898.30</b>	<b>21,539.45</b>	<b>3.1%</b>
HMO	11	6,043.35	6,377.39		2	2,175.32	2,295.56		13	8,218.67	8,672.95	
HMO Senior Advantage	27	8,025.21	8,112.96		5	2,972.30	3,004.80		32	10,997.51	11,117.76	
HMO w/SR Adv	2	1,682.12	1,748.74						2	1,682.12	1,748.74	
<b>PERS</b>	<b>64</b>	<b>31,709.97</b>	<b>31,748.39</b>	<b>0.1%</b>	<b>13</b>	<b>11,282.22</b>	<b>11,097.82</b>	<b>-1.6%</b>	<b>77</b>	<b>42,992.19</b>	<b>42,846.20</b>	<b>-0.3%</b>
Care	1	761.50	727.39		1	1,392.98	1,330.58		2	2,154.48	2,057.96	
Care Medicare Supplement	13	5,304.52	5,066.88		2	1,632.16	1,559.04		15	6,936.68	6,625.92	
Choice	12	7,551.74	8,040.85		2	2,395.00	2,550.12		14	9,946.74	10,590.97	
Choice and Medicare Supplement	5	4,910.61	5,043.05						5	4,910.61	5,043.05	
Choice Medicare Supplement	27	9,892.26	9,548.01		8	5,862.08	5,658.08		35	15,754.34	15,206.09	
Select	3	1,642.65	1,695.99						3	1,642.65	1,695.99	
Select and Medicare Supplement	1	913.93	918.96						1	913.93	918.96	
Select Medicare Supplement	2	732.76	707.26						2	732.76	707.26	
<b>UnitedHealthCare Group</b>	<b>19</b>	<b>7,917.86</b>	<b>8,240.12</b>	<b>4.1%</b>	<b>4</b>	<b>2,567.84</b>	<b>2,593.68</b>	<b>1.0%</b>	<b>23</b>	<b>10,485.70</b>	<b>10,833.80</b>	<b>3.3%</b>
Group HMO and Medicare Advantage PPO Health Only	2	1,626.44	1,739.84						2	1,626.44	1,739.84	
Group HMO and Medicare Advantage PPO Health/Dental/Vision	1	813.22	869.92						1	813.22	869.92	
Group Medicare Advantage PPO Health Only	10	3,209.80	3,242.10		4	2,567.84	2,593.68		14	5,777.64	5,835.78	
Group Medicare Advantage PPO Health/Dental/Vision	4	1,283.92	1,296.84						4	1,283.92	1,296.84	
HMO	2	984.48	1,091.42						2	984.48	1,091.42	
<b>Grand Total</b>	<b>146</b>	<b>68,415.43</b>	<b>71,691.94</b>	<b>4.8%</b>	<b>27</b>	<b>22,416.72</b>	<b>23,047.74</b>	<b>2.8%</b>	<b>173</b>	<b>90,832.15</b>	<b>94,739.68</b>	<b>4.3%</b>

There are 7 retirees who are out of Los Angeles county or out of state so their premium increases were estimated based on the LA county increases.

# CalPERS Premium Change History

- Average cost increases under CalPERS

		CalPERS Health Premium Changes 2007-2017										
Plan	Product	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Basic Plans	Overall	11.90%	6.80%	4.80%	3.20%	9.90%	4.60%	9.50%	3.70%			
	HMOs	11.60%	7.40%	6.60%	3.40%	10.60%	5.30%	8.70%	3.80%	3.90%	7.21%	4.14%
	PPOs	12.60%	4.20%	0.00%	3.30%	8.70%	3.00%	14.00%	2.50%	>1%	10.83%	3.76%
	Associations	12.80%	10.80%	5.00%	90.00%	7.20%	2.70%	3.70%	6.00%			2.52%
Medicare Plans	Overall	13.50%	3.00%	0.70%	1.10%	3.40%	0.00%	-10.50%	-2.00%			-1.30%
	HMOs	25.00%	-1.60%	1.60%	0.30%	0.20%	-0.90%	-5.50%	5.80%	5.90%	3.46%	
	PPOs	6.80%	6.70%	0.00%	1.70%	5.60%	0.70%	-14.70%	-8.70%	11.50%	9.22%	
	Associations	0.20%	-2.30%	1.30%	2.50%	4.20%	0.90%	-0.20%	2.20%			2.49%

# Change in Overall Medical Costs

- Based on 2017 renewal increases, the overall annual change in premiums is:
  - Actives \$685,713
  - Retirees \$76,890
- There may be a change in cost to the District due to employees who are not using their full \$8,000 now, and will use more of the \$8,000 in 2017.
- If the District can provide the actual amounts paid to each employee, we can provide actual change in cost to the District.



# CalPERS Exit Requirements

- Resolutions
  - **Is the District under a single or multiple resolution?**
  - **Single Resolution:** All group(s) are on one contract
    - If one group chooses to discontinue health benefits, all groups must discontinue
  - **Multiple Resolutions:** Each employee group uses a separate contract resolution
    - Individual groups have flexibility to make changes without affecting other groups
- If you leave CalPERS, you cannot re-enter for 5 years
- Final CalPERS rates are posted in mid-June, then the District would have 60 days to make a decision (for an effective date of January 1st)
- Union Agreements
  - Certificated agreement states that if CalPERS is terminated, then medical coverage will be replaced by a suitable PPO option
  - Benefits Committee can make recommendations to the bargaining unit, but they have to agree before a change is made

# CalPERS Advantages/Disadvantages

## Advantages

- If participation drops and/or risk increases, it does not impact premiums
- Rated within CalPERS, Bonita's claims experience doesn't matter
- Employees have a choice in carriers based on their family's needs
- No renewal negotiations with medical carrier

## Disadvantages

- Employer has no say in plan designs offered
- No broker/consultant involvement in CalPERS plans
- Retirees benefits can be for life
- CalPERS has a risk pool with higher average risk (retirees)
- District can't make plan design changes to mitigate increases

# Considerations

## Participation

- Carriers will require a certain level of participation, currently 67%, and there will be additional requirements to offer Kaiser alongside another carrier
- If you make the plan mandatory, you just need to make sure the plan offered has minimal essential coverage and is affordable.

## ACA Reporting

- Some of the reporting requirements currently handled by CalPERS could become the responsibility of the District, depending on funding decisions

## Retirees

- From a brief conversation we understand the retirees would have a difficult time transitioning away from the CalPERS plans
- There are other exchanges the District could join with options for both pre- and post 65 retirees

## Enrollment Platform / Process

- How will the District go through open enrollment?

## Funding

- Self-funding non-Kaiser plan

# Discussion- Objectives / Expectations

- What are the biggest concerns under the current state?
- What objectives need to be achieved in order to exit CalPERS?
- What are the financial considerations in and out of CalPERS?
- What is driving employees to waive coverage? What will happen if Bonita exits CalPERS?
- Are the active employees satisfied with CalPERS?
- Are the retirees satisfied with CalPERS?
- What would be the timing for an approval process by the unions/board?
- Cadillac Tax analysis?

# Next Steps

## Timing/ Logistics

- Analyze open enrollment census to understand plan migration and participation for 2017
- Next step in the Gallagher project is to provide cost projections, and an overview of public agency pools, trusts, and JPA's
- The District should allow for 4-5 months for carrier implementations with new medical carriers/ exchanges
- Although the plan year would still be 1/1 – 12/31, open enrollment doesn't have to be September – mid-October

# Disclaimers

The intent of this analysis report is to provide you with general information regarding the status of, and/or potential concerns related to, your current employee benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, nor is it intended to provide, legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

**IMPORTANT:** This proposal report is an outline of the coverages proposed by the carrier(s), based on information provided by your company. It does not include all of the terms, coverages, exclusions, limitations, and conditions of the actual contract language. The policies and contracts themselves must be read for those details. Policy forms for your reference will be made available upon request.

This analysis is for illustrative purposes only, and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information or further details in this regard.

While GBS does not guarantee the financial viability of any health insurance carrier or market, it is an area we recommend that clients closely scrutinize when selecting a health insurance carrier or HMO. There are a number of rating agencies that can be referred to including, A.M. Best, Fitch, Moody's, Standard & Poor's, and Weiss Ratings (TheStreet.com). Generally, agencies that provide ratings of U.S. Health Insurers, including traditional insurance companies and other managed care (e.g., HMO) organizations, reflects their opinion based on a comprehensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. However, these ratings are not a warranty of an insurer's current or future ability to meet its contractual obligations.



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™

# Thank You

**Bruce Caldwell | Area President**  
**Joanna San Diego | Asst. VP**  
**Teri Graf, Senior Client Consultant**  
Gallagher Benefit Services, Inc.  
415.461.8383 Main  
415.925.2077 Fax

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc., a non-investment firm and wholly owned subsidiary of Arthur J. Gallagher & Co., is a licensed insurance agency that does business in California as “Gallagher Benefit Services of California Insurance Services” and in Massachusetts as “Gallagher Benefit Insurance Services.” Securities and Investment Advisory Services may be offered by GBS Retirement Services, Inc. and executed through NFP Securities, Inc., Member FINRA/SIPC. Investment advisory services and corresponding named fiduciary services may also be offered through Gallagher Fiduciary Advisors, LLC, a Registered Investment Adviser. Gallagher Fiduciary Advisors, LLC is a single-member, limited-liability company, with Gallagher Benefit Services, Inc. as its single member. Not all individuals of Gallagher and none of Gallagher Fiduciary Advisors, LLC are registered to offer securities or investment advisory services through NFP Securities, Inc. NFP Securities, Inc. is not affiliated with Arthur J. Gallagher & Co., Gallagher Benefit Services, Inc. or Gallagher Fiduciary Advisors, LLC. Neither Arthur J. Gallagher & Co., NFP Securities, Inc., or their affiliates provide accounting, legal, or tax advice.