

**Metro**

Metropolitan Transportation Authority

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metro.net**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 19, 2012****SUBJECT: GROUP INSURANCE PLANS****ACTION: RENEW GROUP INSURANCE POLICIES****RECOMMENDATION**

Authorize the Chief Executive Officer to renew group insurance policies covering Non-Contract, AFSCME, and Expo employees for the one-year period beginning January 1, 2013.

RATIONALE

A comprehensive package of health resources provides existing employees a foundation to maintain or improve health, and helps to attract and retain qualified employees.

LACMTA, including the Public Transportation Services Corporation ("PTSC"), seeks to offer benefit plans that promote efficient use of health resources, are cost effective for the company and our employees, and are competitive with other local public agencies.

In 2013 we will continue implementation of several changes mandated by health care reform law including reporting of medical coverage premiums on Form W-2 for 2012 and capping the employee contribution to the health Flexible Spending Account at \$2,500.

Additionally, per California Law ("SB946"), all health care plans that provide medical, hospital, or surgical coverage are required to additionally provide coverage for behavioral health treatment for pervasive developmental disorder, or autism, no later than July 1, 2012.

BACKGROUND

The Non-Contract Group Insurance Plan, a flexible benefits program, was implemented in August 1994. Roughly 95% of the employees covered by the benefit plans are PTSC employees. Expo employees are also covered by our plans, providing a cost-effective means of offering benefits to this small group. On an annual basis, employees may choose the medical, dental, vision, and supplemental life, long-term disability, and accidental death and dismemberment plans that meet their needs. Alternatively, employees may opt to waive medical and/or dental coverage and receive a taxable cash benefit, provided proof of other coverage is submitted.

Premiums proposed by the carriers are generally updated annually based on loss experience and current market conditions. Mercer, our benefits consultant, negotiated the renewal premiums for 2013. The final amounts include the negotiated reductions of \$889,000 from the initial premium quotes. The overall premium increase for the plan year is 4.96%.

The recommended medical and dental premiums are shown on Attachment A. Attachment B provides a listing of individual employee contributions dependent on plan choice.

Health care benefits for employees represented by the UTU, ATU, and TCU unions are determined by the respective Health and Welfare Trust funds ("Trusts"). LACMTA's monthly contributions to the Trusts are established through contract negotiations approved by the Board.

As indicated below, the average monthly employer subsidy is \$1,322 for Non Contract and AFSCME employees medical/dental/vision plans. LACMTA subsidies are scheduled to increase 28.1% to \$1,482 as of March 1, 2013 for ATU and 3.5% to \$1,047 as of July 1, 2013 for UTU. Also, the rates shown do not reflect lump sum deposits to UTU and ATU Trusts. TCU rates are still subject to bargaining.

	NC/AFSCME*	UTU**	ATU	TCU***
Employee Contribution	\$ 145	\$ 100	\$ 80	\$ 60
LACMTA Subsidy	\$ 1,322	\$ 1,012	\$ 1,157	\$ 1,069
Employee Contribution as a % of Subsidy	11.0%	9.9%	6.9%	5.6%

* Represents the average employee/agency contributions to Medical/Dental/Vision insurance. Actual contributions are determined by employee's individual choice of plan coverage. **UTU employee contributions will increase from \$50 to \$100 effective January 1, 2013. ***TCU contribution rates are \$40 - Single/\$60 - Family

Further, NC/AFSCME employee contributions are significantly higher than the amounts union employees are currently required to pay. At 10% of the actual premium for the medical and dental plans they select, the amount is higher both in actual dollars and percentage of total agency subsidies.

Expo employees pay a maximum \$50 per month for medical, dental and vision coverage as established by the Expo Board.

FINANCIAL IMPACT

Funding for the Non-Contract and AFSCME group insurance plans is included in each department's FY13 budget and on the balance sheet for accrued retiree medical liabilities. Based on the current employee participation by plan, costs are expected to be within the adopted budget. Costs for Expo employees are included in Expo's budget.

Impact to Bus and Rail Operating and Capital Budget

The source of funds for Non-Contract and AFSCME benefits is a combination of bus and rail operating and capital funds and non bus and rail operating and capital funds depending upon the combination of employees working on those programs.

ALTERNATIVES CONSIDERED

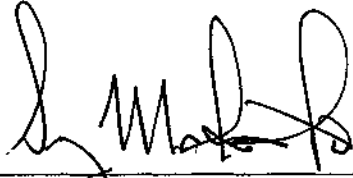
We considered plan design changes such as increasing out-of-pocket maximums, increasing the co-pay for office visits and prescriptions and/or raising annual deductibles. However, Plan changes would result in forfeiting the grandfathered status of the medical plans under health care reform, thereby triggering a substantial increase in reporting and disclosure requirements. Therefore, reducing plan benefit levels is not recommended.

We could self-fund and/or self-administer health benefits. This alternative is not recommended because of the resources required to establish the medical expertise and operational infrastructure necessary to review and process claims, as well as the fiduciary liability that would be assumed.

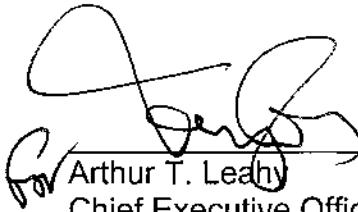
ATTACHMENTS

- A. Monthly Premium Rates
- B. Monthly Employee Contributions

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Chief Executive Officer

ATTACHMENT A

Proposed Monthly Premium Rates

Provider	Coverage Option	CY 2012	CY 2013	%Change	Est # of Employees (1/1/13)
Blue Cross (PPO)	Single	\$827.66	\$905.42	9.4%	190
	Couple	\$1,666.06	\$1,822.59	9.4%	203
	Family	\$2,234.66	\$2,444.61	9.4%	257
Blue Cross (HMO)	Single	\$604.10	\$646.36	7.0%	71
	Couple	\$1,269.59	\$1,357.34	7.0%	74
	Family	\$1,812.15	\$1,938.94	7.0%	155
Kaiser (HMO)	Single	\$550.30	\$554.38	0.7%	162
	Couple	\$1,100.59	\$1,108.77	0.7%	182
	Family	\$1,557.34	\$1,568.91	0.7%	312
Delta Dental (PPO)	Single	\$59.87	\$57.20	-4.5%	314
	Couple	\$104.06	\$99.41	-4.5%	379
	Family	\$156.34	\$149.37	-4.5%	549
Deltacare (DHMO)	Single	\$18.69	\$19.62	5.0%	60
	Couple	\$33.94	\$35.64	5.0%	47
	Family	\$50.23	\$52.74	5.0%	107
Dental Health Services (DHMO)	Single	\$16.82	\$16.82	0.0%	48
	Couple	\$32.60	\$32.60	0.0%	55
	Family	\$49.15	\$49.15	0.0%	95
Vision Service Plan	Single	\$9.73	\$9.73	0.0%	261
	Couple	\$14.07	\$14.07	0.0%	277
	Family	\$25.20	\$25.20	0.0%	412
Voluntary Waiver of Coverage:*					
Medical		\$186.00	\$196.00	5.4%	117
Dental		\$27.00	\$28.00	5.4%	69

* Waiver of Medical coverage requires proof of alternative coverage.

ATTACHMENT B

Proposed Monthly Employee Contributions

Provider	Coverage Option	NC & AFSCME Employee Contribution (Current)	NC & AFSCME Employee Contribution (Proposed) Effective 1/1/13	Change
Blue Cross (PPO)	Single	\$83.00	\$91.00	\$8.00
	Couple	\$167.00	\$182.00	\$15.00
	Family	\$223.00	\$244.00	\$21.00
Blue Cross (HMO)	Single	\$60.00	\$65.00	\$5.00
	Couple	\$127.00	\$136.00	\$9.00
	Family	\$181.00	\$194.00	\$13.00
Kaiser (HMO)	Single	\$55.00	\$55.00	\$0.00
	Couple	\$110.00	\$111.00	\$1.00
	Family	\$156.00	\$157.00	\$1.00
Delta Dental (PPO)	Single	\$6.00	\$6.00	\$0.00
	Couple	\$10.00	\$10.00	\$0.00
	Family	\$16.00	\$15.00	-\$1.00
Deltacare (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$4.00	\$1.00
	Family	\$5.00	\$5.00	\$0.00
Dental Health Services (DHMO)	Single	\$2.00	\$2.00	\$0.00
	Couple	\$3.00	\$3.00	\$0.00
	Family	\$5.00	\$5.00	\$0.00
Vision Service Plan	Single	\$1.00	\$1.00	\$0.00
	Couple	\$1.00	\$1.00	\$0.00
	Family	\$3.00	\$3.00	\$0.00

Non-Contract and AFSCME Employees contribute 10% (rounded to the nearest whole dollar) towards their individually selected plan's medical and dental premiums