

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

RESOLUTION NO. 08-06-____
OFFICIAL COMMISSION MEETING
JUNE 5, 2008

SECOND: _____

RE: AUTHORIZATION FOR THE EXECUTIVE DIRECTOR TO RENEW CONTRACTS WITH AETNA, KAISER PERMANENTE, AND THE DELTA DENTAL PLAN OF VIRGINIA TO PROVIDE GROUP MEDICAL AND DENTAL INSURANCE TO PRTC/VRE EMPLOYEES

WHEREAS, medical insurance for PRTC/VRE employees has been provided through Aetna and Kaiser Permanente and supplemental dental insurance has been provided through the Delta Dental Plan of Virginia; and

WHEREAS, PRTC received renewal rates for group medical and dental insurance coverage with an effective date of July 1, 2008; and

WHEREAS, PRTC received renewals from Kaiser Permanente and Delta Dental Plan of Virginia with no plan design changes and received notification from Aetna that the existing HMO and POS plans are being eliminated, such that renewal quotes are for "conversion plans" featuring plan design changes; and

WHEREAS, management has evaluated the renewal offerings and recommends renewing contracts with Kaiser Permanente and the Delta Dental Plan of Virginia and with Aetna for the proposed conversion plans plus one additional HMO offering, for group medical and dental insurance coverage effective July 1, 2008.

NOW, THEREFORE, BE IT RESOLVED that the Potomac and Rappahannock Transportation Commission does hereby authorize the Executive Director to renew contracts with Aetna, Kaiser Permanente, and the Delta Dental Plan of Virginia for group medical and dental insurance for PRTC/VRE employees with coverage effective July 1, 2008.

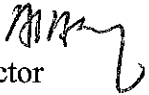


Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

June 5, 2008

TO: Chairman Jones and Commissioners

FROM: Alfred H. Harf 
Executive Director

RE: Authorization for the Executive Director to Renew Contracts with Aetna, Kaiser Permanente and the Delta Dental Plan of Virginia to Provide Group Medical and Dental Insurance to PRTC/VRE Employees

Recommendation:

Authorize the Executive Director to renew contracts with Aetna, Kaiser Permanente, and the Delta Dental Plan of Virginia to provide group medical and dental insurance to PRTC/VRE employees with an effective date of July 1, 2008.

Background:

Medical insurance for PRTC/VRE employees has been provided by Aetna and Kaiser Permanente and supplemental dental insurance by the Delta Dental Plan of Virginia for the past number of years. Currently PRTC offers a dual carrier choice through Aetna and Kaiser accommodating all employees in Virginia, Maryland, and the D.C. area. Both HMO and POS options are available under the Aetna plan, and an HMO plan is available under Kaiser.

PRTC last issued a competitive procurement in spring 2007 for these services, after which management concluded and the Board concurred that Kaiser and Aetna should be retained for FY 2008. Based on the disappointing experience of the last competitive procurement, management concluded and the Board concurred that Kaiser and Aetna should be retained in FY 2009 as well, so PRTC simply awaited its renewal rates for July 1, 2008 and received them in April. Kaiser's premiums increased 2% and Delta Dental's premiums increased 5%, with no plan design changes. However, Aetna sent a letter a few weeks before renewal rates were received, informing PRTC that it would be eliminating the existing plans (Liberty HMO and Liberty Flex POS) for PRTC/VRE as well as for all other small group employers in Virginia, effective July 1, 2008, having gotten approval to do so from the Commonwealth's Department of Insurance. Aetna's letter went on to say that affected small group employers would be at

Chairman Jones and PRTC Commissioners

June 5, 2008

Page 2

liberty to move to so-called "renewal conversion" plans that bear the closest resemblance to the eliminated plans among Aetna's plan offerings, or choose lower cost, lower benefit plans also being offered by Aetna.

The "renewal conversion" HMO and POS plans proposed by Aetna have differences in plan design from the current plans that translate into more out-of-pocket expenses for the employee. In addition, the premiums quoted for the "renewal conversion" plans are approximately 27-28% higher than the FY 2008 premiums.

PRTC, with the assistance of Wachovia Insurance Services, reviewed the many alternative plans that Aetna is now offering for small groups. Based on that review, management decided to recommend that PRTC offer the two "renewal conversion" plans (termed by Aetna the "HMO and POS no referral 1.3" plans) and one other Aetna HMO plan (termed by Aetna the "no referral 3.3 plan"). The HMO 3.3 plan features lower premiums than the HMO 1.3 plan, but exposes employees to higher out-of-pocket costs for actual medical services received. For example, under the Aetna HMO 1.3 plan, there is a \$10 copay for physician office visit and \$20 co-pay for specialist office visit compared to \$20 and \$40, respectively, for the HMO 3.3 plan. Under the HMO 1.3 plan, there is a \$250 co-pay per admission for in-patient hospitalization, while under the HMO 3.3 plan there is a \$250 co-pay per day for the first five days of in-patient hospitalization.

For the purpose of recommending an employer: employee cost-sharing arrangement, PRTC management retained the methodology adopted in FY 2008 in which specified percentages are applied to a mid-priced plan to establish the employer participation rate in absolute dollar terms, and the resultant absolute dollar employer participation rate then becomes the absolute dollar employer participation amount for lesser cost and greater cost plan options. For FY 2009, PRTC management is recommending the following rates for the mid-priced plan (i.e., the Aetna HMO no referral 1.3 plan) that is part of this overall recommendation: 94% for Single coverage, 80% for Spouse and Child(ren) coverage and 74% for Family coverage. The resulting amount in absolute dollar terms is also the employer participation amount proposed for the other plan options (Kaiser HMO, Aetna POS 1.3, and Aetna HMO 3.3), meaning that all employees in a particular class (e.g., Single coverage) are treated equitably and employees have the choice to opt for a higher cost plan with more benefits provided that he/she is willing to bear a higher premium cost. By using this approach, employees who opt for the Kaiser option bear no out-of-pocket cost for premiums -- PRTC pays 100%. PRTC also pays 100% of the premium for employee only coverage for the Aetna HMO 3.3 option.

Chairman Jones and PRTC Commissioners
June 5, 2008
Page 3

For dental insurance, the employer participation will remain at 50%.

Attached is a summary comparison of the plan designs of the Aetna, Kaiser, and Delta Dental medical and dental plan renewals as well as the employer/employee share of the premiums.

Fiscal Impact:

Comparing FY 2008 and FY2009, the Kaiser HMO premiums increase by 2% and Delta Dental's premiums by 5%. The premiums for the Aetna HMO and POS 1.3 renewal conversion plans that most closely resemble the plans being eliminated are 27 – 28% higher than the FY08 premiums. The premiums for the Aetna HMO 3.3 plan are substantially lower than the FY08 premiums, but with a resultant reduction in coverage. The employer share for these premiums is within the dollar limits established for this line item in the FY 2009 budget.

Attachments: As stated

RATE/COST SUMMARY		Enrollment		7/1/2007	7/1/2008
Coverage		Aetna POS	Aetna HMO	Kaiser HMO \$10	Kaiser HMO \$10
Employee		4	13	23	
Employee + One Child/Ch		1	5	0	\$366.88
Employee + Children				3	\$686.03
Employee + Spouse			5	6	\$686.03
Employee Family		1	2	5	\$770.41
Monthly Total		6	25	37	\$1,071.25
Annual Total					\$20,475
Annual % Difference from Current					\$245,700
Annual \$ Difference from Current					2%
BENEFIT SUMMARY		Enrollment		Kaiser	Kaiser
Coverage		Enrollment		Current	Renewal
IN NETWORK		Enrollment		Copay \$10/\$10	Rx:\$10/\$20/Mail Order \$8
Referrals Required?			Yes	Yes	Yes
Calendar Year Deductible (Ind/Fam)			None	None	None
Coinsurance (for most non-copay services)			None	None	None
CY OOP Maximum (Ind/Fam)			Not applicable	Not applicable	Not applicable
IP Hospital			\$0 / Admission	\$0 / Admission	\$0 / Admission
Routine/Preventive Coverage			Covered at 100%	Covered at 100%	Covered at 100%
Physician Office Visit			\$10	\$10	\$10
Specialist Office Visit			\$10	\$10	\$10
Lab and X-Ray			Covered at 100%	Covered at 100%	Covered at 100%
Specialty Imaging			Covered at 100%	Covered at 100%	Covered at 100%
OP Surgery			\$10	\$10	\$10
OP Emergency Room (waived if admitted)			\$50 copay	\$50 copay	\$50 copay
OP Urgent Care			\$10	\$10	\$10
Maternity			Covered at 100%	Covered at 100%	Covered at 100%
Chiropractic Care			Not Covered	Not Covered	Not Covered
Vision			Discounts Available	Discounts Available	Discounts Available
In Patient Mental Health/Substance Abuse			\$0/Admit, Unlimited	\$0/Admit, Unlimited	\$0/Admit, Unlimited
Out Patient Mental Health/Substance Abuse			\$10, Unlimited	\$10, Unlimited	\$10, Unlimited
Prescriptions			\$10 @ Kaiser Pharm.	\$10 @ Kaiser Pharm.	\$10 @ Kaiser Pharm.
Tier 1/Tier 2/Tier 3			\$20 @ Community Pharm.	\$20 @ Community Pharm.	\$20 @ Community Pharm.
Mail Order			\$8/60 day supply	\$8/60 day supply	\$8/60 day supply
OUT OF NETWORK (Whenever a member uses a non-participating provider, he/she is exposed to additional costs through "balance billing".)					
Deductible (Ind/Fam):					
Coinsurance:					
OOPMax (Ind/Fam):					
					Emer. Only

PRTC / VRE

Delta Dental 2008 Renewal

RATE/COST SUMMARY		7/1/2007	7/1/2008
		Delta Dental Current	Delta Dental Renewal
Census			
Employee	32	\$33.53	\$35.31
Employee + One Child	6	\$70.41	\$74.14
Employee + Children	0	\$70.41	\$74.14
Employee + Spouse	15	\$67.05	\$70.60
Employee Family	10	\$101.63	\$107.02
Monthly Total	63	\$3,517	\$3,704
Annual Total		\$42,210	\$44,448
Administration Fee/Billing Period		\$0.00	\$0.00
Annual % Difference from Current		7%	5%
Annual \$ Difference from Current		\$2,577.00	\$2,237.88
Rate Guarantee			1 Year
BENEFIT SUMMARY			
IN NETWORK			
Eligibility		Delta Preferred	
Participation Requirements		Full Time EE, 25 H/W	
Dependent Age Limit		100%	
Waiting Periods?		19/23	
CY Deductible (Individual/Family)		None	
CY Maximum Benefit		25/75	
Diagnostic & Preventive		\$1,250	
		Preferred: 100%	
		Premier: 100%	
		Oral Exams, X-rays, Cleanings, Space Maintainers, Florida, Biopsies, Toothache/ER	
Basic		Preferred: 90%/10%	
		Premier: 80%/20%	
		Fillings, Extractions, Perio/Endo, Oral Surgery, Repair (Dentures, Crowns, Bridges)	
Major		Preferred: 60%/40%	
		Premier: 50%/50%	
		Crowns, Bridges Onlays, Dentures	
Perio and Endo		Covered in Basic	
Orthodontia		NA	
Life Time Ortho Maximum		N/A	
OUT OF NETWORK (Whenever a member uses a non-participating provider, he/she is exposed to additional expenses due to "balance billing".)			
Diagnostic & Preventive:		100%	
Basic:		80%	
Major:		50%	

FY09 (7/1/08 - 6/30/09) Monthly and Biweekly Health Insurance Rates

	<u>PRTC Pays Monthly</u>	<u>Employee Pays</u>	<u>Total Monthly Premium</u>
Kaiser HMO			
Employee	\$366.88	\$0.00	\$366.88
Employee/Spouse	\$770.41	\$0.00	\$770.41
Employee/Child(ren)	\$686.03	\$0.00	\$686.03
Family	\$1,017.25	\$0.00	\$1,017.25
Aetna HMO No Referral 1.3			
Employee	\$591.26	\$37.74/mo.(\$18.87 bi-weekly)	\$629.00
Employee/Spouse	\$1,055.20	\$263.80/mo.(\$131.90 bi-weekly)	\$1,319.00
Employee/Child(ren)	\$789.60	\$197.40/mo.(\$98.70 bi-weekly)	\$987.00
Family	\$1,228.40	\$431.60/mo.(\$215.80 bi-weekly)	\$1,660.00
Aetna POS No Referral 1.3			
Employee	\$591.26	\$80.74/mo.(\$40.37 bi-weekly)	\$672.00
Employee/Spouse	\$1,055.20	\$355.80/mo.(\$177.90 bi-weekly)	\$1,411.00
Employee/Child(ren)	\$789.60	\$264.40/mo.(\$132.20 bi-weekly)	\$1,054.00
Family	\$1,228.40	\$546.60/mo.(\$273.30 bi-weekly)	\$1,775.00
Aetna HMO No Referral 3.3			
Employee	\$569.00	\$0.00	\$569.00
Employee/Spouse	\$1,055.20	\$138.80/mo.(\$69.40 bi-weekly)	\$1,194.00
Employee/Child(ren)	\$789.60	\$103.40/mo.(\$51.70 bi-weekly)	\$893.00
Family	\$1,228.40	\$273.60/mo.(\$136.80 bi-weekly)	\$1,502.00
Delta Dental			
Employee	\$17.65	\$17.66/mo.(\$8.83 bi-weekly)	\$35.31
Employee/Spouse	\$35.30	\$35.30/mo.(\$17.65 bi-weekly)	\$70.60
Employee/Child(ren)	\$37.06	\$37.08/mo.(\$18.54 bi-weekly)	\$74.14
Family	\$53.50	\$53.52/mo.(\$26.76 bi-weekly)	\$107.02