

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Board Members

C. April Boling  
Chairman

Greg Cox  
Jim Desmond  
Robert H. Gleason  
Jim Janney  
Mark Kersey  
Paul Robinson  
Michael Schumacher  
Mary Sessom

## **SPECIAL EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING and SPECIAL BOARD MEETING \***

### **AGENDA**

Monday, August 28, 2017  
9:30 A.M. or immediately following the  
Executive and Finance Committee Meeting

San Diego International Airport  
SDCRAA Administration Building -- Third Floor  
Board Room  
3225 N. Harbor Drive  
San Diego, CA 92101

## Ex-Officio Board Members

Laurie Berman  
Eraina Ortega  
Col. Jason Woodworth

## President / CEO

Kimberly J. Becker

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. If comments are made to the Committee without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law. ***Please note that agenda items may be taken out of order.***

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate & Information Governance and are available for public inspection.

**\*NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board to (1) foster communication among Board members in compliance with the Brown Act; and (2) preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

## **CALL TO ORDER**

## **PLEDGE OF ALLEGIANCE**

## **ROLL CALL**

Committee Members: Boling, Cox, Desmond (Chair), Kersey, Schumacher

## **NON-AGENDA PUBLIC COMMENT**

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

**Note:** Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

## **NEW BUSINESS**

1. **APPROVAL OF MINUTES:**  
RECOMMENDATION: Approve the minutes of the May 11, 2017 regular meeting.
2. **RENEWAL OF THE HEALTH AND WELFARE BENEFITS PROGRAM FOR 2018:**  
RECOMMENDATION: Forward this item to the Board with a recommendation for approval.  
Presented by: Kurt Gering, Director, Talent, Culture & Capability; and Jesus Mendoza, Vice President, Willis Towers Watson

## **CLOSED SESSION**

3. **CONFERENCE WITH LABOR NEGOTIATOR:**  
Labor negotiations pursuant to Cal. Gov. Code §54957.6  
Authority Designated Negotiators: Kimberly Becker, President/CEO and Kurt Gering, Director Talent, Culture & Capability  
Employee Organization: Teamsters 911
4. **PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**  
Cal. Gov. Code §54957  
Title: President/Chief Executive Officer

## **REPORT ON CLOSED SESSION**

## **COMMITTEE MEMBER COMMENTS**

## **ADJOURNMENT**

**Policy for Public Participation in Board, Airport Land Use Commission (ALUC),  
and Committee Meetings (Public Comment)**

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

**Additional Meeting Information**

**NOTE:** This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at [www.san.org](http://www.san.org).

**For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third floor receptionist for validation.**

**You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.**

**UPCOMING MEETING SCHEDULE**

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
September 14	Thursday	9:00 a.m.	Regular	Board Room

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING**  
**MINUTES**  
**THURSDAY, MAY 11, 2017**  
**TUSKEGEE CONFERENCE ROOM**

**CALL TO ORDER:** Chair Desmond called the Executive Personnel and Compensation Committee meeting to order at 10:00 a.m. on Thursday, May 11, 2017, in the Tuskegee Conference Room at the San Diego International Airport, SDCRAA Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

**ROLL CALL:**

PRESENT: Committee Members: Desmond, Kersey, Schumacher

ABSENT: Committee Members: Boling, Cox

ALSO PRESENT: Kimberly J. Becker, President/CEO; Tony R. Russell, Director, Corporate & Information Governance/Authority Clerk; Martha Morales, Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None.

**NEW BUSINESS**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the Minutes of the April 13, 2017 regular meeting.

**ACTION: Moved by Board Member Schumacher and seconded by Board Member Kersey to approve staff's recommendation. Motion carried unanimously, noting Board Members Boling and Cox as ABSENT.**

**CLOSED SESSION:** The Committee recessed into Closed Session at 10:06 a.m. to discuss Items 2, 3 and 4.

**2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

Cal. Gov. Code §54957  
Title: President/Chief Executive Officer

**3. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

Cal. Gov. Code §54957  
Title: General Counsel

**4. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**  
Cal. Gov. Code §54957  
Title: Chief Auditor

**REPORT ON CLOSED SESSION:** The Committee adjourned out of Closed Session at 11:35 a.m., there was no reportable action.

**COMMITTEE MEMBER COMMENTS:** None.

**ADJOURNMENT:** The meeting was adjourned at 11:35 a.m.

APPROVED BY A MOTION OF THE EXECUTIVE PERSONNEL AND  
COMPENSATION COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL  
AIRPORT AUTHORITY THIS 28<sup>th</sup> DAY OF AUGUST, 2017.

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KURT GERING  
DIRECTOR,  
TALENT, CULTURE AND  
CAPABILITY

ATTEST:

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TONY R. RUSSELL,  
DIRECTOR, CORPORATE &  
INFORMATION GOVERNANCE /  
AUTHORITY CLERK

## **STAFF REPORT**

Meeting Date: **AUGUST 28, 2017**

### **Subject:**

**Renewal of the Health and Welfare Benefits Program for 2018**

### **Recommendation:**

Forward this item to the Board with a recommendation for approval.

### **Background/Justification:**

The San Diego County Regional Airport Authority (“Authority”) provides a comprehensive health and welfare benefit program designed to attract and retain the talent necessary to successfully execute business strategy and to meet its obligations to eligible First Generation retirees. For 2018, staff is recommending a renewal of our current program that results in a 5.67% (\$259,050) increase in employer benefits cost compared to the current 2017 calendar year expense and an estimated 3.5% (\$174,915) cost savings based on budgeted expense for calendar year 2018.

The health and welfare benefit program ensures both employee and retiree participants have access to high quality care. For employees, the program supports the organization’s position as an Employer of Choice in the San Diego labor market. An Employer of Choice is an organization with high employee engagement and pride in the organization. The business value of remaining an Employer of Choice is a stable, highly productive workforce and an avoidance of the costs associated with employee turnover.

With the expertise and guidance of Willis Towers Watson (“Willis”), the Authority’s benefits broker, two groups were assembled to review and assess options for this year’s renewals. The Employee Benefits Task Force (“EBTF”), comprised of twelve members representing a diverse cross section of staff, focused their attention on active employee benefit options, including review of plan cost drivers (e.g. experience and claims), mandatory plan changes, and benchmarking. They also reviewed enrollment credits alternatives, including enhancements to the current STD plan, leave options, and a critical illness plan. The second group was our Alumni Communication Team (“ACT”), comprised of seven members including five retirees and two retirement eligible employees. The ACT focused its attention on the Medicare eligible retiree benefit options. The proposed renewal recommendation was unanimously supported by both EBTF and ACT.

Last year, after 14 years with Anthem Blue Cross, the Authority switched carriers to Blue Shield for the active employees and switched to a Medicare coordinated plan with UnitedhealthCare for the Medicare eligible retirees. This year the medical plans for active employees were not marketed because 1) both the Preferred Provider Organization (“PPO”) and the High Deductible Health Plan (“HDHP”) were performing worse than expected with a high loss claims ratio for 2017; 2) there are several ongoing

large claims; and 3) the plans have been marketed every year for the last 4 years. The negotiated renewal for Blue Shield with no plan design changes is an 8.9% rate increase. The 8.9% increase includes Affordable Care Act ("ACA") fees in the amount of 5%. These fees are "pass-through," meaning they are collected by the carrier and paid to the government. Blue Shield also presented a renewal option that includes adding a fourth limited network Health Management Organization ("HMO") plan alongside the full network HMO, PPO and HDHP. This fourth plan, called the Trio HMO, has the same plan benefits as the full network HMO. By adding the Trio HMO plan, the rate increase for this renewal option with Blue Shield is estimated to be reduced to 6.6%, including the ACA fees.

The Wellness Program is another component of the proposed medical renewal for active employees and their enrolled spouses. Wellness offers individual incentives for identifying and managing potential health risks and is supported by a contribution of \$30,000 from Blue Shield. The current Wellness incentive, a deposit into an employee's FSA or 457 account, is offered for the completion of biometric screening. The aggregate data from these health screenings have assisted the Authority in identifying key population risks and developing programs designed to support a healthier lifestyle and help reduce health risks. With 83% of Authority employees participating in Wellness today, it is recommended to maintain the incentives at their current level of \$250 for individuals and \$200 for an eligible spouse or domestic partner.

Regarding dental insurance, although the Authority is no longer in a rate guarantee with Delta Dental, a rate pass has been negotiated for this year. As a result, marketing was not necessary and the current quality coverage will be sustained with no annual cost increases.

In this renewal staff is also recommending an update in the Authority's Short Term Disability ("STD") benefit. Effective January 1, 2018, AB 908 will take effect with two major changes: an increase to the income replacement ratio for the State Disability Insurance program to 70% for low wage earners and 60% for all others, and eliminating the mandatory waiting period for Paid Family Leave. As a result, the Authority STD benefit which currently offer a 50% income replacement ratio and a 14 day waiting period is no longer competitive and is well below the 60% income replacement benchmark for all industries. While the 14 day waiting period and 50% replacement apply to all claims, with the changing demographics of the Authority's workforce there has been a more noticeable impact on individuals who apply for family leave. To remain competitive in the labor market, a modernization of the benefit is recommended to more effectively mirror the state benefit. The effect will be an increase in premiums from \$148,049 to \$166,038 for the year.

Finally, on other lines of coverage, which includes Basic Life, Accidental Death & Dismemberment (AD&D), Vision Care, Employee Assistance Program (EAP), and Health Advocate, no changes are proposed. As a result, the combined program renewal recommendation, which includes the Trio HMO plan option, maintains quality care with a \$174,915 or 3.5% annual projected calendar year budget savings as summarized below.

**Authority Paid Premium Costs: Active Employee Only**

Description	Projected CY2017	Proposed Renewal CY2018	% Change	Budgeted CY2018	Difference	%
Medical	\$4,011,533	\$4,230,114	5.4%	\$4,392,696	\$162,582	3.7%
Dental	\$323,352	\$323,552	0.00%	\$360,990	\$37,438	10.4%
Other lines	\$229,950	\$270,419	17.6%	\$245,314	(\$25,105)	(10.2%)
<b>TOTAL</b>	<b>\$4,565,035</b>	<b>\$4,824,085</b>	<b>5.67%</b>	<b>\$4,999,000</b>	<b>\$174,915</b>	<b>3.5%</b>

In regards to the Medicare eligible retirees, the negotiated renewal with UnitedhealthCare was 14.3%, which includes ACA fees in the amount of 10%. There are no plan design changes with this recommended renewal.

In summary, the recommended renewal for the 2018 health and welfare benefits program includes:

- Blue Shield for active employee and pre-Medicare retiree medical coverage with four plan options:
  - HMO
  - Trio (new plan)
  - Classic PPO
  - HDHP
- United Healthcare for Medicare enrolled retiree medical coverage;
- Maintaining the 10% individual premium cost share model for medical coverage;
- Modernization of the Short Term Disability benefit;
- Continued coverage at the current benefit levels for Dental, Vision, Short Term Disability, Basic Life/AD&D, EAP and Health Advocate plans;
- Employee Wellness Program participation incentives including:
  - A 5% individual premium cost share incentive;
  - A \$250 FSA/457 Deferred Compensation deposit for employee participation; and
  - A \$200 FSA/457 Deferred Compensation deposit for enrolled covered spouses and registered domestic partners.

The Authority will continue to offer the following additional voluntary benefits products at no cost to the Authority with 100% of the premium costs paid by employees:

- Long-Term Disability
- Voluntary Term Life and AD&D Insurance
- Accident/Cancer/Hospital Protection/Specified Health Insurance
- Pre-paid Legal coverage
- Long Term Care Insurance



The recommended renewal retains the quality of care, advances employee wellness, sustains a market competitive cost share, and demonstrates fiscal responsibility with an aggregate 5.67% increase in cost to the Authority for all benefit programs in the 2018 plan year. Therefore, staff is requesting that the Executive Personnel & Compensation Committee move the proposed recommendation forward to the full Board for approval.

**Fiscal Impact:**

Adequate funding for 2018 health and welfare benefits renewal is included in the adopted FY 2018 and conceptually approved FY 2019 Budgets.

**Authority Strategies:**

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy     Customer Strategy     Employee Strategy     Financial Strategy     Operations Strategy

**Environmental Review:**

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

**Application of Inclusionary Policies:**

Not Applicable.

**Prepared by:**

KURT GERING  
DIRECTOR OF TALENT, CULTURE & CAPABILITY



# Renewal of the Health & Welfare Benefits Program for 2018

Presented by:

Kurt Gering | Director | Talent, Culture & Capability

Jesus Mendoza | Vice President | Willis Towers Watson

August 28, 2017

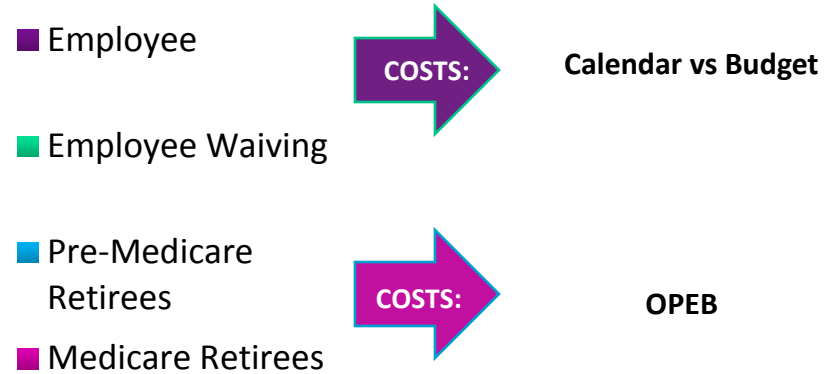
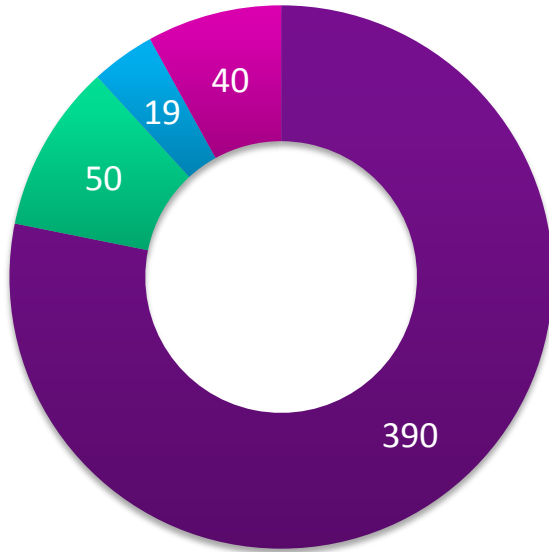
# Agenda

- Executive Summary
- Plan Renewal Rates
- Renewal Recommendation



# Executive Summary

# Medical Plan Enrollment



# Program Summary

	Current (2017)	Initial Renewal (2018)	%	Negotiated Renewal (2018)	%	RECOMMENDED (2018)	%
	Blue Shield	Blue Shield		Blue Shield		Blue Shield	
Medical	\$5,009,059	\$5,566,931	11.1%	\$5,455,842	8.9%	\$5,338,687	6.6%
	Anthem	Anthem		Anthem		Anthem	
Employee Assistance Plan	\$11,299	\$11,299	0.0%	\$11,299	0.0%	\$11,299	0.0%
	Delta Dental	Delta Dental		Delta Dental		Delta Dental	
Dental	\$401,484	\$401,484	0.0%	\$401,484	0.0%	\$401,484	0.0%
	The Hartford	The Hartford		The Hartford		The Hartford	
Basic Life/AD&D	\$90,780	\$90,780	0.0%	\$90,780	0.0%	\$90,780	0.0%
	The Hartford	The Hartford		The Hartford		The Hartford	
Short Term Disability	\$148,049	\$148,049	0.0%	\$148,049	0.0%	\$166,038	12.2%
	Health Advocate	Health Advocate		Health Advocate		Health Advocate	
Health Advocacy HealthAdvocate/Wellness	\$14,945	\$14,945	0.0%	\$14,945	0.0%	\$14,945	0.0%
<b>GRAND TOTAL<sup>1</sup></b>	<b>\$5,675,617</b>	<b>\$6,233,489</b>	<b>9.8%</b>	<b>\$6,122,400</b>	<b>7.9%</b>	<b>\$6,023,234</b>	<b>6.1%</b>
\$ Change from Current		\$557,872		\$446,783		\$347,618	
% Change from Current		9.8%		7.9%		6.1%	

<sup>1</sup>Grand total does not include all lines of coverage (e.g. voluntary vision, voluntary life/AD&D, voluntary LTD, Aflac, LTC, COBRA/FSA/HSA, LOA, etc.).

**Note: totals include active employees and budgeted positions.**

# Authority Costs Budget Summary

Description	Current CY 2017 *	Recommended Renewal CY 2018 **	% Change	CY Budgeted 2018 Costs***	\$ Diff	% Diff
Medical	\$4,011,533	\$4,230,114	5.4%	\$4,392,696	\$162,582	3.7%
Dental	\$323,552	\$323,552	0.0%	\$360,990	\$37,438	10.4%
Other lines (Life, Disability, HealthAdvocate)	\$229,950	\$270,419	17.6%	\$245,314	(\$25,105)	(10.2)%
<b>TOTAL</b>	<b>\$4,565,035</b>	<b>\$4,824,085</b>	<b>5.67%</b>	<b>\$4,999,000</b>	<b>\$174,915</b>	<b>3.50%</b>

\* Includes vacant positions all CY 2017


\*\* Includes employees that waive insurance

\*\*\* Wellness is included in current, renewal and budget

# Employee & Retiree Benefits Task Forces (June & July)

- 1. Reviewed medical plan renewals and options**
  - Assessed plan cost-drivers (e.g. experience & claims)
  - Reviewed mandatory plan changes
  - Reviewed benchmarking (cost, plan designs)
- 2. Discussed alternative option to maintain competitive benefits**
- 3. Discussed disability and leave options**
- 4. Learned about:**
  - Defined contribution structure
  - Voluntary (employee paid) plans
- 5. Provided feedback and Team recommendations to Executives**





# Medical Renewal Analysis Active Employees

# Medical Marketing Considerations

## Medical plans were not marketed because

- PPO/HDHP medical plan performance worse than expected
- There are several ongoing large claims
- Medical plans have been marketed every year for the past 4 years
- Prior to Blue Shield, Anthem Blue Cross plans in place for 20+ years
- First Blue Shield renewal after switch from Anthem Blue Cross
- Employees satisfied with Blue Shield; switch to new carrier would cause disruption

# Medical Renewal Summary

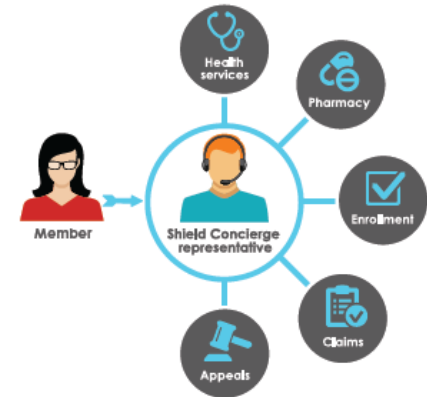
	NEGOTIATED RENEWAL (NO CHANGES)	RECOMMENDED (NO CHANGES + ADD TRIO HMO)
Number of Medical Plans Offered	3	4
Medical Plans Offered	HMO, PPO, HDHP	HMO, Trio HMO, PPO and HDHP
Changes to Current Medical Plans	No	No (Trio HMO plan to match current HMO)
<b>Total Annualized Premium</b>	<b>\$5,455,842</b>	<b>\$5,338,687</b>
<b>\$ Change from Current</b>	<b>\$446,783</b>	<b>\$329,628</b>
<b>% Change from Current</b>	<b>8.9%</b>	<b>6.6%</b>

# Health Care Reform Fees & Taxes (5%)

	NEGOTIATED RENEWAL (NO CHANGES)	RECOMMENDED (NO CHANGES + ADD TRIO HMO)
% Change from Current	8.9%	6.6%
% Change Net of ACA Fees	3.9%	1.6%
Tax / Fee (SDCRAA)		Cost Impact
<b>Patient Centered Outcomes Research Institute Fee</b> (Research fund to measure clinical effectiveness)		\$2.37 PMPY (2016-2017) \$2.48 PMPY (2017-2018) TBD (2018-2019)
<b>Transitional Reinsurance Fee</b> (Stabilize premiums in individual marketplace due to removal of pre-existing condition clause)		No longer applies (2017)
<b>Fully Insured Fee</b> (Fund subsidies on Marketplace & Medicare expansion)		Suspended (2017) 4% (2018) Estimated 3% - 5% (2019)
<b>Managed Care Organization Tax (CA Specific)</b> (Provides funding for Medi-Cal)		\$2.18 PMPM (2017) \$2.21 PMPM (2018) \$2.23 PMPM (2019)

# Trio HMO

- **Trio**
  - Accountable care organization (ACO)
  - Collaboration between medical group, hospital and Blue Shield
  - Integrated model creates community of care to support improved health outcomes for members
  - Limits unnecessary expenses
- **What's best for the member**
  - PCP coordinates care
  - Links members to right services
  - Cross-organizational focus on complex needs
  - Reduced hospital re-admissions
- **Includes:**
  - White-glove member service “Shield Concierge”



# Medical Renewal Analysis (Active)

		Blue Shield				
				NEGOTIATED RENEWAL NO CHANGES	Assumed Enrollment <sup>3</sup>	RECOMMENDED ADD TRIO HMO
Enrollment <sup>1</sup>		CURRENT	INITIAL RENEWAL			
<b>Full Network HMO</b>						
Employee Only	124	\$561.85	\$623.85	\$611.38	95	\$611.38
Employee + Dependent	46	\$1,174.26	\$1,303.84	\$1,277.78	35	\$1,277.78
Employee + Family	83	\$1,674.31	\$1,859.07	\$1,821.91	64	\$1,821.91
<b>HMO Annualized Premium</b>	<b>253</b>	<b>\$3,151,837</b>	<b>\$3,499,642</b>	<b>\$3,429,690</b>	<b>194</b>	<b>\$2,632,868</b>
<b>TRIO HMO Option<sup>4</sup></b>						
Employee Only					29	\$521.49
Employee + Dependent					11	\$1,089.91
Employee + Family					19	\$1,554.04
<b>HMO Annualized Premium</b>					<b>59</b>	<b>\$679,668</b>
				NEGOTIATED RENEWAL NO CHANGES	Enrollment <sup>1</sup>	RECOMMENDED ADD TRIO HMO
Enrollment <sup>1</sup>		CURRENT	INITIAL RENEWAL			
<b>PPO</b>						
Employee Only	82	\$773.97	\$862.01	\$844.77	82	\$844.77
Employee + Dependent	27	\$1,617.62	\$1,801.63	\$1,765.59	27	\$1,765.59
Employee + Family	16	\$2,306.45	\$2,568.81	\$2,517.44	16	\$2,517.44
<b>PPO Annualized Premium</b>	<b>125</b>	<b>\$1,728,534</b>	<b>\$1,925,157</b>	<b>\$1,886,653</b>	<b>125</b>	<b>\$1,886,653</b>
<b>HDHP -- Separate HSA Fund</b>						
Employee Only	10	\$653.55	\$727.89	\$713.33	10	\$713.33
Employee + Dependent	1	\$1,365.93	\$1,521.30	\$1,490.87	1	\$1,490.87
Employee + Family	1	\$1,947.58	\$2,169.11	\$2,125.72	1	\$2,125.72
<b>HDHP Annualized Premium</b>	<b>12</b>	<b>\$118,188</b>	<b>\$131,632</b>	<b>\$128,999</b>	<b>12</b>	<b>\$128,999</b>
HSA Fund (\$750/\$1,500)		\$10,500	\$10,500	\$10,500		\$10,500
<b>Total Annualized Premium</b>	<b>390</b>	<b>\$5,009,059</b>	<b>\$5,566,931</b>	<b>\$5,455,842</b>	<b>390</b>	<b>\$5,338,687</b>
\$ Change from Current			\$557,872	\$446,783		\$329,628
% Change from Current			11.1%	8.9%		6.6%

<sup>1</sup>Enrollment figures provided by Blue Shield with the renewal include active employees only. PPO Employee Only enrollment tier includes 39 budgeted positions.

<sup>2</sup>Proposed monthly premium rates are not final. Final rates are subject to Blue Shield UW approval and will vary slightly.

<sup>3</sup>Enrollment figures assume 23% of Full Network HMO participants migrate to Trio HMO. This assumption is based on current Full Network HMO enrollment in Trio HMO network.

<sup>4</sup>Trio HMO plan design mirrors current Full Network HMO plan design.

NOTE: \$30,000 wellness fund included with all renewal options presented.

# Medical Cost Share Analysis (Active)

	Blue Shield 01/01/2017 - 12/31/2017						Blue Shield (RECOMMENDED) 01/01/2018 - 12/31/2018			
	WELLNESS PARTICIPATION	Wellness 90% EE / 55% DEP		No Wellness 85% EE / 55% DEP			Wellness 90% EE / 55% DEP		No Wellness 85% EE / 55% DEP	
	82%	EE Monthly	ER Monthly	Enrollment	EE Monthly	ER Monthly	EE Monthly	ER Monthly	EE Monthly	ER Monthly
<b>Full Network HMO</b>	<b>Enrollment</b>									
Employee Only	78	\$56.19	\$505.67	17	\$84.28	\$477.57	\$61.14	\$550.24	\$91.71	\$519.67
Employee + One Dep	29	\$275.58	\$898.68	6	\$303.68	\$870.58	\$299.88	\$977.90	\$330.45	\$947.33
Employee + Family	52	\$500.61	\$1,173.70	12	\$528.70	\$1,145.61	\$544.74	\$1,277.17	\$575.31	\$1,246.60
<b>Annual Total</b>	<b>159</b>	<b>\$460,871</b>	<b>\$1,518,432</b>	<b>35</b>	<b>\$115,190</b>	<b>\$325,075</b>	<b>\$501,500</b>	<b>\$1,652,291</b>	<b>\$125,345</b>	<b>\$353,732</b>
<b>\$ Difference from Current</b>							<b>\$40,629</b>	<b>\$133,859</b>	<b>\$10,155</b>	<b>\$28,657</b>
							<b>TRIO HMO</b>			
<b>Full Network HMO</b>	<b>Enrollment</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>Enrollment</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>EE Monthly</b>	<b>ER Monthly</b>
Employee Only	24	\$56.19	\$505.67	5	\$84.28	\$477.57	\$52.15	\$469.34	\$78.22	\$443.27
Employee + One Dep	9	\$275.58	\$898.68	2	\$303.68	\$870.58	\$255.79	\$834.12	\$281.86	\$808.05
Employee + Family	16	\$500.61	\$1,173.70	3	\$528.70	\$1,145.61	\$464.65	\$1,089.39	\$490.72	\$1,063.32
<b>Annual Total</b>	<b>49</b>	<b>\$142,061</b>	<b>\$468,039</b>	<b>10</b>	<b>\$31,378</b>	<b>\$90,790</b>	<b>\$131,856</b>	<b>\$434,419</b>	<b>\$29,124</b>	<b>\$84,269</b>
<b>PPO</b>	<b>Enrollment</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>Enrollment</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>EE Monthly</b>	<b>ER Monthly</b>
Employee Only	67	\$77.40	\$696.57	15	\$116.10	\$657.87	\$84.48	\$760.29	\$126.72	\$718.05
Employee + One Dep	22	\$379.64	\$1,237.98	5	\$418.34	\$1,199.28	\$414.37	\$1,351.22	\$456.61	\$1,308.98
Employee + Family	13	\$689.62	\$1,616.83	3	\$728.31	\$1,578.14	\$752.70	\$1,764.74	\$794.94	\$1,722.50
<b>Annual Total</b>	<b>102</b>	<b>\$270,033</b>	<b>\$1,139,097</b>	<b>23</b>	<b>\$72,217</b>	<b>\$247,187</b>	<b>\$294,734</b>	<b>\$1,243,297</b>	<b>\$78,823</b>	<b>\$269,799</b>
<b>\$ Difference from Current</b>							<b>\$24,701</b>	<b>\$104,200</b>	<b>\$6,606</b>	<b>\$22,612</b>
<b>HDHP<sup>2</sup></b>	<b>Enrollment</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>Enrollment</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>EE Monthly</b>	<b>ER Monthly</b>	<b>EE Monthly</b>	<b>ER Monthly</b>
Employee Only	8	\$71.61	\$644.45	2	\$107.41	\$608.64	\$77.58	\$698.25	\$116.37	\$659.46
Employee + One Dep	1	\$348.70	\$1,142.23	0	\$384.50	\$1,106.43	\$378.02	\$1,237.85	\$416.81	\$1,199.06
Employee + Family	1	\$610.44	\$1,462.14	0	\$646.24	\$1,426.34	\$663.70	\$1,587.02	\$702.49	\$1,548.23
<b>Annual Total</b>	<b>10</b>	<b>\$18,384</b>	<b>\$93,119</b>	<b>2</b>	<b>\$2,578</b>	<b>\$14,607</b>	<b>\$19,949</b>	<b>\$100,930</b>	<b>\$2,793</b>	<b>\$15,827</b>
<b>\$ Difference from Current</b>							<b>\$1,565</b>	<b>\$7,811</b>	<b>\$215</b>	<b>\$1,220</b>
							<b>Combined Employee Contribution</b>	<b>Combined Employer Contribution</b>		
<b>COMBINED TOTAL</b>		<b>\$1,112,712</b>	<b>\$3,896,347</b>				<b>\$1,184,125</b>	<b>\$4,154,563</b>		
<b>\$ Difference from Current</b>							<b>\$71,413</b>	<b>\$258,216</b>		
<b>% Difference from Current</b>							<b>6.4%</b>	<b>6.6%</b>		

<sup>1</sup> Enrollment figures provided by Blue Shield with the renewal include active employees only. PPO Employee Only tier includes 39 budgeted positions.

<sup>2</sup> HDHP monthly premium includes HSA fund amount of \$750 Indiv / \$1,500 Family.

# Mandatory Medical Plan Changes

MANDATORY PLAN CHANGES			
MEDICAL PLAN	CURRENT BENEFIT	DESCRIPTION OF CHANGE	MANDATORY CHANGE
<b>HDHP</b>	\$1,500 Individual \$2,600 Individual in Family \$3,000 Family	IRS calendar year 2018 inflation adjusted amount for HSA-qualifying HDHPs	\$1,500 Individual <b>\$2,700</b> Individual in Family \$3,000 Family



# Employee Wellness

**Mission: SDCRAA's wellbeing program aim is to improve physical, emotional, financial, and social health while enhancing employee productivity**

Biometric screening incentives and participation:

	2015	2016	% change
# of screenings	417	431	3.4% increase





- 5% reduction in premium costs
- Deposit into an FSA/HSA or 457 account
  - Employees = \$250
  - Spouse/Domestic Partner = \$200

# Value On Investment (VOI) Evaluates the Total Overall Benefits of SDCRAA's Wellness Programs

Type of Program	SDCRAA Target Population	Program Utilization	Impact on Medical Claims
<p><b>Wellness programs</b> aimed at improving physical, emotional, financial, and social health</p> <ul style="list-style-type: none"> <li>• Health Advocate Platform</li> <li>• Employee Driven Activities</li> </ul>	ALL employees and spouses	<ul style="list-style-type: none"> <li>• 441 members used 1 or more wellness features</li> <li>• 192 members using more than one tracking device</li> <li>• 44 members interacted with a wellness coach</li> <li>• 92 members participated in wellness challenge</li> </ul>	Little impact on short term medical claims costs
<p><b>Medical Management</b> programs aimed to better coordinate care of those with chronic conditions</p> <ul style="list-style-type: none"> <li>• Diabetes</li> <li>• Asthma</li> <li>• Heart failure</li> </ul>	High risk portion of covered population	Program utilization data is not available from Blue Shield	Should lower short term medical claims costs; being addressed by Blue Shield

# Employee Wellness

## Summary of Top Risk Areas:

	2014	2015	2016	Trend
Body Mass Index (BMI)	74.5%	72.3%	75.9%	
Blood Pressure	71.4%	66.7%	57.5%	
Total Cholesterol	46.3%	31.2%	26.8%	
Blood Glucose	16.4%	12.0%	11.6%	

# Disability Renewal Analysis

# Disability Modernization Considerations

## Short term disability plan considerations:

- Income replacement ratio (50%) is below benchmark
  - Benchmark 60% (all industries)
- Income replacement ratio (50%) is below California short term disability Insurance program (CA SDI)
  - 2017 – 55%
  - 2018 – 60% (70% for low wage earners)
- Changing workforce
  - Millennials (Gen Y) have surpassed Baby Boomers as the nation's largest living generation<sup>1</sup>
- Attraction and retention tool

1. Pew Research Center: Millennials overtake Baby Boomers as America's largest generation (April 25, 2016)

# Disability Renewal Analysis

		The Hartford Current / Renewal		CA SDI 2018	RECOMMENDED
<b>Short Term Disability (STD)</b>					
% of Covered Weekly Earnings		50%		60% to 70% <sup>2</sup>	60%
Benefit \$ Maximum		\$1,600		\$1,216	\$1,600
Benefits Waiting Period (accident/sickenss)		0 day / 14 days		6 days / 6 days	6 days / 6 days
Maximum Benefit Duration		26 weeks		52 weeks	26 weeks
<b>STD</b>	<b>Volume<sup>1,3</sup></b>	<b>Current</b>	<b>Renewal</b>		<b>RECOMMENDED</b>
STD (per \$10 weekly benefit)	\$324,669	\$0.380	\$0.380	N/A	\$0.360
<b>Annual Total</b>		<b>\$148,049</b>	<b>\$148,049</b>		<b>\$166,038</b>
<b>\$ Change from Current</b>	<b>New Volume<sup>1,3</sup></b>		<b>\$0</b>		<b>\$17,989</b>
<b>% Change from Current</b>	\$384,348		<b>0.0%</b>	<b>12.2%</b>	
<b>Rate Guarantee</b>			<b>1 Year</b>		<b>1 Year</b>

<sup>1</sup>Volume and premium based on data from the Hartford (July 2017).

<sup>2</sup>Percentage of earnings is 70% for those earning under \$24,000/year.

<sup>3</sup>STD volumes include 39 budgeted positions. Average salary (\$78,000) provided by The Hartford.

**Green** = Enhancement and **Red** = Takeaway


# Dental Renewal Analysis

# Dental Renewal Analysis

		Delta Dental 01/01/2018 - 12/31/2018			Dental Dental 01/01/2018 - 12/31/2018			
Dental PPO	Enrollment <sup>1</sup>	Monthly Premium	EE Monthly	ER Monthly	Monthly Premium	EE Monthly	EE Monthly Difference	ER Monthly
Employee Only	175	\$58.83	\$0.00	\$58.83	\$58.83	\$0.00	\$0.00	\$58.83
Employee + One Dep	77	\$105.63	\$21.06	\$84.57	\$105.63	\$21.06	\$0.00	\$84.57
Employee + Family	88	\$143.63	\$38.16	\$105.47	\$143.63	\$38.16	\$0.00	\$105.47
<b>Annual Total</b>	<b>340</b>	<b>\$372,818</b>	<b>\$59,756</b>	<b>\$313,062</b>	<b>\$372,818</b>	<b>\$59,756</b>	<b>\$0</b>	<b>\$313,062</b>
<b>Dental HMO</b>								
Employee Only	40	\$18.86	\$0.00	\$18.86	\$18.86	\$0.00	\$0.00	\$18.86
Employee + One Dep	17	\$31.16	\$5.53	\$25.63	\$31.16	\$5.53	\$0.00	\$25.63
Employee + Family	24	\$46.03	\$12.23	\$33.80	\$46.03	\$12.23	\$0.00	\$33.80
<b>Annual Total</b>	<b>81</b>	<b>\$28,666</b>	<b>\$4,650</b>	<b>\$24,016</b>	<b>\$28,666</b>	<b>\$4,650</b>	<b>\$0</b>	<b>\$24,016</b>
<b>COMBINED TOTAL</b>	<b>421</b>	<b>\$401,484</b>	<b>\$64,407</b>	<b>\$337,078</b>	<b>\$401,484</b>	<b>\$64,407</b>		<b>\$337,078</b>
<b>\$ Difference from Current</b>					<b>\$0</b>	<b>\$0</b>		<b>(\$0)</b>
<b>% Difference from Current</b>					<b>0.0%</b>	<b>0.0%</b>		<b>0.0%</b>

<sup>1</sup>Enrollment figures provided by Delta Dental include active employees only. Dental PPO Employee Only tier includes 39 budgeted positions.





# Medical Renewal Analysis Pre-Medicare Retirees



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# Medical Renewal Analysis (Pre-Medicare Retirees)


		Blue Shield				
		CURRENT	INITIAL RENEWAL	NEGOTIATED RENEWAL NO CHANGES	Assumed Enrollment <sup>3</sup>	RECOMMENDED ADD TRIO HMO
Enrollment <sup>1</sup>						
<b>ALL</b>		<b>Full Network HMO</b>				
Pre-Medicare Retiree Only	8	\$561.85	\$623.85	\$611.38	6	\$611.38
Pre-Medicare Retiree + One Dep	1	\$1,174.26	\$1,303.84	\$1,277.78	1	\$1,277.78
Pre-Medicare Retiree + Family	0	\$1,674.31	\$1,859.07	\$1,821.91	0	\$1,821.91
<b>HMO Annualized Premium</b>	<b>9</b>	<b>\$68,029</b>	<b>\$75,536</b>	<b>\$74,026</b>	<b>7</b>	<b>\$59,353</b>
Enrollment <sup>1</sup>						
		<b>TRIO HMO Option<sup>4</sup></b>				
Pre-Medicare Retiree Only					2	\$521.49
Pre-Medicare Retiree + One Dep					0	\$1,089.91
Pre-Medicare Retiree + Family					0	\$1,554.04
<b>HMO Annualized Premium</b>					<b>2</b>	<b>\$12,516</b>
Enrollment <sup>1</sup>		CURRENT	INITIAL RENEWAL	NEGOTIATED RENEWAL NO CHANGES	Enrollment <sup>1</sup>	RECOMMENDED ADD TRIO HMO
		<b>PPO</b>				
Pre-Medicare Retiree Only	5	\$773.97	\$862.01	\$844.77	5	\$844.77
Pre-Medicare Retiree + One Dep	4	\$1,617.62	\$1,801.63	\$1,765.59	4	\$1,765.59
Pre-Medicare Retiree + Family	1	\$2,306.45	\$2,568.81	\$2,517.44	1	\$2,517.44
<b>PPO Annualized Premium</b>	<b>10</b>	<b>\$151,761</b>	<b>\$169,025</b>	<b>\$165,644</b>	<b>10</b>	<b>\$165,644</b>
<b>Total Annualized Premium</b>	<b>19</b>	<b>\$219,790</b>	<b>\$244,560</b>	<b>\$239,670</b>	<b>19</b>	<b>\$237,512</b>
<b>\$ Change from Current</b>			<b>\$24,770</b>	<b>\$19,880</b>		<b>\$17,722</b>
<b>% Change from Current</b>			<b>11.3%</b>	<b>9.0%</b>		<b>8.1%</b>

<sup>1</sup>Enrollment figures provided by Blue Shield with the renewal include retirees only.

<sup>2</sup>Proposed monthly premium rates are not final. Final rates are subject to Blue Shield UW approval and will vary slightly.

<sup>3</sup>Enrollment figures assume 23% of Full Network HMO participants migrate to Trio HMO. This assumption is based on current Full Network HMO enrollment in Trio HMO network.

<sup>4</sup>Trio HMO plan design mirrors current Full Network HMO plan design.



# Medical Renewal Analysis Medicare Enrolled

# Medical Renewal Analysis (Medicare Retirees)

		UnitedHealthcare 01/01/2018 - 12/31/2018	
		CURRENT	RENEWAL
Medicare Advantage PPO	Enrollment <sup>1</sup>	Monthly Premium	Monthly Premium
Medicare Retiree	40	\$418.82	\$478.82
Annual Total	40	\$201,034	\$229,834
\$ Difference from Current			
% Difference from Current			
<b>TOTAL</b>	<b>40</b>	<b>\$201,034</b>	<b>\$229,834</b>
\$ Difference from Current			\$28,800
% Difference from Current			14.3%

<sup>1</sup>Enrollment figures provided by UnitedHealthcare with the renewal.

## Health Care Reform Taxes (10%)

	RENEWAL (NO CHANGES)
% Change from Current	14.3%
% Change Net of ACA Fees	4.3%

Note: the Insurer Fee on Medicare Advantage plans applies to both the premium that the plan sponsor pays, as well as the revenue from CMS, which differs from plans for pre-Medicare retirees.



# Renewal Recommendation



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# Recommendation Summary

## **Active Employees:**

- Blue Shield of California (HMO, Trio HMO, PPO, HDHP)
- \$30K wellness credit from Blue Shield of California
- 10% Wellness / 15% Non-Wellness Cost share
- Continue wellness program and incentives
- Modernize The Hartford Short Term Disability

## **Pre-Medicare Retirees:**

- Blue Shield of California (HMO, Trio HMO, PPO, HDHP)

## **Medicare Retirees:**

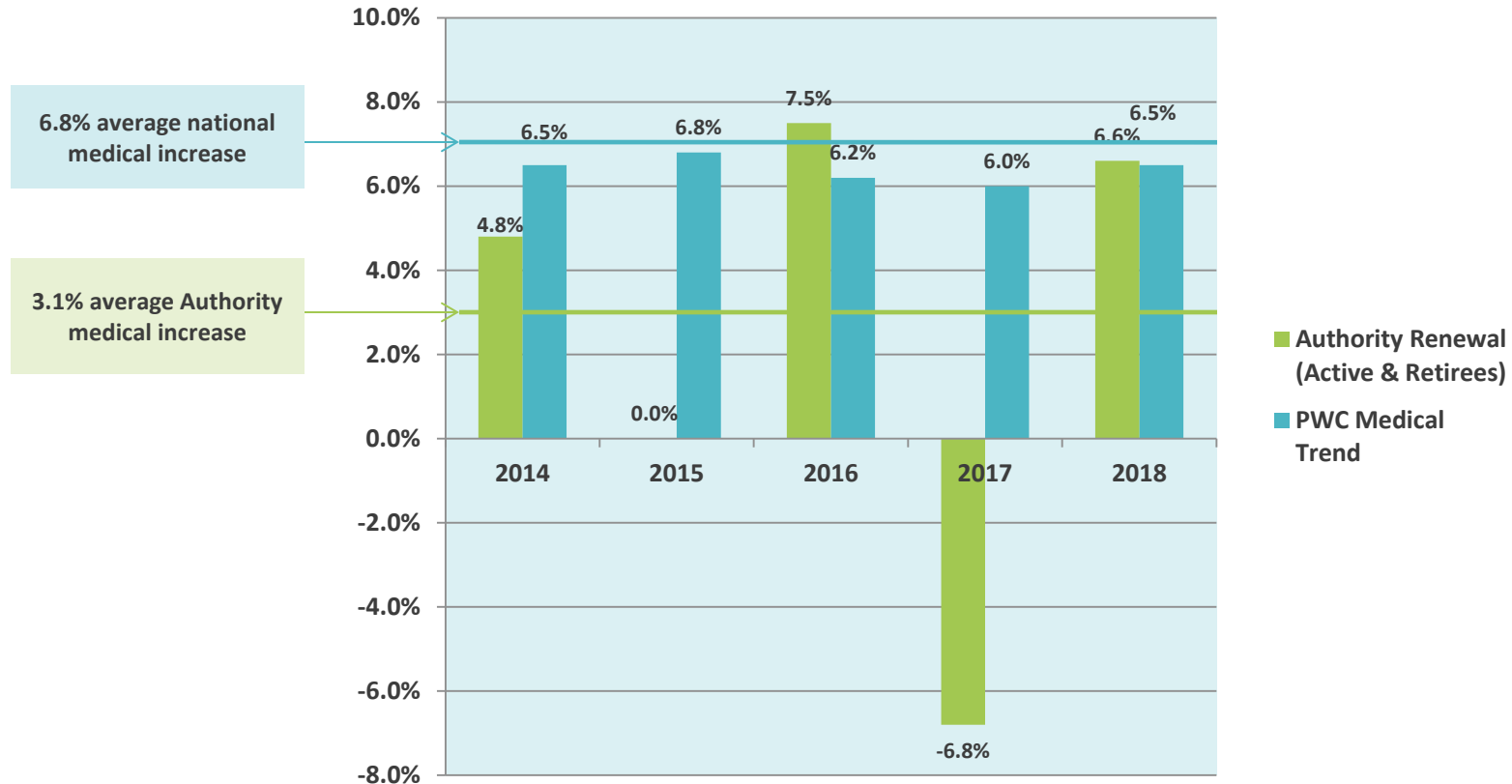
- United Healthcare (PPO)

## **All other lines maintained with current providers:**

- Delta Dental
- VSP Vision Care
- The Hartford Basic Life/AD&D
- Anthem EAP
- The Health Advocate

# 5 Year Review

## % Health Benefit Renewal Increase vs. Trend



Source: U.S. Medical trend data provided by PWC Health Research Institute

A low-angle photograph of a modern building with a teal overlay containing the text "Questions?". The building features a prominent overhang and large glass windows. In the bottom left corner, a sign reads "Ticketing" and "U.S. Airways". The sky is bright and clear.

Questions?

● Ticketing  
U.S. Airways