COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Employee and Public Services Department

DATE: October 24, 2001

BOARD MEETING DATE: November 6, 2001

TO: Honorable Board of Supervisors

FROM: Mary Welch, EPS Director

Paul Hackleman, Benefits Manager

SUBJECT: Approval of Amendment to Agreement with Kaiser

Recommendation

Approve a resolution waiving the Request for Proposal process and amending an agreement with Kaiser for provision of health plan benefits to County employees, retirees and their dependents effective January 1, 2002 through December 31, 2002.

Background

The Kaiser plan currently covers over 50% of eligible employees and retirees. Since 1997, Kaiser has incorporated into the cost of premiums two factors beyond the control of employers. The first is the recovery program Kaiser initiated in 1999 to offset significant operating losses in 1997 ($262 million) and 1998 ($285 million). The second is the compliance with State mandated retrofitting of all hospitals and facilities for minimizing damage in the event of an earthquake.

Additionally, Kaiser has recently renegotiated contracts with physicians and nurses which represented substantial increases in the cost of delivering care.

Discussion

The increase in the Kaiser premium for the County is 13% percent. By comparison, the

increase for PERS (Public Employees Retirement System) was set at 12% but reduced 3.9% with increased co-payments for office visits and prescription drugs. The County also compares its rates to the Pacific Business Group on Health (PBGH) which is a Bay Area employer coalition. Their rates this year were also increased by 13%.

Kaiser also initiated numerous changes for all employers. For active employees and retirees under age 65, they have:

- Increased the emergency room co-payment from $35 to $50,
- Introduced a $50 ambulance co-payment and 20% co-payments for durable medical equipment and external prosthetics and orthotics.

For retirees over age 65, they have mandated co-payment increases for office visits from $3 to $10, for emergency rooms from $25 to $35 and for prescription drugs from $5 to $10.

Kaiser is being recommended for continuation without a formal request for proposal process because they:

- Offer the lowest cost premium for employer provided health coverage (e.g. no other health plan can compete in terms of low cost to both the employer and employee) and
- Provide a closed-panel network of physicians that, if changed, would cause 100% patient disruption because no new plan would be able to offer coverage through the Kaiser primary and specialist physicians.

Kaiser signed the Benefits Ordinance and indicated they comply with its provisions. They proposed alternate language for the non-discrimination requirement which has been reviewed and approved by the County Manager's Office.

Fiscal Impact

Effective January 1, 2002, the County will be responsible for 90% of the total premium, per negotiated memoranda of understanding. The net County cost increase for 2002 is $1,051,000. The monthly premium for retirees over age 65 will increase from $48.68 to $115.46 with an estimated $254,000 increase in annual County cost.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * * *

RESOLUTION WAIVING THE REQUEST FOR PROPOSAL PROCESS AND AMENDING AN AGREEMENT WITH KAISER FOR PROVISION OF HEALTH PLAN BENEFITS TO COUNTY EMPLOYEES, RETIREES AND THEIR DEPENDENTS EFFECTIVE JANUARY 1, 2002 THROUGH DECEMBER 31, 2002.

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the County has negotiated with its employees to provide Kaiser benefits for employees, retirees and their dependents; and

WHEREAS, the County desires to amend an agreement with Kaiser to provide coverage from January 1, 2002 through December 1, 2002; and

WHEREAS, it is in the best interest of the County and participants in the plan to retain Kaiser coverage because of its low premium and the disruption of physician-patient relations if Kaiser is not retained; and

WHEREAS, this Board has been provided with a summary amendment describing the key changes and cost and said Board has examined and approved same and desires to entire into same:

NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the President of this Board of Supervisors be, and is hereby, authorized and directed to waive the

request for proposal process and execute said amendment with Kaiser for and on behalf of the County of San Mateo, and the Clerk of this Board shall attest the President's signature thereto.

* * * * * *

2002 *Group Agreement* Summary of Changes and Clarifications

The following is a summary of the most important changes and clarifications that we have made to the enclosed 2002 *Group Agreement*, including the *Evidence of Coverage (EOC)* document(s). This summary does not include any changes we may have made at your Group's request. Please refer to the "Dues" section in the *Group Agreement* for your annual changes in dues.

Unless otherwise indicated, the changes will be effective on your Group's renewal anniversary date and apply to each type of coverage you have purchased. Please read the *Group Agreement* for the complete text of these changes, as well as non-substantive changes not listed in the summary below.

Binding Arbitration

The arbitration provision has been revised to acknowledge that binding arbitration applies to both Health Plan and its members.

Certificates of Creditable Coverage

We have added a statement to the *Evidence of Coverage* about the issuance of Certificates of Creditable Coverage. As you know, the Health Insurance Portability and Accountability Act requires employers and health plans to issue "Certificates of Creditable Coverage" to terminated members. We will mail a Certificate to the subscriber when a member terminates. However, if your Group wants to issue the certificates, you may request that we not mail them by signing a separate letter of agreement with us. If you wish to do so, please contact your Health Plan account manager. Unless we receive the letter of agreement signed by your Group, we will issue the Certificates.

COBRA Election Forms

In the *Evidence of Coverage,* we have clarified that members must submit a COBRA election form to Group within the COBRA election period. As always, all membership forms must be approved or provided by Health Plan and submitted to Health Plan with membership reporting.

Conception by Artificial Means

The exclusion for conception by artificial means, in the *Evidence of Coverage,* has been moved from "Infertility Services" in the "Benefits" section to the "Exclusions, Limitations, and Reductions" section.

Contraceptives

Time-released, implantable contraceptives, intrauterine devices (IUDs), and injectable contraceptives will be provided at no charge to all members. Oral contraceptives, cervical caps, and diaphragms will continue to be covered under the supplemental drug benefit, if the *Evidence of Coverage* covers that benefit.

Copayment Changes

Traditional Plan

The following copayment changes may apply to the Traditional Plan *Evidence of Coverage*, please refer to the *EOC* chart below to identify which *Evidence of Coverage* (if any) will change:

- Emergency department visit copayment may be increased to $50 (waived if admitted)
- Emergency ambulance services may require a $50 copayment

- Except during a covered hospital or skilled nursing facility stay, members may pay a 20% copayment for durable medical equipment, including diabetes blood testing equipment (please refer to the "Benefits" section in the *Evidence of Coverage* for the DME items that are covered)
- Members may pay a 20% copayment for external prosthetics and orthotics (please refer to the "Benefits" section in the *Evidence of Coverage* for the P&O items that are covered)
- For provider office visit copayment plans of $10 or less, we are streamlining the copayment options that we offer to: $0, $5, or $10. Copayment plans of $1-4 will be increased to $5 per provider office visit and $6-9 will be increased to $10 per provider office visit

***EOC* chart.** The following Kaiser Permanente Traditional Plan copayments will be effective on your renewal anniversary date (please refer to the "Copayments" section of the *Evidence of Coverage* for all the copayments that are effective at renewal):

Traditional Plan *Evidence of Coverage (EOC)*	**Provider office visit**	**ER visit**	**DME/P&O**	**Ambulance**
EOC #1	$5	$50	20%	$50

Medicare

The following copayment changes may apply to a Medicare *Evidence of Coverage*, please refer to the Medicare-*EOC* chart below to identify which *Evidence of Coverage* will change:

- $200 inpatient copayment per admission (up to $800 per calendar year)
- The outpatient prescription drug copayment may be changed to $10 for generic drugs and $25 for brand name, and we are reducing the calendar year benefit limit to $1,000
- Emergency department visit copayment may be increased to $50 (waived if admitted)
- Emergency ambulance services may require a $50 copayment
- Except during a covered hospital or skilled nursing facility stay, members may pay a 20% copayment for durable medical equipment (including diabetes blood testing equipment)
- Members may pay a 20% copayment for external prosthetics and orthotics
- For provider office visit copayment plans of $10 or less, we are streamlining the copayment options that we offer to: $0, $5, or $10. Copayment plans of $1-4 will be increased to $5 per provider office visit and $6-9 will be increased to $10 per provider office visit

Medicare-*EOC* chart. The following copayments will be effective on your renewal anniversary date (please refer to the "Copayments" section of the *Evidence of Coverage* for all the copayments that are effective at renewal):

Evidence of Coverage (EOC)	Provider office visit	Inpatient	Prescription drugs	ER visit	DME/P&O	Ambulance
Kaiser Permanente Senior Advantage *EOC* #2	$10	$0	$10 up to a 100-day supply	$20	$0	$0
Kaiser Permanente Medicare Cost *EOC* #11	$10	$0	$10 up to a 100-day supply	$35	$0	$0
Medicare Out-of-Area plan *EOC* #14	$10	$0	$10 up to a 100-day supply	$35	$0	$0

Note: No action is necessary if your Group is satisfied with all the copayments listed above. If your Group wants to change any of the copayments listed, please contact your Health Plan account manager immediately to discuss.

Billing for copayments

Copayments are due when we provide the service or supply to a member. However, at our discretion, we may agree to bill a member for the copayment if he or she is unable to pay when he or she receives the service or supply (members are no longer entitled to a billing service). There still is a charge for this billing service.

Hospice

Hospice coverage has been revised to comply with new state law (AB 892) as described in the "Benefits" section of the *Evidence of Coverage.*

Member Complaint and Grievance Procedures

In the *Evidence of Coverage,* we have revised the "Member complaint and grievance procedures" in the "Dispute Resolution" section to clarify the dispute resolution process.

Notices

In the *Group Agreement*, we have clarified that advance renewal information may be obtained from Group's Health Plan account manager and we may send the information to Group's third party representative, instead of Group, if Group has a representative.

Out-of-Plan Emergencies

In the "Benefits" section of the *Evidence of Coverage,* you will find that we have improved our benefit description and added the prudent layperson standard to the Traditional Plan description.

Renewability

In the *Group Agreement*, we have clarified that we usually renew a contract by sending group a new *Agreement.* Although we have the option to renew a contract without sending a new Agreement and renew pursuant to the "Amendment of Agreement" section for amendments effective on Group's anniversary date, this option is not commonly used.

Reporting Membership Changes

In the *Group Agreement*, we have clarified that the time limits for retroactive changes are discussed in the "Purchaser Handbook."

Senior Advantage and Medicare Cost Clinical Trials

For Kaiser Permanente Senior Advantage and Medicare Cost members, we have added a new benefit for Clinical Trials in accord with Medicare guidelines. Please refer to the "Benefits" and "Copayments" section of the *Evidence of Coverage* for benefit details, including the different copayments that apply for qualified clinical trials obtained from non-Plan Providers.

Service Area

Please refer to the "Definitions" section in the applicable *Evidence of Coverage* for the revised Service Area definition. Also, Kaiser Permanente Senior Advantage Group members do not have to complete a new Election Form if they move within our Service Area. Previously, group members had to complete a new Election Form if they moved between the four Medicare+Choice plan areas in the Northern California Service Area.

Table of Contents and Footers

In response to purchaser feedback and in our effort to continually improve our *Group Agreement*, we have added a Table of Contents to the *Group Agreement* to help you navigate the document better. We have also revised the footers of the *Group Agreement* and *Evidence of Coverage* to improve readability and navigation.

Terminology Changes

- The benefit previously known as "Alcohol or Drug Dependency Treatment" is now called "Chemical Dependency"
- The Health Care Financing Administration (HCFA) has changed its name to The Centers for Medicare & Medicaid Services (CMS)
- The definition of "Non-Member Rates" has been clarified to state that, for members, the provider's schedule of charges includes the amount charged to members, if it is different from the amount charged to the general public

Transplants

Coverage is provided in accord with our criteria for donor services, which is available from our Member Service Call Center (please refer to the *Evidence of Coverage* in the "Benefits" section).

Vision

We now cover up to two contact lenses per eye every 12 months when prescribed by a Plan Physician or Plan Optometrist to treat aniridia (missing iris). If an *Evidence of Coverage* covers eyeglasses, the "Vision" exclusions list has been revised and we will provide up to five aphakic contact replacement lenses per eye for children under age 10 (aphakia is the absence of the crystalline lens of the eye).

Enrollment Unit Chart

The chart below lists the products that your Group has purchased. It also describes how these products (called *contract options*) are organized into administrative groupings (*enrollment units*) for the purposes of enrollment and billing. Please keep this document handy for future reference as the information it contains may be helpful when you call us to discuss coverage or monthly membership reporting.

Contract option: A unique *contract option* name and number exists for each coverage option (product including benefits and eligibility) that you offer to your members. For example, if you offer the same benefits to all of your members, but have different eligibility rules for different segments of your membership, you will have a separate *contract option* for each coverage option. You will find an *Evidence of Coverage (EOC)* incorporated into the enclosed *Group Agreement* (as described in the "Introduction" section of the *Group Agreement*) if the *contract option* is a Kaiser Foundation Health Plan, Inc., product. Note: *Contract option* ID is the same number as *EOC* number.

Enrollment unit: An *enrollment unit* represents a grouping of *contract options* based on product offerings and billing requirements. If there are *contract options* only available to a specific segment of your member population, then there will be a distinct *enrollment unit* for that segment. If your membership population is billed separately, there will be a separate *enrollment unit* for each segment (or billing unit).

Contract name:	SAN MATEO COUNTY - ACTIVE
Purchaser ID:	7056
Contract #:	1
Version ID:	21

The following are the *enrollment units* associated with this contract #1:

Enrollment unit number: 0 **Name:** SAN MATEO COUNTY - ACTIVES
Billing contact: ATTN: FILOMENA VIVEIROS

Contract option ID/EOC #	**Product/contract option names**
1	KAISER PERMANENTE TRADITIONAL PLAN / KAISER PERMANENTE TRADITIONAL PLAN
2	KAISER PERMANENTE SENIOR ADVANTAGE / KAISER PERMANENTE SENIOR ADVANTAGE
3	KAISER PERMANENTE SENIOR ADVANTAGE (MSP) / WORKING AGED RISK
11	KAISER PERMANENTE MEDICARE COST / KAISER PERMANENTE MEDICARE COST
14	MEDICARE OUT-OF-AREA PLAN / MED OOA NCR

Enrollment unit number: 7000 **Name:** SAN MATEO COUNTY - COBRA **Billing contact:** FILOMENA VIVEIROS	
Contract option ID/EOC #	**Product/contract option names**
1	KAISER PERMANENTE TRADITIONAL PLAN / KAISER PERMANENTE TRADITIONAL PLAN
2	KAISER PERMANENTE SENIOR ADVANTAGE / KAISER PERMANENTE SENIOR ADVANTAGE
3	KAISER PERMANENTE SENIOR ADVANTAGE (MSP) / WORKING AGED RISK
11	KAISER PERMANENTE MEDICARE COST / KAISER PERMANENTE MEDICARE COST
14	MEDICARE OUT-OF-AREA PLAN / MED OOA NCR

Enrollment Unit Chart

The chart below lists the products that your Group has purchased. It also describes how these products (called *contract options*) are organized into administrative groupings (*enrollment units*) for the purposes of enrollment and billing. Please keep this document handy for future reference as the information it contains may be helpful when you call us to discuss coverage or monthly membership reporting.

Contract option: A unique *contract option* name and number exists for each coverage option (product including benefits and eligibility) that you offer to your members. For example, if you offer the same benefits to all of your members, but have different eligibility rules for different segments of your membership, you will have a separate *contract option* for each coverage option. You will find an *Evidence of Coverage (EOC)* incorporated into the enclosed *Group Agreement* (as described in the "Introduction" section of the *Group Agreement*) if the *contract option* is a Kaiser Foundation Health Plan, Inc., product. Note: *Contract option* ID is the same number as *EOC* number.

Enrollment unit: An *enrollment unit* represents a grouping of *contract options* based on product offerings and billing requirements. If there are *contract options* only available to a specific segment of your member population, then there will be a distinct *enrollment unit* for that segment. If your membership population is billed separately, there will be a separate *enrollment unit* for each segment (or billing unit).

Contract name:	SAN MATEO COUNTY - RETIREES
Purchaser ID:	7056
Contract #:	2
Version ID:	24

The following are the *enrollment units* associated with this contract #2:

Enrollment unit number: 5 **Name:** SAN MATEO COUNTY - RETIREES
Billing contact: MAILSTOP EPS 133

Contract option ID/EOC #	Product/contract option names
4	KAISER PERMANENTE MEDICARE COST / KAISER PERMANENTE MEDICARE COST
8	KAISER PERMANENTE TRADITIONAL PLAN / KAISER PERMANENTE TRADITIONAL PLAN
9	MEDICARE OUT-OF-AREA PLAN / MEDICARE OUT-OF-AREA PLAN NCR
10	KAISER PERMANENTE SENIOR ADVANTAGE / KAISER PERMANENTE SENIOR ADVANTAGE
13	KAISER PERMANENTE SENIOR ADVANTAGE (MSP) / WORKING AGED RISK

Agreement Signature Page

Acceptance of *Agreement*

Group acknowledges acceptance of this *Agreement* by signing the Signature Page and returning it to Health Plan. If Group does not return it to Health Plan, Group will be deemed as having accepted this *Agreement* if Group pays Health Plan any amount toward Dues.

Group may **not** change this *Agreement* by adding or deleting words, and any such addition or deletion is void. If Group wishes to change anything in this *Agreement*, Group must contact its Health Plan account manager. Health Plan will issue a new *Agreement* or amendment if Health Plan and Group agree on any changes.

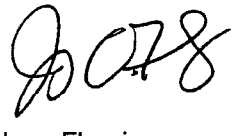
Binding Arbitration

Except for Small Claims Court cases and claims subject to a Medicare appeals procedure as applicable to Kaiser Permanente Senior Advantage and Medicare Cost Members, any dispute between Members, their heirs, or associated parties on the one hand and Health Plan, its health care providers, or other associated parties on the other hand, for alleged violation of any duty arising out of or related to this *Agreement*, including any claim for medical or hospital malpractice, for premises liability, or relating to the coverage for, or delivery of, services or items pursuant to this *Agreement*, irrespective of legal theory, must be decided by binding arbitration and not by lawsuit or resort to court process, except as applicable law provides for judicial review of arbitration proceedings. I understand that Members enrolled under this *Agreement* thus give up their right to a court or jury trial, and instead accept the use of binding arbitration as specified in the applicable *Evidence of Coverage*.

Note: The parties have caused this *Agreement* to be executed by their duly authorized officers.

PAUL HACKLEMAN, BENEFITS MGR
SAN MATEO COUNTY
455 COUNTY CTR
REDWOOD CITY, CA 94063-1663

Kaiser Foundation Health Plan, Inc.
California Division—Northern California Area
1950 Franklin Street
Oakland, California 94612



Authorized Group officer signature

Jerry Fleming
Authorized officer
Senior Vice President and Health Plan Manager

Please print your name and title

Executed in Oakland, California
to take effect on 1/1/02
Date: 9/28/01

Date signed

Please sign and mail us this copy of the Signature Page in the enclosed envelope to our California Service Center at PO Box 23448, San Diego, CA 92193-9920.

KAISER PERMANENTE

To: Paul Hackleman
Benefits Manager
San Mateo County

From: Jane Fronk
Major Accounts Manager
Kaiser Permanente

Date: October 24, 2001

Re: Equal Benefits and Non-Discrimination Language – County of San Mateo

As we discussed this evening, here are the final changes to the Non-Discrimination Language that will be submitted to the San Mateo County Board of Supervisors for approval with the 2002 Kaiser Permanente Group Agreement.

I understand that this language may need to be revamped in the early part of next year. At that time we will ask our respective Counsels to undertake that task directly to come to resolution that works for both organizations.

In the meantime, please let me know if there is anything else needed to finalize this process.

Equal Benefits and Non-Discrimination Compliance Language

Non-Discrimination No person shall be excluded from participation in, denied benefits of, or be subject to discrimination under this Agreement on the basis of his or her race, color, religion, national origin, age, sex, sexual orientation, marital status, pregnancy, childbirth or related conditions, medical condition, mental or physical disability or veteran's status. Contractor shall ensure full compliance with federal, state and local laws, directives and executive orders regarding non-discrimination for all employees under this Agreement.

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement, and may be grounds for termination of the Agreement upon written notice.

Equal Benefits With respect to the provision of employee benefits, Contractor shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.

COUNTY OF SAN MATEO

Equal Benefits Compliance Declaration Form

I Vendor Identification

Name of Contractor: Kaiser Foundation Health Plan, Inc.

Contact Person: Jane Frank, Account Manager

Address: 1800 Harrison, Floor 8

Oakland, CA 94612

Phone Number: (510)873-5469 Fax Number: _____

II Employees

Does the Contractor have any employees? X Yes ___ No

Does the Contractor provide benefits to spouses of employees? X Yes ___ No

If the answer to one or both of the above is no, please skip to Section IV.

III Equal Benefits Compliance (Check one)

- [X] Yes, the Contractor complies by offering equal benefits, as defined by Chapter 2.93, to its employees with spouses and its employees with domestic partners.
- [ ] Yes, the Contractor complies by offering a cash equivalent payment to eligible employees in lieu of equal benefits.
- [ ] No, the Contractor does not comply.
- [ ] The Contractor is under a collective bargaining agreement which began on _____ (date) and expires on _____ (date).

IV Declaration

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am authorized to bind this entity contractually.

Executed this 1 day of Sept, 2001 at Oakland (City), CA (State).

Ellen Canter
Signature

Ellen Canter
Name (Please Print)

Vice President
Benefits & Human Resources
Title Administration

EIN 94-1340523
Contractor Tax Identification Number