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October 8, 2024

Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, California 93009

**Subject: Approval of County of Ventura Flexible Benefits Program, and Health Benefits, Rates, and Contract Providers for Plan Year 2025**

## **Recommendations**

It is recommended that your Board:

1. Approve the Plan Year 2025 health plan rates for medical, dental, and vision plans for active County employees and COBRA participants, commencing December 22, 2024, as listed in Exhibit 1.
2. Approve the Plan Year 2025 health plan rates for medical, dental, and vision plans for non-Medicare-eligible retirees, commencing January 1, 2025, as listed in Exhibit 2.
3. Approve the renewal of Blue Shield of California (Blue Shield) for services as the outside carrier for a High-Deductible Health Plan (HDHP)/Preferred Provider Organization (PPO) plan, and two Health Maintenance Organization (HMO) plans for Plan Year 2025.
4. Approve the renewal of the Ventura County Health Care Plan (VCHCP) as a carrier for an HMO plan for Plan Year 2025.
5. Approve the renewal of MetLife Dental as the Dental Preferred Provider Organization (DPPO) for Plan Year 2025.
6. Approve the renewal of EyeMed as the vision carrier for Plan Year 2025.
7. Approve the renewal of HealthEquity as the Health Savings Account (HSA) administrator for Plan Year 2025.
8. Approve the renewal of Chard, Snyder & Associates, Inc. (Chard Snyder) as the Flexible Spending Account (FSA) administrator for Plan Year 2025.
9. Approve the renewal of Connect Your Care as the COBRA and Direct Bill Administrator for Plan Year 2025.

10. Authorize the County Human Resources Director/Labor Relations to sign any necessary Plan Year 2025 agreements or amendments with Blue Shield, VCHCP, MetLife Dental, Eye Med, HealthEquity, Connect Your Care, and Chard Snyder, with the Board-approved rate and benefits changes, upon approval of legal sufficiency by County Counsel.
11. Approve the modification of the new Opt-Out Fee structure, such that, as a component of the rate structure, departments will be charged an amount equal to the lowest applicable Flex Credit Allowance less the opt-out allowance, for each employee group, plus the Employee Health Services fee as determined for Plan Year 2025.

**Strategic Priority:**

The Flexible Benefits Program provides eligible employees a means of choosing various benefits programs on a favorable tax basis in support of the County's Strategic Priority to attract, hire, develop, and retain a diverse workforce empowered to meet the needs of our customers.

**Fiscal/Mandates Impact:**

Mandatory: No

Source of Funding: Flexible Credit Allowance and Employee/Retiree Contributions

Funding Match Required: None

Impact on Other Departments: Minimal

FY 2024-25 Budget Projection for Medical Benefits ISF Fund 1420 Division 1420				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$18,091,580	\$18,091,580	\$18,091,580	\$0
Revenue	\$16,795,328	\$16,795,328	\$16,795,328	\$0
Net Cost	\$1,296,252	\$1,296,252	\$1,296,252	\$0

The expenditures and revenue set forth in the chart above include benefits administration costs and pass-through of Opt-Out funds. Gross medical premiums are payroll-deducted for active employees, pension-deducted for non-Medicare retirees, and all premiums are remitted directly to the carriers. These premiums for both active employees and non-Medicare retirees are estimated at \$48,796,266 for Blue Shield and \$87,313,575 for VCHCP, for total gross medical premiums estimated at \$136,109,841. The Medical Plan Year 2025 rate development included the utilization of available Unrestricted Net Position (UNP) from the Medical Benefits ISF and rate stabilization reserves in the net amount of \$70,239.

The UNP stabilization reserves at the beginning of FY25 are estimated to be \$6 million. These reserves are associated with previous stabilization and Hybrid Subsidy smoothing of the outside plans and will be applied to help mitigate the impact of future renewals for the outside plans.

## **Discussion**

The current Flexible Benefits Program Plan Year expires on December 21, 2024. Internal Revenue Service regulations require that the County hold an annual Flexible Benefits Program Open Enrollment period prior to the beginning of the new Plan Year commencing December 22, 2024. We recommend that your Board approve the health plans and rates for medical, dental, and vision offerings for Plan Year 2025 (December 22, 2024, through December 20, 2025, for active employees; January 1, 2025, through December 31, 2025, for non-Medicare retirees) as listed in Exhibits 1 and 2.

This proposal was reviewed with the Joint Labor-Management Health Care Committee on September 19, 2024. The Committee considered the plan options and rates and raised no objections to our recommendations.

Upon approval, the annual Open Enrollment period will begin on November 1, 2024, and will end on November 30, 2024.

## **Medical Plans**

The County currently offers a choice of four medical plans to its employees and non-Medicare eligible retirees, the most utilized of which is:

- Ventura County Health Care Plan HMO (VCHCP)

VCHCP is a high-value health plan option and the preferred choice for approximately 67% of the eligible workforce.

To better accommodate employees living outside the VCHCP service area and to provide additional flexibility, the County also offers the following three alternative medical plan options:

- Blue Shield Access+ HMO
- Blue Shield Trio ACO HMO
- Blue Shield High Deductible Health Plan (HDHP) PPO

The recommendation for Plan Year 2025 is to continue offering these four medical plans with no plan design changes. Below, we discuss in more detail the premium rate recommendations.

For the 2025 Plan Year, the carrier-quoted premium increases, before adjustments for administrative fees, opt-out offsets, rate stabilization, or reserves, are as follows:

- VCHCP is 8.92%
- Blue Shield Access+ HMO: 3.51%
- Blue Shield Trio ACO HMO: 3.51%
- Blue Shield High Deductible Health Plan (HDHP) PPO: 8.13%

The proposed Blue Shield final rates for active employees have been adjusted to include:

- A 7.00% application if Medical Benefits ISF Unrestricted Net Position (UNP) was applied to the Blue Shield HDHP PPO for both employee-plus-one and employee-plus-family rates. In total, \$433,251 of UNP was used to offset the rate increases resulting from the smoothing adjustments from previous years.
- A rate stabilization fee of 2.00% has been applied to the Blue Shield Trio HMO rates across all tiers. This total amount of rate stabilization raises the Blue Shield rates to offset the reductions below the quoted rate from previous years' stabilization efforts, resulting in a minimal increase across all tiers. The total rate stabilization applied amounts to \$503,490.
- The combined net effect of rate stabilization and UNP application totaled \$70,239, maintaining the relative balance of our reserves to manage potential future rate increases.

Applying UNP reduces premium increases, while applying rate stabilization increases premiums. These adjustments are recommended to help manage employee cost increases and to smooth out rate changes.

#### A. Active Employee Plan Year 2025 Premium Rate Recommendations

We recommend the following premium rates for active employees in Plan Year 2025:

Plan	Coverage Tier	Count	PY 2024 Biweekly Rates	Recommended PY 2025 Rates *	% Change
VCHCP HMO	EE only	1,995	379.07	412.59	8.8%
	EE + 1	857	757.30	824.26	8.8%
	EE + 2 or more	1,435	984.24	1071.26	8.8%
BlueShield Access+ HMO (full HMO network)	EE only	299	439.35	440.66	0.3%
	EE + 1	116	813.05	880.40	8.3%
	EE + 2 or more	186	1056.70	1144.25	8.3%
BlueShield Trio HMO (ACO network)	EE only	731	357.07	344.18	-3.6%
	EE + 1	322	676.92	687.45	1.6%
	EE + 2 or more	500	879.74	893.40	1.6%
BlueShield HDHP PPO	EE only	221	499.96	532.25	6.5%
	EE + 1	75	892.83	984.40	10.3%
	EE + 2 or more	107	1,160.01	1,279.03	10.3%

The proposed Plan Year 2025 health plan bi-weekly rates are also listed in Exhibit 1.

These premiums will be offset for eligible active employees by the County's contribution known as the Flexible Credit Allowance. The Flexible Credit Allowance for each eligible employee is determined by the collective bargaining agreement for represented employees and is subject to periodic negotiations and by the Management Resolution for non-represented employees. The current Plan Year 2025 Flexible Credit Allowance amounts range from a bi-weekly amount of \$502 to \$983. The flexible credit allowance is tiered in a similar manner to the premiums for non-represented employees and for the bargaining units that elected to do so in their collective bargaining agreements.

A 2025 Plan Year survey by the San Francisco Health Service System, covering 10 counties, shows an average premium increase of 9.46% from last year. The surveyed counties include Los Angeles, San Diego, Orange, Riverside, San Bernardino, Santa Clara, Alameda, Sacramento, Contra Costa, and Fresno. CalPERS (non-Medicare) plans saw an average increase of 9.08%, while the overall increase for all plans is 5.9%, and 4.8% for HMO plans. The study suggests that the recommended premium rates for 2025 are generally in line with, or in some cases below, market trends.

Having reviewed the various options, and in collaboration with the County's Joint Labor-Management Health Care Committee, we recommend that your Board approve, for the 2025 Plan Year, the continuation of the Ventura County Health Care Plan and Blue Shield health plan options.

## B. Plan Design Changes

### Medical Plans

It is recommended that the County renew the services of VCHCP with no recommended plan changes in Plan Year 2025.

It is recommended the County renew the services of Blue Shield with no recommended plan design changes in Plan Year 2025.

### Dental Plan

It is recommended that the County renew the services of MetLife as the dental preferred provider organization (DPPO) carrier for Plan Year 2025. There will be a 5.0% increase in the current rates. There will be no changes to the plan design. The proposed Plan Year 2025 dental plan bi-weekly rates are listed in Exhibit 1.

### Vision Plan

It is recommended that the County renew the services of EyeMed as the vision insurance carrier for Plan Year 2025 with no changes to the current rates or plan design. The proposed Plan Year 2025 vision plan bi-weekly rates are listed in Exhibit 1.

#### Flexible Spending Accounts

It is recommended that the County renew the services of Chard Snyder as the FSA administrator for Plan Year 2025. All plan costs are paid by the employees.

#### Health Savings Accounts

It is recommended that the County renew the services of HealthEquity as the HSA administrator for Plan Year 2025. Only employees who are enrolled in the Blue Shield HDHP/PPO plan are eligible for an HSA, and all plan costs are paid by the employees.

#### COBRA Administration

It is recommended that the County renew the services of Connect Your Care as the COBRA and Direct Bill administrator for Plan Year 2025. All plan costs are paid by the employees.

#### Medical Plan Opt-Out Offset

Since 1992, County employees have had the option to decline medical coverage ("Opting Out") without losing participation in the Flexible Benefits Program. To avoid higher premiums for individuals enrolled in County-sponsored medical plans caused by adverse selection, employees who opt out were required to pay an opt-out fee, deducted from the Flexible Credit Allowance provided for purchasing medical benefits.

Starting in 1994, funds collected from the Opt-Out option have been used to offset carrier premiums for participants in County-sponsored medical plans and to support various County services, including Benefits Administration, the Employee Assistance Program, the Wellness Program, and the WorkLife Program. Currently, 1,359 employees have opted out of medical plan coverage due to having alternative group medical coverage, such as through a spouse's employer.

In July 2023, a new Opt-Out structure was implemented. Under the "Medical Plan Opt-Out Option," employees who opt out of health coverage no longer receive a Flexible Credit Allowance or are charged an opt-out fee. Instead, they receive an opt-out allowance that can be used to purchase non-medical benefits offered under the Flexible Benefits Program or taken as taxable compensation. The opt-out allowance varies by bargaining unit and is approximately the difference between the previous opt-out fee and the applicable flex credit amount.

With the modification to the opt-out methodology, the opt-out subsidy will continue to be allocated to the Medical Benefits' budget by charging departments an amount equal to the lowest flex credit level, minus the opt-out allowance, as determined for each employee group. This fee will vary by bargaining unit and non-represented employees due to differences in negotiated flex credit allowances. The opt-out rate for PY 2025 has been

developed by employee group, resulting in a total healthcare premium subsidy of \$7,956,264, or an average of \$48.50 applied across all medical premiums.

During the development of the modification to the opt-out methodology, the Employee Health Services (EHS) fee was unintentionally excluded from the amount being charged to departments. A correction is needed to begin collecting this fee starting in PY 2025. The EHS fee will be approximately \$220,000 for PY 2025 and will be remitted to Ambulatory Care.

Since the opt-out allowance calculation has and will be defined through the negotiation process and by approval of your Board, it is recommended that Board approval of the PY 2025 plan rates include any subsequently negotiated changes to the flex credit and opt-out allowance amounts, along with the EHS fee, throughout the plan year.

#### VCPFA and VCDSA

Represented members of VCPFA enrolled in a VCPFA-sponsored option are ineligible to elect a County-sponsored medical plan. A VCPFA employee who becomes newly-eligible to participate in the Flexible Benefits Program is only eligible to enroll in a VCPFA-sponsored medical plan and will continue to be eligible for County-sponsored dental and vision plans and FSAs. However, VCPFA will receive the Opt-Out offset, less the cost for County administrative services, in an amount proportionate to the members who opt out of the VCPFA plans. Based on the current VCPFA member Opt-Out counts, Opt-Out rate offsets have been applied to the 2025 medical plan rates in the amount of \$49.87 per bi-week.

VCDSA-represented members may choose a VCDSA-sponsored option and continue to be eligible for County-sponsored dental and vision plans and FSAs. The VCDSA will also receive the Opt-Out offset, less the cost for County administrative services, in an amount proportionate to the members who opt out of the VCDSA plan. Based on the current VCDSA member Opt-Out counts, Opt-Out rate offsets have been applied to the 2025 medical plan rates in the amount of \$43.14 per bi-week.

#### Retiree Medical, Dental, and Vision Plan Rates

Non-Medicare-eligible retirees may participate in the same medical plans as active employees with the same benefits. It is therefore our recommendation that the County offer the same four medical plans that are being recommended for active employees to non-Medicare-eligible retirees.

There are currently 273 non-Medicare-eligible retirees participating, in addition to eligible dependents.

It is also recommended that the County administrative fees for non-Medicare-eligible retirees be set at \$21.50 per month for medical and \$2.50 per month for dental. It is

anticipated that these fees for current participants will generate approximately \$108,384 of revenue to cover the projected County administrative cost.

See Exhibit 2 for proposed rates for non-Medicare retiree health plans for Plan Year 2025.

Medicare-eligible retirees will continue to have a large selection of Medicare plans to choose from through the Aon Retiree Health Exchange.

#### Subsidized Retiree Health Benefits Program

The County allows eligible employees who retire from the County to purchase and participate in County-sponsored Retiree Health Plan offerings. For non-Medicare plans, the retiree pays actuarial-tier premiums, and these actuarial-tier rates are developed by blending actives and retirees' costs. Since retirees generally cost more than actives, the premium paid by the retirees is less than the "true cost" of coverage for retirees. This implicit subsidy is considered an obligation under the Governmental Accounting Standard Board requirements.

The County has made no commitments to maintain this program, and retirees' participation in the program is approved on a year-to-year basis by your Board. As such, it is the opinion of County Counsel that the Retiree Health Benefits are not vested and may be modified or eliminated at any time.

#### Authorization to Sign Agreements

It is also proposed that your Board authorize the County Human Resources Director/Labor Relations to sign the necessary Plan Year 2025 agreements or amendments with Blue Shield, VCHCP, MetLife Dental, Eye Med, HealthEquity, Connect Your Care, and Chard Snyder, upon County Counsel's approval of legal sufficiency.

#### Summary

Exhibit 1 lists the proposed rates for active County employees and federal COBRA rates for all County-sponsored health plans. Exhibit 2 lists the proposed rates for non-Medicare County retirees for all County-sponsored health plans. The proposed rate renewals submitted to the County from the various outside providers were facilitated by Aon, the County's broker of record. Aon is compensated and directly paid by the outside providers, and these commissions are calculated as part of the total health premiums (medical, dental, vision).

As a result of your Board's leadership and concern for County employees, retirees, and their families, reasonably priced full-family health plan choices and coverage will continue to be available to maintain health and provide protection from catastrophic financial losses associated with the lack of adequate health insurance.



The County Executive Office, County Counsel, and the Auditor-Controller's Office have reviewed this letter.

If you have any questions regarding this item, please contact me at (805) 654-2561, or Patti Dowdy, Employee Benefits Manager, at (805) 648-9218.

Respectfully submitted,



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Sevet Johnson, PsyD

County Executive Officer

c: Jeffery S. Burgh, Auditor-Controller  
Tiffany N. North, County Counsel  
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Attachments:

- Exhibit 1 Plan Year 2025 Health Plan Rates - Active County Employee and COBRA Rates
- Exhibit 2 Plan Year 2025 Health Plan Rates – Non-Medicare Retiree and COBRA Retiree Rates