



Date: September 14, 2007
 Committee Meeting Date: N/A
 Board Meeting Date: October 4, 2007
 ACTION X DISCUSSION INFO

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns
 General Manager

FROM: Bill Lopez
 Chief Administrative Officer

SUBJECT: Renewal of Benefit Contracts

Policy-Related Action: No Government Code Section 84308 Applies: No

RECOMMENDATIONS:

Authorize the General Manager to renew benefit contracts with Kaiser, PacifiCare, Valley Health Plan, Delta Dental, Pacific Union Dental, Vision Service Plan, and Custom Benefits Administrators for VTA employees and retirees for calendar year 2008.

DISCUSSION:

VTA currently contracts with Kaiser, PacifiCare, Valley Health Plan, Delta Dental, Pacific Union Dental, Vision Service Plan (VSP), and Custom Benefits Administrators for health and welfare benefits. VTA also contracts with Metropolitan Life Insurance Company for life, accidental death and dismemberment, and long-term disability coverage.

These contracts will expire December 31, 2007. Renewal of these contracts is needed to continue the benefit plans and providers named in labor agreements for VTA employees and retirees. The renewal will be effective January 1, 2008.

The Arlen Group, VTA's employee benefits broker, has marketed VTA as a potential client to benefits providers and analyzed and negotiated the resulting bids. All contracts are for one year, with the exception of Metropolitan Life, with whom the Arlen Group negotiated a two year rate guarantee. The Arlen Group solicited HMO and PPO quotations from four other medical plans. These plans declined to quote due to the high enrollment (almost 70% of employees) in Kaiser.

The overall increase for all medical plans will be approximately 9.6%. Medical rates were originally projected to increase by 12% overall for 2008.

The medical rates are estimated since the carriers have not yet finalized their Medicare rates. The Kaiser premium increase for 2007 is 7.7%. The PacifiCare increase is 13.6% overall including 13.4% for the HMO, 13.6% for the PPO, and 14.3% for the Out of Area Plan. VTA's claims experience under Kaiser is more favorable than under PacifiCare, resulting in lower increases. The estimated Valley Health Plan rate increase is 7% overall.

Vision Services Plan had a 2-year rate guarantee and did not increase. Delta Dental rates increased 5%. Pacific Union Dental has not requested an increase. Custom Benefits Administrators has requested no increase to their rates. The chart below compares the anticipated change in total premium costs with prior years.

	2005 to 2006	2006 to 2007	2007 to 2008
MEDICAL			
Kaiser HMO	14%	6%	7.7%
PacifiCare Overall	10%	13%	13.6%
• PacifiCare HMO	8%	14%	13.4%
• PacifiCare PPO	22%	12%	13.6%
• PacifiCare Out of Area	12%	12%	14.3%
Valley Health Plan	14%	15%	7%
Medical Overall	13%	8%	9.6%
DENTAL			
Pacific Union Dental	0%	0%	0%
Delta Dental	3%	-2%	5%
VISION			
Vision Service Plan	0%	1%	0%
FLEX SPENDING PLANS			
Custom Benefits Administrators	-1%	0%	0%
LIFE/AD&D			
Metropolitan Life Insurance	0%	0%	19.5%
Overall Weighted Average	11%	7%	9.2%
Estimated Annual Cost	\$33,790,000	\$34,900,000	\$38,167,000

ALTERNATIVES:

The alternative is to attempt to re-bid VTA with other providers. However, the outcome is not likely to change, the expense would be significant, and the process could result in missing the calendar year deadline. Any changes to providers would require collective bargaining with employee unions.

FISCAL IMPACT:

The estimated annual total cost of these benefits is \$38,167,000. The employer portion of the cost for these benefits is \$35,056,000. The employee/retiree portion is \$1,741,000. The ATU Spousal Medical Trust Fund portion is \$1,370,000.

This represents an estimated total cost increase of approximately \$3,228,000. In comparison with current rates and enrollment, this includes an employer cost increase of \$2,882,000, an employee/retiree cost increase of \$228,000, and an ATU Spousal Medical Trust Fund increase of \$118,000 over calendar year 2007 costs.

Because these are calendar year contracts, one half of these costs will be incurred during this fiscal year. The approved budget for FY08/09 included 12% annual increases for medical plans. As a result, the approved budget is sufficient to cover these costs.

Prepared By: Cheryl de Gier