



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**  
Human Resources Department



**DATE:** November 28, 2011  
**BOARD MEETING DATE:** December 13, 2011  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

**FROM:** Donna Vaillancourt, Human Resources Director  
Peter Bassett, Benefits Manager

**SUBJECT:** Renewal of Agreements with Health Insurance Companies

**RECOMMENDATION:**

Adopt a Resolution:

- 1) Waiving the Request for Proposal process and authorizing the Human Resources Director to execute renewal agreements with Kaiser, Blue Shield, and Secure Horizons for the provision of health coverage for County employees, retirees and their dependents for the period from January 1, 2012 to December 31, 2012 with the aggregate amount not to exceed \$91 million; and
- 2) Authorizing the Director of the Human Resources Department or her designee to execute subsequent amendments and minor modifications in an amount not to exceed \$25,000

**BACKGROUND:**

Approximately 4,748 out of 5,309 active County employees (or 89.4%) participate in one of the County's medical plans. A total of 53% of employees are with Kaiser and 47% are with Blue Shield. Approximately 2,120 out of 4,175 County retirees (or 51%) participate in one of the County's retiree medical plans. Approximately 46% of retirees on a County health plan are with Kaiser, 45% with Blue Shield, and 4% with Secure Horizons.

Each year, the County aggressively negotiates health plan renewals in an effort to control increasing benefit costs to the County. The cost of healthcare continues to increase dramatically. Benefit costs have generally increased between 10% and 15% for both HMOs and PPOs in Northern California. Factors fueling increased costs include: increased use of new medical technologies, higher prescription drug costs, pressure on health insurance plans and the private sector to absorb higher costs as funding for public programs like Medicare and Medicaid decreases, and increased utilization due to the economic environment.

**DISCUSSION:**

Agreements with Kaiser, Blue Shield and Secure Horizons will be forthcoming prior to

January 1, 2012, and will be reviewed by the County's benefits consultant and the County Counsel's office at that time. Authorization for the Human Resources Director to execute such renewal agreements upon approval by the consultant and the County Counsel's office is being recommended in order to insure timely benefit renewals. Waiver of the RFP process is in the best interests of the County because no new health plan options have arisen which would represent less cost and less disruption of patient-physician relationships. The County is planning on conducting an RFP for medical plans in 2012.

The County's 2012 premium rates for Kaiser, Blue Shield HMO, and Blue Shield POS represent an average increase of 9% as compared to prior year. However, although overall rates increased, the increase of the County's cost share for 2012 is projected to be less than \$500,000, due to savings resulting from a reduction of employee enrollment, increased employee cost share of premiums, and increased copays. The County continues to work with each health plan on specific initiatives to help improve employee health. In 2012, the County will continue to offer employees an enhanced wellness program in partnership with the health plans which will include incentives for participation in health screenings and health risk assessments.

The contractors have assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits.

County Counsel has reviewed and approved the Resolution as to form.

Approval of these Agreements contributes to Shared Vision 2025 of a Healthy Community by providing cost-effective health benefits to County employees, retirees and their dependents.

**Performance Measure(s):**

Measure	2009	2010	2011	2012 projected
Average annual County contribution to an active employee's health premium	\$11,100	\$11,800	\$12,600	\$12,939

**FISCAL IMPACT:**

Total active and retiree premium cost for 2012 (including County and employee funding) is approximately \$91 million. The County's current year cost for health insurance for active employees is approximately \$61.2 million. Although overall rates increased by 9%, the increase of the County's cost share for 2012 is projected to be less than \$500,000. This is largely due to savings resulting from a reduction of employee enrollment, increased employee cost share of premiums, and increased copays.

The total cost increase for health insurance for retirees in 2012 is an estimated \$1.1 million. This increase is primarily borne by retirees as County contributions toward retiree health (for most retirees) are capped at fixed amounts specified in the Memoranda of Understanding and Board Resolutions. County costs for both active and retiree health have already been included in the FY2011-12 budget.



**RESOLUTION NO. \_\_\_\_\_**

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

\* \* \* \* \*

**RESOLUTION 1) WAIVING THE REQUEST FOR PROPOSAL PROCESS AND AUTHORIZING THE HUMAN RESOURCES DIRECTOR TO EXECUTE RENEWAL AGREEMENTS WITH KAISER, BLUE SHIELD, AND SECURE HORIZONS FOR THE PROVISION OF HEALTH COVERAGE FOR COUNTY EMPLOYEES, RETIREES AND THEIR DEPENDENTS FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012 WITH THE AGGREGATE AMOUNT NOT TO EXCEED \$91 MILLION; AND 2) AUTHORIZING THE DIRECTOR OF THE HUMAN RESOURCES DEPARTMENT OR HER DESIGNEE TO EXECUTE SUBSEQUENT AMENDMENTS AND MINOR MODIFICATIONS IN AN AMOUNT NOT TO EXCEED \$25,000**

---

**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, Blue Shield, and Secure Horizons benefits for employees, retirees and their dependents; and;

**WHEREAS**, the County's current agreements with Kaiser, Blue Shield, and Secure Horizons to provide health care coverage expire on December 31, 2011; and

**WHEREAS**, the financial terms of renewal agreements with Kaiser, Blue Shield, and Secure Horizons to provide health care coverage from January 1, 2012 through December 31, 2012, have been negotiated and the County is currently awaiting receipt of the subject renewal agreements;

**WHEREAS**, it is in the County's best interests to waive the Request for Proposal Process because no new health plan options have arisen which would

represent less cost and less disruption of patient-physician relationships;

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED** that the Board of Supervisors hereby waives the Request for Proposal process;

**BE IT FURTHER RESOLVED** that the Board of Supervisors hereby authorizes the Human Resources Director to execute renewal agreements with Kaiser, Blue Shield, and Secure Horizons for the provision of health coverage for County employees, retirees and their dependents for the period from January 1, 2012 to December 31, 2012 with the aggregate amount not to exceed \$91 million; a

**BE IT FURTHER RESOLVED** that the Board of Supervisors hereby authorizes the Director of the Human Resources Department or her designee to execute subsequent amendments and minor modifications in an amount not to exceed \$25,000.

\* \* \* \* \*