**Faculty Association Insurance Task Force Report**
**January 2019**

**Task Force Charge** (per email communication from E. Kaljumagi on 11/6/18)

- **To review the Request for Proposals (RFP) for Employee Benefit Administrator Services provided by the District's Human Resources Department and other materials for the purpose of reporting on which vendor(s) and health plans would most likely to benefit Mt. SAC's faculty.**
  - The communication also acknowledged the continued existence of the College's Insurance Committee; however, because health insurance is no longer being purchased as a whole campus community, this faculty task force is necessary.
  - The Task Force charge was in response to the District's proposal to negotiate for an alternative third-party provider for employee health insurance.

**Task Force Members**

- Ruby Rojas, Barbara Quinn, Serena Ott, Vicki Greco, Sandra Esslinger

**Summary of Task Force Work**

The task force conducted its work through meetings and collaborative documents (i.e., Google Docs) during the latter part of Fall 2018 semester. Members engaged in extensive reading of College documents, CalPERS law and health plans, and other informational sources relevant to the prospect of considering a change in health plan administrators. Members sought informal legal consultations with two attorneys with backgrounds in health insurance and CalPERS. While the attorneys could not provide formal expert legal advice, they helped the task force recognize that a clear and thorough understanding of potential ramifications of leaving CalPERS Health is critical prior to negotiating a change of health plan administrators. Members also met with CECHCR personnel whom the District has formally contracted for health benefits consultation and assistance. The staff from CECHCR explained their role in the process of investigating health plan options and provided a timeline for the process. They also stated that the RFPs should include specific plan information, including plan **actuarial values** so it is known if the plans being compared are truly equivalent (i.e., Platinum, Gold, Silver, Bronze) and plan rates for the group being considered.

**Faculty Interests**

Prior to reviewing and evaluating RFP information for the sake of recommending vendor(s) and plans likely to benefit faculty, the task force deemed important to identify faculty interests pertaining to health benefits.

Faculty interests were derived from the Faculty Association Survey on Health Benefits (distributed to full-time faculty members), questions and comments heard at campus information sessions hosted by the Faculty Association, and public comments made at recent Board of Trustees meetings.

Health Benefits Survey

The full-time faculty were surveyed by the Faculty Association. Survey items consisted of questions that were related to satisfaction about current health plans and district contribution, and assessment of faculty interests regarding various aspects of health plan coverage and providers. No items related to lifetime medical benefits were included.

Observations of Faculty Responses

(Survey respondents: N = 211; 118-HMO, 60-PPO, 33-Opt Out)

- Faculty place high priority on quality of healthcare services; they don't want to lose anything they have in their plans.
- It was asked, *Who benefits most from a proposed switch from CalPERS to SISC...faculty or the district? How do they benefit? For how long will they benefit?*
- Value the ability to go out of network for healthcare with 40% coverage
- Situations where there's concern that change in health plan may disrupt or delay medically necessary treatment.
- The provider offered and the coverage offered are greater factors in health care decisions than the cost of care.
- Majority favor fully District paid premiums.
- 24% pay $5,000 per year or more out of pocket for premiums.
- More faculty prefer a higher cost plan with a low deductible rather than a high deductible plan with lower premiums.
- The primary desired items are doctors on the plan, affordable coverage, and the scope of services
- 90% of those getting cash back (44 of 49) do not want to give this up
- General satisfaction with the current arrangement, except for employee share for premium costs.

Public Comments at the BOT Meetings

Faculty public comments communicate their unease with the District's proposition, distrust of the District's motivations for trying to convince the faculty to leave CalPERS Health, feelings of their role and work being devalued by the Administration through inequitable pay increases and health benefits contributions between the faculty and executive level administrators, and fears of losing lifetime retiree benefits and their existing health plan coverage and health providers.

In summary, the full-time faculty members' primary interests appear to be the following:

- Maintain the ability to go out of provider network with 40% coverage for most services
- District paid medical premiums for employee and dependents
- Lifetime medical benefits paid for by the district
- High quality health care services
- Keep current health care providers
- Maintain current plans and level of coverage
- Maintain ability to receive cash in paycheck for unused benefit amount

Sources:

- Full-time Faculty Medical Benefits Survey (2018)
- BOT Meetings held in October and November 2018

**Review of CBA Language and Employer Contribution Amounts**
The identified faculty interests prompted the task force to look at employer contribution amounts and collective bargaining agreement (CBA) language of some other college districts. The task force refers the reader to Article 10 (pages 64-60) of Santa Monica College 2016-2019 Faculty Agreement as an example of contract language that appears to protect both active employees and annuitants with regard to employer contribution levels toward health premiums, while, it seems, maintaining compliance with PEMHCA and providing a higher contribution amount needed to cover active employees and their dependents.

Sources:

- Select community college faculty collective bargaining agreements
  - Santa Monica College
  - Kern Community College District
  - South Orange County Community College District
  - Rio Hondo College
  - Long Beach City College
  - Chaffey College
  - Pasadena City College

**Review of the Request for Proposals for Employee Benefit Administrator Services**
The task force was given a total of four (4) RFP's to review. The Human Resources Office provided the District's stated interests in selecting a third party administrator via email communication to E. Kaljumagi dated 11/13/18, and requested that those interests be considered during the review. The eight interests are: 1. premium rate stabilization; 2. level and quality of health care provided; 3. customization of plan options; 4. accessibility to healthcare regardless of county/city; 5. flexible system for customization in alignment with Mt. SAC bargaining agreements; 6. easability and administration oversight; 7. wellness management; and 8. utilization review. **Please note that family coverage is not listed as a primary district interest.**

The District's proposal request asked for specific information, including offering health plans that are equivalent or better than CalPERS plans. In the review of the RFP responses, it was apparent that the responses did not include information necessary to compare and evaluate health plans. Only one of the respondents included specific plan information with plan rates; however, the actuarial values were not included so it is unknown if the health plans submitted meet the criteria of being equivalent to or better than those offered through CalPERS. At this time, with incomplete information in the RFP responses and the gravity of this matter that may have long term effects on unit members' future health plan options and lifetime medical benefits, **the task force is unable to report on a vendor other than CalPERS that would likely benefit the faculty at Mt. SAC.**

Source

- Responses to Mt. SAC District Request for Proposal for Employee Benefit Administrator Services (RFPs)

**Other Key Findings and Observations**

- Mt. SAC Faculty have much higher cost sharing amounts for insurance premiums than many other California Community College Faculty. **Currently, the Mt. SAC Faculty Contract stipulates a district contribution of $12,159 annually toward life, hospital, medical, dental, and vision insurance. However, the CalPERS Health Resolution 17-18 has set the employer contribution for a health benefits plan (hospital and medical coverage) at a maximum of $1,013.25 per month ($12,159 annually). This leaves no designated amount toward dental, vision, and basic life insurance if the employee member's plan cost is $12,159 or higher, yet enrolling in life, dental, and vision plans is required by the District.** While those who elect employee only coverage can apply any excess medical contribution amount to cover some of the dental and vision premiums, those who elect to enroll a dependent(s) have no excess available. Review of other CCCD benefits indicate a common practice of district fully paid dental, vision and basic life insurance premiums separate from the medical premium contribution.

- The District's initial contract agreement with CalPERS approved by the Board in 1988 (Res No. 88-14) provided to all benefit eligible employees the **contribution amount to cover the cost for a two-party health plan** for active employees and annuitants (retirees). It is uncertain when this agreement was officially no longer in effect, as there is no adopted resolution known to the task force setting the employer contribution amount to a different amount for active employees and annuitants until this past summer in 2018. For some years now, employees who retire and were hired prior to 1996 had employer contributions covering two-party plans, while active employees were given a lesser contribution amount.

- CalPERS PEMHCA Health Plan provides enforceable legal protections regarding employer contribution requirements to both active employees and annuitants (retirees) that no other health plan administrator provides. With CalPERS Health Plans, the employees can depend on plan choices that provide comprehensive medical services and have actuarial values equating to only Platinum and Gold level plans; CalPERS does not administer minimum essential coverage plans (Bronze level). **CalPERS requires employer cost sharing for employee lifetime medical benefits; the provision of lifetime medical benefits is not a negotiable item.**
  - **Example of how PEMHCA has protected Mt. SAC employees:**
    In 1996, there was a fiscal crisis that impacted California Higher Education and resulted in the Mt. SAC Unions and District negotiating away two-party coverage and lifetime benefits that had been in existence since at least 1988. The District represented to the unions that jobs could be preserved, if the union members

gave up their two-party lifetime benefits. During the late 90's and early 2000's, those hired did not have lifetime medical benefits unless they opted to contribute 5% (decreased to 4% in 2000) of their salaries for 10 years. In the mid-2000's, CalPERS informed the district that they were out of compliance with the law that governs CalPERS Health Plans, PEMHCA. CalPERS acted on behalf of the employees forcing Mt. SAC to reinstate lifetime medical benefits for all benefit eligible employees and refund the money they contributed without interest.

Below is an excerpt from Mt. SAC District, Los Angeles County, Report on Audit of Financial Statements and Supplementary Information Including Reports on Compliance, June 30, 2005.

**Retiree Benefits**

In January 1996, District representatives agreed that all employees would contribute 5% of their salary into a retiree fund in exchange for the right to receive lifetime medical benefits. In 2000, the contribution amount was decreased to 4% and participation was voluntary. Employees electing to opt out of the medical benefit contribution rescinded their right to lifetime medical benefits. The District received a legal opinion which stated that the practice of requiring employees to contribute a portion of their salary for their retiree benefits is in conflict with the Public Employees' Medical and Hospital Care Act. It was determined that the District cannot require employees to fund the minimum portion of the premium, nor exclude them from medical coverage once they retire. On November 16, 2005, the Board of Trustees approved the discontinuance of the District's current practice and to issue a refund to all employees who contributed to the fund. The District will refund contributions of approximately $3 million to employees in December 2005 from the District's retiree benefit fund. In the near future, the District will review alternatives in order to reduce our long-term liability.

- To be perfectly clear about our current lifetime benefits, they were not preserved by the unions, nor negotiated for by the unions, nor were they given back to the employees when the college recovered from the fiscal crisis. Just shy of 10 years after the 1996 fiscal crisis, CalPERS/PEMHCA was the institution that did the most for the faculty when it came to retiree benefits.

- Information from <u>CalSTRS Health Benefits Study</u> presented by the Benefits and Services Committee in 2017:
  - An important factor in maintaining standard of living in retirement is the degree to which employers support active employees' health benefits and how the cost-sharing relationship may change in retirement.
  - Data collected by CalSTRS in 2015-16 showed that about 67% of California K-12 public schools provided cost sharing for Pre-Medicare retired educators. **Only 15% of employers provided contribution for Medicare eligible retirees' health plans**.
  - National Trend - bargaining contracts are being updated with agreements that use hire dates to restructure active health benefits and to eliminate postretirement health benefits for the newer employees.

- The district has previously stated that a main interest is to secure family coverage.
    - This asserted interest aligns with past practice of the District. College employees had an employer contribution that largely or entirely covered CalPERS health premiums for a family until around the late 1990's.
    - However, as of spring 2018, the district has publicly stated that it would increase the benefit contribution to cover 100% of the premium cost of a medical plan for a family (composite rate) only if employee groups agree to leave CalPERS and switch to SISC health plans. Fully paid dental and vision would be provided only if funds permitted. The task force is troubled by these contingencies.

      (PowerPoint posted by President Scroggins on his Cabinet Notes, from May 30, 2018. Accessed 1/13/2019).

## Option 1

- Contingent on transfer to SISC.
- Annual District contribution: $14,196 health (Kaiser Composite)
- Annual $120 for life insurance paid by District
- Dental & vision optional[1]: SISC Delta Dental $1176 & VSP Vision $360
- District contribution increases annually by percentage change in SISC Kaiser Composite plan.
- District contribution applied to any of up to six SISC plans chosen unit by unit (each unit must be all composite or all tiered).
- If District contribution exceeds plan, excess applied to vision/dental.
- No opt-out or cash-back payments. District opt-out phase out is negotiable unit by unit using one-time funds.
- District cost estimated at $6 M, combination of growth and COLA.

[1]May be District Paid if funds permit.

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# Option 2 & Option 3

- Your bargaining unit stays in CalPERS
  - Same benefit package with opt-out and cash back[1]
  - Existing 2017-18 District health premium contribution for 2018-19
  - 2.71% COLA on all compensation and benefit contribution
  - Future move to SISC possible/District contribution to SISC plans to be negotiable.
- Your bargaining unit moves to SISC as a 3rd party provider only
  - Equal or better benefit package with opt-out and cash back[1]
  - Existing 2017-18 District health premium contribution for 2018-19
  - District pays for "true up" fund
  - 2.71% COLA on all compensation and benefit contribution
  - Future District contribution to be negotiable

[1]Requires proof of alternative coverage. Subject to IRS regulations—legal opinion pending.

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- Many community college districts that have health plans through other third party administrators do not offer lifetime medical benefits. While some may offer retiree benefits, those benefits are often time limited. Examples of such districts include Kern Community College District (SISC) and Rancho Santiago CCD (ASCIP).

- Financial Information:
  - The District's annual financial reports continue to show financial surpluses, well above the Board Policy of 10%.
  - The OPEB trust fund has been earning greater interest than the amount paid annually for retiree benefit premiums.
  - Financial report in 2016 provided cautionary recommendation regarding the OPEB liability of imposing a monetary cap for contribution amount for retiree benefits, which was recently accomplished outside of negotiations with the adoption of Resolution 17-18. The financial report referenced the upcoming implementation of GASB Nos. 74 and 75. According to the GASB website, the new OPEB standards provide a more comprehensive picture of what state and local governments have promised and the actual associated costs. In part, the standards address the requirement to recognize the net OPEB liability on the face of the financial statements.

Sources:

- Public Employees Medical and Hospital Care Act (PEMHCA)
- California Code of Regulations: Public Employees Medical and Hospital Care Act (PEMHCA)
- Governmental Accounting Standards Board (GASB)
- Mt. SAC Actuarial Study of Retiree Health Liabilities 2016 report
- Mt. SAC 2017 Annual Financial Report
- 2005 Mt. SAC District Los Angeles County Report on Audit of Financial Statement and Supplementary Information Including Reports on Compliance
- Select Mt. SAC District Resolutions related to CalPERS participation
- Mt. SAC District Health Care Forum PowerPoint presentation:
    - PowerPoint posted by President Scroggins on his Cabinet Notes, from May 30. 2018. Accessed 1/13/2019. https://www.mtsac.edu/president/cabinet-notes/2017-18/Health_Benefits_Options_052918.pdf
- Teacher's Retirement Board Benefits and Services Committee Triennial Health Benefits Study, 2017
- CalPERS Health Benefits Annual Report, 2016
- 2019 CalPERS Health Benefit Summary
- Consultation with Public Attorney at the State of California Insurance Commission
- Consultation with a current City Attorney, who is a former CalPERS and Best, Best and Krieger Attorney
- Consultation meeting with California Education Coalition for Health Care Reform (CECHCR)

**Remaining Questions**

In the brief amount of time the task force was given to conduct its work, numerous questions arose that deserve definitive answers. Questions of the task force include:

1. What is the District's interest and benefit in moving to SISC? Why is the District not able to provide family coverage under CalPERS?

2. Why has the District's proposal to increase health contribution amount been tied to the condition of switching from our existing health plans? When the Employee Benefits Committee reviewed estimated composite rates for CaPERS plans calculated by Mt. SAC, the rates were similar, and in some cases lower, than the rates provided by SISC at the time.

3. Is it in the best interest of faculty, presently and in the future, to leave the CalPERS PEMHCA Health Program?

4. What, if any, are potential short-term and long-term health care and financial benefits for faculty, both as active employees and in retirement, in changing health plan administrators?

5. What, if any, are potential short-term and long-term health care and financial risks and/or losses for faculty, both as active employees and in retirement, if a change in health plan administrator occurs?

6. How would a change in plan administrators affect current employees who are not yet vested compared to those who are vested? (i.e., What are the protections for fully vested employees compared to those not fully vested?)

7. What do the faculty stand to lose under PEMCHA if the CalPERS contract that the district entered into in 1988 for its employees is terminated and then a new contract is entered into with CalPERS during future years? Note that with PEMHCA the number of years Mt. SAC is contracted with CalPERS (30 years) increases the required amount the district must pay to pay for their employees and retirees alike.

8. Given that the District has been contracted with CalPERS PEMHCA Health Program for 30 years, what is the minimum employer contribution toward a health plan for annuitants that Mt. SAC is to pay?

9. Comprehensively, what are the potential benefits to the District if it terminates its contract with CalPERS Health?

10. Questions remain about past and present CalPERS Resolutions and about past, present, and/or ongoing PEMHCA compliance issues.

**Recommendations**

1. Any mutually agreed upon criteria for selecting a third party administrator (including CalPERS) must align with the identified interests of the faculty.

2. In addition to PEMHCA-expertise legal advisement, it is recommended that the negotiation team and its advising body (executive board) review Santa Monica College's Faculty Collective Bargaining Agreement (Article 10- Benefits) as a reference for our Benefits language.

3. Seek legal experts in PEMHCA law for thorough analysis of all of the College's contracts with CalPERS for the provision of health benefits for its employees to determine any and all past and present PEMHCA issues of noncompliance, and to advise on the resulting consequences to faculty and former faculty who are retired.

4. Separate the issue of increasing the health and welfare benefits employer contribution amount from changing hospital and medical plan administrators.

    a. The employer contribution toward hospital and medical plan premiums for faculty employees should be increased to cover the cost of employee and dependent(s). From 2008 to **present**, the employer contribution for medical, dental, vision, and basic life insurance **benefits** has increased by only $**159.00 (1.325%).**

b. Consider negotiating the employer contribution toward dental, vision, basic life insurance benefits for faculty employees as a separate item as other districts have done (e.g., Kern CCD, SOCCCD, Santa Monica CCD, and others).

5. To retain the services of a lawyer/law firm with expertise in Public Employees Retirement System Health Plan PEMHCA Program to recommend PEMHCA-compliant contract language pertaining to Health and Welfare Benefits for the new Faculty Agreement/Collective Bargaining Agreement (CBA) should the faculty decide to stay with CalPERS.
6. To retain a recommendation from the legal experts in PEMHCA laws to strengthen the benefits language in our faculty contract and protect retirement benefits against changes in the resolutions which are unilaterally decided should the faculty decide to stay with CalPERS.
7. The faculty negotiations team and its advising body rely on this report as one of its sources of information and advisement during collective bargaining.

## Relevant Terminology

**Actuarial Value:** Calculated as the percentage of total average costs for covered benefits that a health plan will cover. Under the ACA, a health insurance plan's AV indicates the average share of medical spending that is paid by the plan, as opposed to being paid out-of-pocket by the member. (source: Health Benefits Program Annual Report, 2016)

The ACA stipulates that AV be calculated based on the provision of EHBs to a standard population. The statute groups health plans into four tiers: bronze, with an AV of 60-69 percent; silver, with an AV of 70-79 percent; gold, with an AV of 80-89 percent; and platinum, with an AV of 90 percent or above. CalPERS has determined that its Basic HMO plans fall in the platinum tier and its Basic PPO plans in the gold tier.
(From the CalPERS annual health report dated 2018)

**California Education Coalition for Health Care Reform (CECHCR)**: California Education Coalition for Health Care Reform, who is an independent consultant looking for quality health care options based on the needs of the employees and employer.

**Governmental Accounting Standards Board (GASB)**: Develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

**Other Post Employment Benefits (OPEB):** Benefits (other than pensions) that U.S. state and local governments provide to their retired employees.

**PUBLIC EMPLOYEES MEDICAL AND HEALTH CARE ACT (PEMHCA):** Part of the California State Government Code that governs CalPERS Health Program.