

**Santa Monica-Malibu Unified School District
Joint Committee on Health and Welfare Benefits
SEIU – SMMCTA – SMMASA**

**Recommendation for Health Benefits
August 5, 2022**

Introduction

In fall of the 2018, representatives from SEIU, SMMCTA and SMMASA signed a Memorandum of Understanding (“MOU”) to form a Joint Committee on Health and Welfare Benefits (“Committee”). Since 2018 the Committee has met regularly to review the District’s health benefits program as part of fulfilling the Committee’s stated mission:

The role of the Committee is to contain the cost of the District’s health and welfare benefits program, and to maintain the affordability and quality of the benefits available to employees and eligible dependents.

The Committee’s work resulted in the adoption of several changes to the District’s health benefits program including the elimination of a two-tiered system that favored employees hired before July 1, 2014 and disfavored employees hired on or after that date. Additionally, the Committee annually reviewed the health benefit rates published by the California Public Employees Retirement System (“CalPERS”) to determine the District’s (i.e. the employer’s) contribution toward each health plan, which correspondingly established the employee’s contribution toward the premiums. Most plans required no contribution by full-time employees. For plan years 2021 and 2022, and with specific exceptions recommended by the Committee, and agreed to by the bargaining units, the employer’s contribution was determined by calculating the average of all premiums.

The District has long participated in the CalPERS health benefit system with minimal question or analysis as to whether being a part of CalPERS is the best match for employees. In general, the Committee acknowledges that the costs of health benefits are increasing, prompting us to more carefully analyze the costs of health benefits. Additionally, by studying the rates each year, the Committee has learned that the CalPERS rates are volatile with the premiums for many plans seeing large increases and, at times, decreases, which caused the Committee to question if CalPERS is the best option. With an eye towards addressing the Committee’s mission, members studied possible options to CalPERS to see if there is a better match.

After several years of study, the Committee is recommending that the District, comprised of its represented and unrepresented employees, discontinue our relationship with CalPERS and join Self-Insured Schools of California (“SISC”).

About SISC

SISC is a coalition of over 450 California public schools and is a joint powers authority public entity that operates out of the Kern County Office of Education. As a public entity it is subject to the Brown Act with board meetings open to the public. Membership is throughout California. SMMUSD would be a part of Orange/LA/San Bernardino/Riverside region that includes 40 other school districts. SISC medical plans are provided by Anthem Blue Cross and Kaiser Permanente. SISC’s motto is “Schools Helping Schools.”

Analysis

When considering alternatives to CalPERS, the Committee limited its study to options that:

- included multiple plan designs and networks,
- have a large membership pool (>100,000), which allows for greater economy of scale and predictability, and
- is self-funded.

CalPERS meets each of these three criteria; however, the Committee believes that SISC provides other aspects that make it a preferred alternative to CalPERS.

Rationale for SISC

There are several reasons why the Committee deems SISC to be a better alternative to CalPERS.

1. Risk Pool:

- a. **Large Pool** – Serving over 450 California public schools, the pool is sufficiently large allowing for risk to be spread over a large population. It was important to the Committee that the risk pool be large in size and, while smaller than CalPERS, SISC is still large enough to compete, in terms of size, with the size of the CalPERS membership pool.
- b. **Make-Up of the Pool** – In serving only public school districts, the membership of the risk pool trends healthier and younger than the risk pool of members that are in CalPERS. CalPERS is not limited to school district, but serves other public entities such as police, fire, and local, county and government employees. The healthier and younger pool of members in SISC is likely to result in more favorable premiums than CalPERS.

2. **Comparability of Providers** – SISC is able to provide options comparable to those provided in CalPERS. Specifically, the District may “build” six options for our employees that, in order to be comparable to what is provided in CalPERS, would be comprised of wide and narrow preferred provider organizations (PPOs), wide and narrow health maintenance organizations (HMOs) and Kaiser Permanente. Similar to past practice in SMMUSD, the District could also make a “buy-up” option available to employees seeking a “richer” plan that is outside of the District’s ability to fully fund for full-time employees. The narrow network options will likely allow our part-time SMMUSD employees who receive a smaller employer contribution to purchase affordable health plans

3. **Diversity and Flexibility of Plan Options** – Unlike CalPERS, which requires that all its selected plans be offered to employees, the District can select from a wide-range of options to build its six program options. Furthermore, in future years, if it is the District’s interest to make change for reasons such as costs, we can do so. No such flexibility exists for the District in CalPERS. Initially, the Committee will recommend six plan options that are most comparable to the District’s current option.

4. **Additional Benefits and Services** – SISC offers a range of additional benefits and services, some of which are currently available to employees, and some of which are not.

5. **Benefit Renewal Calendar** – SISC’s benefit renewal calendar is October 1 of each year. Rates are released in the spring of each year. This timeline is more suitable to school district employees. Plan determination and open enrollment will occur in the spring of each year allowing employees to make selections prior to the end of the school year.

In summary, SISC is a preferred alternative to CalPERS as it has a large risk pool comprised of school district employees who trend healthier and younger than CalPERS, which are favorable factors in managing costs. SISC also provides greater flexibility than we currently do not have with CalPERS.

SISC Plan Recommendations for SMMUSD for January 1, 2023 – October 1, 2023

Note: The SISC proposal includes proposed premiums for nine (9) months covering the period from January 1, 2023 – October 1, 2023. The 10-Month Premium rates shown below estimate the monthly premium paid for ten (10) months, covering benefits for twelve (12) months. The estimates were calculated by taking the nine (9) month premium rate plus the nine (9) month premium rate increased by 5% for an additional three (3) months. This twelve (12) month total was then divided by ten (10) to estimate the 10-Month Premium rate for a full-year of health benefit coverage.

SISC provides many options for plan designs. As SMMUSD considers changing from CalPERS to SISC, the Committee recommends that the plan designs selected are ones that most closely resemble options that employees had through CalPERS.

Anthem 90%-G PPO Option (Wide Network “Buy-Up Plan”)		<u>10-Month Premium</u>	
Ind/Family Deductible	\$500/\$1,000	Independent	\$959
Ind/Family Out of Pocket Maximum	\$1,000/\$3,000	2-Party	\$1,917
Coverage	90%	Family	\$2,500
Office Visit	\$20		
Pharmacy: Generic, Brand, Specialty	\$5, \$20, \$20		

Most Similar to CalPERS: PERS Platinum (formerly called PERS Care)

Option is available to full-time employees and their families with an employee contribution. Committee recommends employee contribution of \$74, \$154 and \$202 for independent, 2-Part and Family, respectively.

Anthem 80%-G PPO Option (Wide Network)		<u>10-Month Premium</u>	
Ind/Family Deductible	\$500/\$1,000	Independent	\$885
Ind/Family Out of Pocket Maximum	\$2,000/\$4,000	2-Party	\$1,763
Coverage	80%	Family	\$2,299
Office Visit	\$20		
Pharmacy: Generic, Brand, Specialty	\$5, \$20, \$20		

Most Similar to CalPERS: To the plan formerly called PERS Choice

Option is available to full-time employees and their families at no cost to the employee.

Anthem 80%-G PPO Option (Narrow Network)		<u>10-Month Premium</u>	
Ind/Family Deductible	\$500/\$1,000	Independent	\$849
Ind/Family Out of Pocket Maximum	\$2,000/\$4,000	2-Party	\$1,691
Coverage	80%	Family	\$2,205
Office Visit	\$20		
Pharmacy: Generic, Brand, Specialty	\$5, \$20, \$20		

Most Similar to CalPERS: PERS Gold

Option is available to full-time employees and their families at no cost to the employee.

Anthem Full Network HMO (Premier 10/0)

		<u>10-Month Premium</u>	
Deductible	\$0	Independent	\$859
Ind/Family Out of Pocket Maximum	\$1,000/\$2,000	2-Party	\$1,712
Office Visit	\$10	Family	\$2,232
Specialist Visit	\$10		
Inpatient Admit	\$0		
Pharmacy: Generic, Brand, Specialty	\$5, \$20, \$20		

Most Similar to CalPERS: Anthem Traditional and Blue Shield Access Plus HMO

Option is available to full-time employees and their families at no cost to the employee.

Anthem Select Network HMO (Premier 10/0)

		<u>10-Month Premium</u>	
Deductible	\$0	Independent	\$826
Ind/Family Out of Pocket Maximum	\$1,000/\$2,000	2-Party	\$1,643
Office Visit	\$10	Family	\$2,141
Specialist Visit	\$10		
Inpatient Admit	\$0		
Pharmacy: Generic, Brand, Specialty	\$5, \$20, \$20		
Network	Select Network		

Most Similar to CalPERS: Anthem Select HMO and Blue Shield TRIO

Option is available to full-time employees and their families at no cost to the employee.

Kaiser Permanente HMO

		<u>10-Month Premium*</u>	
Deductible	\$0	Independent	\$869
Ind/Family Out of Pocket Maximum	\$1,500/\$3,000	2-Party	\$1,737
Office Visit	\$15	Family	\$2,259
Specialist Visit	\$15		
Inpatient Admit	\$0		
Pharmacy: Generic, Brand, Specialty	\$5, \$20, \$20		
Network	Kaiser Permanente		

Most Similar to CalPERS: Kaiser Permanente HMO

*Kaiser rates are subject to Kaiser's break-in policy, i.e. same as CalPERS 2023 Kaiser rates

Option is available to full-time employees and their families at no cost to the employee.

Average of All Premiums

Individual	\$858
2-Party	\$1,709
Family	\$2,227

Additional Remarks

Changing from CalPERS to SISC **does not result in a loss of providers.** All current providers – physicians, hospitals and facilities – remain available; however, members would no longer have access to these providers through the following carriers: Blue Shield Access and Trio; Health Net Salud y Más and SmartCare, and United Health Care Signature Alliance and Harmony. While the loss of these options will require employees to change to one that is within the District’s SISC options, in general, the membership rates of District employees is less for these providers and no member should lose their current relationship to their existing provider (provided the current provider is currently contracted in network). Furthermore, the availability of these providers is solely within the determination of CalPERS, and as the District has experienced (most recently in 2022), plans are changed or withdrawn by CalPERS with no input from the members.

Final Comments

The Committee recommends that the District join SISC believing that move will result in greater predictability, more options for employees, better levels of care and increased levels of benefits. The Committee believes this recommendation aligns to the Committee’s mission resulting in an overall benefit to the District and its employees.