

## Analysis of Health and Welfare Benefits

May 13, 2020

District health and welfare contributions for CSEA 262, CSEA 651 and Faculty were negotiated upward in 2018-19, with a focus on significantly reducing the out of pocket costs for members, particularly members with families. The chart below reflects the transition in the District contribution amounts for health and welfare benefits based on a plan year. A plan year is January 1 to December 30.

<b>CSEA 262</b>	<b>Jan 1 2019</b>	<b>Jan 1 2020</b>
<b>Single Party</b>	10,946	10,946
<b>2 Party</b>	12,341	17,296
<b>3 Party Plus</b>	14,905	22,216
<b>CSEA 651</b>	<b>Jan 1 2019</b>	<b>Jan 1 2020</b>
<b>Single Party</b>	12,608	12,608
<b>2 Party</b>	12,608	17,296
<b>3 Party Plus</b>	12,608	22,216
<b>Faculty</b>	<b>Jan 1 2019</b>	<b>Jan 1 2020</b>
<b>Single Party</b>	12,159	12,159
<b>2 Party</b>	12,159	14,593
<b>3 Party Plus</b>	12,159	16,119

As part of the negotiation process, both CSEA groups transitioned from CalPERS as broker for health plans to Self-Insured Schools of California (SISC) and are phasing out cash in lieu and cashback payments. For ongoing salary, the CSEA groups negotiated COLA (2.71%) plus an additional 1.29% for transitioning to SISC as part of the 2018-19 negotiations. The faculty group negotiated COLA (2.71 %), and the equivalent of 1.29% was applied toward faculty health benefits on an ongoing basis. The Faculty did not choose to transition to SISC.

Moving to SISC has long term benefits for both CSEA groups and the District.

The CSEA members can now select a Kaiser family plan with no out of pocket costs for premiums. SISC has a demonstrated history of minimizing the impact of inflation while helping to ensure the District can continue to support the promise.

The chart below shows historical increases for SISC and CalPERS Kaiser plans.

<b>Kaiser</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
<b>SISC</b>	5.5%	9.6%	0.8%	2.8%	3.9%	4.0%	6.1%	<b>4.7%</b>
<b>CalPERS</b>	7.3%	7.9%	7.8%	-3.8%	4.3%	5.5%	12.0%	<b>5.9%</b>

Assuming that the District Contribution increases at rates of 4.7% and 5.9% paralleling SISC and CalPERS Kaiser plan rate increases for a 2-party plan respectively, the difference in cost looking out ten years is significant.

<b>District Contribution</b>	<b>0 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>4.7% escalation</b>	17,296	21,761	27,379
<b>5.9% escalation</b>	17,296	23,037	30,684
<b>Difference</b>	-	1,276	3,305

In ten years, the projected difference in cost is \$3,305 per member. If you assume 573 benefited CSEA employees, the total difference in the 10th year is approximately \$1.9 million. Over those ten years, the accumulated cost difference for 573 CSEA members would be roughly \$9 million. While this model does not account for the exact variability of the cost escalation over the ten year period, it does provide a good representation of the value SISC brings to the table if they continue to outperform CalPERS similarly. Note that SISC exclusively covers employees of K=12 and community college districts while CalPERS eligible employees are those of all California state and local government agencies.

SISC is a Joint Powers Authority with a board made up of public school members elected by member Districts. This ensures that the interest of those school Districts is reflected in rates and services, so Mt. SAC is optimistic that this JPA will continue to perform well compared to CalPERS. Keeping the cost escalation down makes the commitment to providing a District contribution at least equivalent to a Kaiser health plan more viable and is a primary reason that the District was willing to incentivize moving employees to SISC.

Below are the cashback payments based on actual expenditures for the three groups in the 2018-19 fiscal year.

<b>Employee Groups</b>	<b>Cash Back</b>
CSEA 262	430,985
CSEA 651	166,487
Faculty	491,601
<b>Total</b>	<b>1,089,073</b>

CSEA members are transitioning away from paying out cashback to their members with low-cost plans. This will help reduce the impact of increasing the District contribution.

The examples below demonstrate the cost impact related to increasing the District contribution for health and wellness plans for CSEA 262, CSEA 651, and Faculty. These examples are based on keeping plan selections to fixed times, understanding that they vary throughout the year. Additionally, these projections do not include additional dollars for vacancies thus will trend below future budgeted amounts.

<b>CSEA 262</b>	<b>Plan Selection January 1, 2019 to December 30, 2019</b>	<b>Contribution January 1, 2019 to December 30, 2019</b>	<b>Plan Year January 1, 2019 to December 30, 2019</b>
Opt-Out	104.150	7,141	743,735
Single Party	227.620	10,946	2,491,529
2 Party	39.620	12,341	488,950
3 Party Plus	62.220	14,905	927,389
Health Savings*	108.000	500	54,000
<b>Subtotal</b>	<b>541.610</b>		<b>4,705,603</b>

\* Head count

<b>CSEA 262</b>	<b>Plan Selection January 1, 2019 to December 30, 2019</b>	<b>Contribution January 1, 2019 to December 30, 2019</b>	<b>Plan Year January 1, 2019 to December 30, 2019</b>
Opt-Out	96.320	7,141	687,821
Single Party	191.420	10,946	2,095,283
2 Party	57.650	17,296	997,114
3 Party Plus	88.220	22,216	1,959,896
Health Savings*	108.000	1,200	129,600
<b>Subtotal</b>	<b>541.610</b>		<b>5,869,714</b>

**Difference 1,164,111**

\* Head count

<b>CSEA 651</b>	<b>Plan Selection January 1, 2019 to December 30, 2019</b>	<b>Maximum District Contribution January 1, 2019 to December 30, 2019</b>	<b>Estimated H&amp;W Contribution Plan Year January 1, 2019 to December 30, 2019</b>
Opt-Out	14.000	7,973	111,622
Single Party	43.000	12,608	542,144
2 Party	19.000	12,608	239,552
3 Party Plus	17.000	12,608	214,336
<b>Subtotal</b>	<b>93.000</b>		<b>1,107,654</b>

<b>CSEA 651</b>	<b>Plan Selection January 1, 2019 to December 30, 2020</b>	<b>Maximum District Contribution January 1, 2019 to December 30, 2020</b>	<b>Estimated H&amp;W Contribution Plan Year January 1, 2019 to December 30, 2020</b>
Opt-Out	12.000	7,973	95,676
Single Party	35.000	12,608	441,280
2 Party	20.000	17,296	345,920
3 Party Plus	26.000	22,216	577,616
<b>Subtotal</b>	<b>93.000</b>		<b>1,460,492</b>
		<b>Difference</b>	<b>352,838</b>

The increased costs are a good investment ensuring members with families now have the opportunity to obtain excellent medical benefits and making Mt. SAC more competitive when hiring and retaining employees. CSEA 262 and CSEA 651 recognized the value of going with SISC. Moving away from cashback and keeping inflation under control helps both CSEA 262, 651, and the District in achieving this benefit level. These factors were the major interests of

the District offering, through negotiations, a premium contribution at a level that covers at a minimum the full cost of a Kaiser family plan premium.

<b>Faculty</b>	<b>Plan Selection January 1, 2019 to December 30, 2019</b>	<b>Maximum District Contribution January 1, 2019 to December 30, 2019</b>	<b>Estimated H&amp;W Contribution Plan Year January 1, 2019 to December 30, 2019</b>
Opt-Out	96.000	7,814	750,144
Single Party	166.000	12,159	2,018,394
2 Party	91.000	12,159	1,106,469
3 Party Plus	104.000	12,159	1,264,536
P/T Pool			250,000
<b>Subtotal</b>	<b>457.000</b>		<b>5,389,543</b>

<b>Faculty</b>	<b>Plan Selection January 1, 2020 to December 30, 2020</b>	<b>Maximum District Contribution January 1, 2020 to December 30, 2020</b>	<b>Estimated H&amp;W Contribution Plan Year January 1, 2020 to December 30, 2020</b>
Opt-Out	82.000	7,814	640,748
Single Party	175.000	12,159	2,127,825
2 Party	91.000	14,593	1,327,963
3 Party Plus	109.000	16,119	1,756,971
P/T Pool			809,135
<b>Subtotal</b>	<b>457.000</b>		<b>6,662,642</b>

**Difference                      1,273,099**

The Faculty Association and the District did negotiate increases in the District contribution such that family members and part-time faculty saw significant improvement. One of the major interests of the Faculty Association in these negotiations was to remain with CalPERS as the broker for health coverage...

Additionally, THz Faculty Association was concerned that the District's desire to move to SISC was so that lifetime health benefits could be eliminated. There was and continues to be not

only no interest in such a change but never even a mention of such a change. In fact, the Faculty Association contract clearly outlines the lifetime benefits guarantee. The Faculty Association is focused on maintaining a District contribution for retirees that is no less than provided by Public Employees' Medical and Hospital Care Act (PEMCHA) minimum with a third-party health and welfare administrator. This is a minimum employer contribution required to participate in CalPERS health plans. In 2020 this minimum is \$139 per year. The District was willing to incorporate contract language that would maintain compliance with PEMCHA regulations, and SISC agreed to administer faculty benefits in accordance with the regulations. The Faculty was unwilling and still feel they must be with CalPERS to maintain the minimum PEMCHA retiree medical benefit amount.