

MEMORANDUM

November 25, 2009

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director 

SUBJECT: Equity in County Employee Group Insurance Plans (*continued*)

Montgomery County Government offers two group insurance plans for its employees. Most employees may enroll in the **Choice Plan**. Non-represented employees hired since October 1, 1994, about 11 percent of the total,<sup>1</sup> may enroll only in the **Select Plan**, which costs employees (especially part-time employees) more and provides less life insurance coverage. **The question is whether this disparity should persist – that is, whether, as a matter of equity, all County employees should be eligible for the same package of group insurance benefits at the same price.**

The Committee's first discussion of this matter was on September 29. **For important background information, see the Committee packet on ©A-12.** Ms. Ervin and Ms. Navarro expressed support for the principle of enabling all County employees, fiscal conditions permitting, to have access to the same package of group insurance options at the same price. Ms. Trachtenberg requested the views of MCGEO/UFCW Local 1994 President Renne on this and related group insurance issues and asked that the Committee return to this matter before year's end.

In an October 23 discussion, Mr. Renne made the following points. First, the ability of employees represented by MCGEO to participate in the Choice Plan is the result of collective bargaining going back to 1994, when the Select Plan for non-represented employees began. Second, in principle, MCGEO would not oppose equitable access to group insurance for all employees. Third, given current budget pressures, any available resources at this time should be focused on collective bargaining that is now underway rather than on changes in the Select Plan.

The September 29 Committee packet states on ©D: *"If the Committee agrees that – fiscal conditions permitting – the County should give high priority to uniform treatment of employees by enabling all employees to enroll in the Choice Plan, we will draft a resolution to this effect for the Committee's review and the Council's consideration. While such a resolution would of course not be binding on the Council and Executive who will be elected in November 2010, it would represent a clear statement of principle and would place this issue visibly on their radar screen."* **A draft resolution for the Committee's review is on ©13-15.**

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<sup>1</sup> As of September 1, 2009, 8,356 County employees were eligible for the Choice Plan; 1,062 were eligible for the Select Plan. Both plans offer medical, dental, prescription drug, life insurance, and long-term disability options. Employee participation rates in these options vary, as the tables on ©1-2 show.

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SUBJECT: Equity in County Employee Group Insurance Plans

Montgomery County Government offers two group insurance plans for its employees. Most employees may enroll in the **Choice Plan**. Non-represented employees hired since October 1, 1994, about 11 percent of the total,<sup>1</sup> may enroll only in the **Select Plan**, which costs employees (especially part-time employees) more and provides less life insurance coverage. **The question is whether this disparity should persist – that is, whether, as a matter of equity, all County employees should be eligible for the same package of group insurance benefits at the same price.**

**Background**

The ongoing national debate on health care has highlighted serious problems of cost and coverage experienced by millions of Americans. By comparison, employees of Montgomery County – as well as MCPS, Montgomery College, M-NCPPC, and WSSC – are very fortunate. The County has historically provided excellent health benefits. Compared to the most popular option in the federal employees' plan, which is often held up as a model, the County provides a larger share of the premium and better coverage of medical, prescription drug, dental, and vision costs.<sup>2</sup> This is true of both the Choice Plan and the Select Plan.

The County's authority to provide employee group insurance comes from §20-37(b) of the County Code. Specific plan details come from the County's Plan Document. Until 1994 the Plan Document included only the Choice Plan. In 1994, when the County was still reeling from the deep recession of the early 1990s, the Council and Executive concluded that in addition to salary restrictions,<sup>3</sup> County benefits had to be restructured.

<sup>1</sup> As of September 1, 2009, 8,356 County employees were eligible for the Choice Plan; 1,062 were eligible for the Select Plan. Both plans offer medical, dental, prescription drug, life insurance, and long-term disability options. Employee participation rates in these options vary, as the tables on ©1-2 show.

<sup>2</sup> For a comparison of key features of the most popular County and federal options, see the tables on ©7-9 prepared by Aon Consulting.

<sup>3</sup> There were no general wage adjustments (COLAs) for general government employees for three consecutive fiscal years, FY92-94.

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To restructure **retirement benefits**, the County established a defined contribution plan (the Retirement Savings Plan) in place of the traditional defined benefit plan (the Employees' Retirement System) for non-public safety employees hired since October 1, 1994. To restructure **group insurance benefits**, the County established the Select Plan for new employees.<sup>4</sup> **While the new RSP covered both employees represented by MCGEO and non-represented employees, the new Select Plan covered only non-represented employees.** New employees represented by MCGEO, like all other represented employees, remain in the Choice Plan.

### Plan Differences and Costs

Full-time employees in the Select Plan pay more because the County's share of their premium is smaller – 76 percent v. 80 percent in the Choice Plan. Select Plan members also receive less life insurance coverage – 1 x salary v. 2 x salary (with a ceiling of \$200,000). The largest impact is felt by part-time employees in the Select Plan, for whom – unlike employees in the Choice Plan – the County's share of the premium drops sharply:

County Share	
<b>30 to 39 hours per week</b>	<b>57 percent</b>
<b>20 to 29 hours per week</b>	<b>38 percent</b>
<b>10 to 19 hours per week</b>	<b>19 percent</b>

To illustrate the impact of this difference, part-time employees in the Select Plan who chose the most extensive coverage options for 2009, compared to part-time employees in the Choice Plan, would pay at least \$4,000 more per year if they work 30-39 hours per week and at least \$8,000 more per year if they work 20-29 hours per week.

The tables on ©1-6, prepared by the Office of Human Resources, provide detailed cost and enrollment data for Select and Choice Plan options in calendar 2009. These data offer useful information on which specific components of the two Plans employees have chosen to use.

**With respect to cost, the data on ©1 indicate that if current Select Plan participants were enrolled instead in the Choice Plan, the additional County cost related to the higher County premium share would be \$511,193. The data on ©2 also indicate that if current Choice Plan participants were enrolled instead in the Select Plan, the County savings related to the lower County premium share would be \$3,752,918.**

Enrolling Select Plan participants in the Choice Plan would incur two additional costs. OHR estimates the annual cost of providing life insurance at 2 x salary instead of 1 x salary at **\$200,000**. OHR estimates the cost of paying the Choice Plan's 80 percent premium share for part-time employees now enrolled in the Select Plan – currently 75 – at **\$115,000**.<sup>5</sup>

<sup>4</sup> The Select Plan began as a flexible benefits plan designed to save 5 percent in the County share and pro-rate the County share for part-time employees. In 1999 the Plan was revised to its present form with the same fiscal goal.

<sup>5</sup> Of the 75 part-time employees, 35 currently have not enrolled in medical coverage. Some of them might enroll if the County's premium share rose to 80 percent.



In sum, using OHR's figures, the **total cost in calendar 2009 to enroll Select Plan participants in the Choice Plan would have been about \$826,000.**<sup>6</sup> The cost in future years could be higher depending on changes in health care costs and on changes in the enrollment rates and option choices of Select Plan participants.

**This \$826,000 cost is about one percent of the current \$84.8 million expenditure for the Choice and Select Plans combined. The amount is significant, but it should be weighed against the disproportionate burden now borne by the 11 percent of the County workforce that is not eligible for the Choice Plan.**

### Next Steps

The Council has long been aware of the need to control County group insurance costs for both active and retired employees and has taken a number of steps to this end. See, for example, ©10-12 for Council Resolution No. 14-454, *Policy Guidance for Agency Group Insurance Programs*, adopted on December 9, 2003. Given current fiscal pressures, instead of enrolling Select Plan participants in the Choice Plan, it would arguably make sense to **do the reverse** – saving nearly \$3.8 million, as noted on ©2 – or to reduce costs in even more significant ways.

But the level of benefits for represented County employees is determined in collective bargaining, which may or may not result in future cost reductions. **The question here is whether, as a matter of equity, the County should achieve savings in group insurance costs uniformly, through equal treatment of all employees – as it did, for example, with the prescription drug plan changes included in last year's collective bargaining agreements – or by targeting a relatively small cohort of employees.**

If the Council supports uniform treatment of employees, the question becomes how best to achieve it. **The ideal way would be to use a portion of the savings that would result if the Executive and County bargaining units could agree on new cost control measures in their pending contract negotiations.** Failing that, with fiscal prospects for FY11 already grim, finding funds to include all County employees in the Choice Plan in calendar 2010 would be very difficult. **A better option in this event would be to make this change later, perhaps in calendar 2011. Half the fiscal impact of the change – about \$413,000 under current assumptions – would be felt in the FY12 budget; the full impact would be felt in FY13.**

Another option would be to take partial steps in this direction – for example, by moving to the 80 percent County share of the premium more gradually or by increasing life insurance coverage at a later date.

The County's FY12, FY13, and outyear budgets are likely to be challenging, although hopefully not as challenging as the FY10 and FY11 budgets. Any new claims on resources, even relatively small ones in the \$1.6 billion budget for County Government, will require close scrutiny. **But since budgets are about choices, the question is what priority this particular claim on resources should have compared to others.**

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<sup>6</sup> This is the additional cost for County Government employees. Other organizations whose employees participate in the two plans, such as HOC, cover the full cost and allocate it between the employer and employees.

If the Committee agrees that – fiscal conditions permitting – the County should give high priority to uniform treatment of employees by enabling all employees to enroll in the Choice Plan, we will draft a resolution to this effect for the Committee’s review and the Council’s consideration. While such a resolution would of course not be binding on the Council and Executive who will be elected in November 2010, it would represent a clear statement of principle and would place this issue visibly on their radar screen.

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**Calendar 2009 Costs and Enrollments in the Select Plan Options - MCG Employees Only**

Select Plan:	Medical Plans											
	Carefirst		Total				Kaiser		UHC		Medical	
	High POS	Std POS					Permanent	Select				
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
Individual	169	\$573,356	17	\$53,634	186	\$626,990	48	\$186,527	53	\$162,636	287	
Employee + One	132	\$774,671	9	\$49,125	141	\$823,796	23	\$167,624	36	\$212,382	200	
Family	220	\$2,174,060	26	\$238,950	246	\$2,413,010	48	\$552,727	61	\$572,088	355	
<b>Total</b>	<b>521</b>	<b>\$3,522,087</b>	<b>52</b>	<b>\$341,709</b>	<b>573</b>	<b>\$3,863,796</b>	<b>119</b>	<b>\$906,878</b>	<b>150</b>	<b>\$947,106</b>	<b>842</b>	<b>\$5,717,780</b>

Select Plan:	Dental Plans						Vision	
	UCCI		UCCI		Dental		NVA	
	PPO		DMO		Total		Vision	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
Individual	273	\$83,796	12	\$1,672	285	\$85,468	259	\$8,636
Employee + One	216	\$147,744	19	\$4,857	235	\$152,601	230	\$11,996
Family	373	\$367,071	13	\$4,991	386	\$372,062	353	\$28,069
<b>Total</b>	<b>862</b>	<b>\$598,611</b>	<b>44</b>	<b>\$11,520</b>	<b>906</b>	<b>\$610,131</b>	<b>842</b>	<b>\$48,701</b>

Select Plan:	Prescription Plans					
	\$5/\$10 copay only					
	High Rx		Std. Rx		Total	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
Individual	182	\$398,828	45	\$49,941	227	\$448,769
Employee + One	144	\$583,835	31	\$63,665	175	\$647,500
Family	222	\$1,394,914	74	\$235,491	296	\$1,630,405
<b>Total</b>	<b>548</b>	<b>\$2,377,577</b>	<b>150</b>	<b>\$349,097</b>	<b>698</b>	<b>\$2,726,674</b>

Select Plan:	Life Benefits					
	Basic Life and AD&D		Dep. Life		Total	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
<b>Total</b>	<b>1,064</b>	<b>\$182,547</b>	<b>76</b>	<b>\$717</b>	<b>1,140</b>	<b>\$183,264</b>

Select Plan:	LTD					
	LTD I		LTD II		Total	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
<b>Total</b>	<b>25</b>	<b>\$1,710</b>	<b>1016</b>	<b>\$424,413</b>	<b>1,041</b>	<b>\$426,123</b>

	76% County Share	80% County Share	100% Total Cost
Total Med	\$5,717,780	\$6,018,716	\$7,523,395
Total Other	\$3,994,894	\$4,205,151	\$5,256,439
Total	\$9,712,674	\$10,223,867	\$12,779,834
Total Increase	<b>\$511,193</b>		

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**Calendar 2009 Costs and Enrollment in the Choice Plan Options - MCG Employees Only**

Choice Plan:	Medical Plans											
	High POS		Carefirst Std POS		Total		Kaiser Permanente		UHC Select		Medical Total	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
Individual	1,515	\$5,410,913	118	\$391,878	1,633	\$5,802,791	407	\$1,665,053	462	\$1,492,389	2,502	
Employee + One	1,101	\$6,801,538	66	\$379,210	1,167	\$7,180,747	226	\$1,733,700	373	\$2,316,330	1,766	
Family	1,985	\$20,649,082	62	\$599,828	2,047	\$21,248,909	352	\$4,266,536	730	\$7,206,764	3,129	
<b>Total</b>	<b>4,601</b>	<b>\$32,861,533</b>	<b>246</b>	<b>\$1,370,915</b>	<b>4,847</b>	<b>\$34,232,448</b>	<b>985</b>	<b>\$7,665,289</b>	<b>1,565</b>	<b>\$11,015,484</b>	<b>7,397</b>	<b>\$52,913,221</b>

Choice Plan:	Dental Plans						Vision	
	UCCI PPO		UCCI DMO		Dental Total		NVA Vision	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	County Cost	# Enr.	County Cost
Individual	2,432	\$785,341	110	\$16,157	2,542	\$801,498	2,309	\$79,799
Employee + One	1,873	\$1,347,211	45	\$12,101	1,918	\$1,359,313	1,867	\$102,834
Family	3,149	\$3,261,482	85	\$34,333	3,234	\$3,295,815	3,028	\$251,808
<b>Total</b>	<b>7,454</b>	<b>\$5,394,035</b>	<b>240</b>	<b>\$62,591</b>	<b>7,694</b>	<b>\$5,456,627</b>	<b>7,204</b>	<b>\$434,442</b>

Choice Plan:	Prescription Plans							
	High Rx \$4/\$8 copay - MCGEO, IAFF		High Rx \$5/\$10 copay - FOP, Choice Unrepresented		Std. Rx		Total	
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost	# Enr.	Cty. Cost
Individual	1,379	\$3,625,005	422	\$1,069,669	280	\$327,197	2,081	\$5,021,870
Employee + One	1,028	\$5,000,521	362	\$1,697,548	162	\$350,270	1,552	\$7,048,339
Family	1,626	\$12,255,682	698	\$5,072,589	436	\$1,460,670	2,760	\$18,788,941
<b>Total</b>	<b>4,033</b>	<b>\$20,881,208</b>	<b>1,482</b>	<b>\$7,839,806</b>	<b>878</b>	<b>\$2,138,136</b>	<b>6,393</b>	<b>\$30,859,151</b>

Choice Plan:	Life Benefits				
	Basic Life and AD&D		Dep. Life		Total
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	Cty. Cost
<b>Total</b>	<b>8,394</b>	<b>\$2,334,609</b>	<b>2036</b>	<b>\$20,297</b>	<b>\$2,354,906</b>

Choice Plan:	LTD				
	LTD I		LTD II		Total
	# Enr.	Cty. Cost	# Enr.	Cty. Cost	Cty. Cost
<b>Total</b>	<b>4,795</b>	<b>\$342,657</b>	<b>3257</b>	<b>\$1,461,942</b>	<b>\$1,804,599</b>

	76% County Share	80% County Share	100% Total Cost
Total Med	\$40,214,048	\$42,330,577	\$52,913,221
Total Other	\$31,091,391	\$32,727,780	\$40,909,725
Total	\$71,305,439	\$75,058,356	\$93,822,946
<b>Total Savings</b>		<b>\$3,752,918</b>	

**Calendar 2009 Employee and County Shares of Health Benefits Premiums - MCG Employees Only**

CareFirst High POS	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$39.68	\$1,071.36	\$4,464.00	\$3,392.64
Employee + One	\$68.64	\$1,853.28	\$7,722.00	\$5,868.72
Family	\$115.58	\$3,120.66	\$13,002.75	\$9,882.09
<b>County Actives: CHOICE</b>				
Individual	\$33.07	\$892.89	\$4,464.45	\$3,571.56
Employee + One	\$57.20	\$1,544.40	\$7,722.00	\$6,177.60
Family	\$96.32	\$2,600.64	\$13,003.20	\$10,402.56

CareFirst Standard POS	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$36.90	\$996.30	\$4,151.25	\$3,154.95
Employee + One	\$63.84	\$1,723.68	\$7,182.00	\$5,458.32
Family	\$107.49	\$2,902.23	\$12,092.63	\$9,190.40
<b>County Actives: CHOICE</b>				
Individual	\$30.75	\$830.25	\$4,151.25	\$3,321.00
Employee + One	\$53.20	\$1,436.40	\$7,182.00	\$5,745.60
Family	\$89.58	\$2,418.66	\$12,093.30	\$9,674.64

Kaiser	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$45.45	\$1,227.15	\$5,113.13	\$3,885.98
Employee + One	\$85.24	\$2,301.48	\$9,589.50	\$7,288.02
Family	\$134.68	\$3,636.36	\$15,151.50	\$11,515.14
<b>County Actives: CHOICE</b>				
Individual	\$37.88	\$1,022.76	\$5,113.80	\$4,091.04
Employee + One	\$71.03	\$1,917.81	\$9,589.05	\$7,671.24
Family	\$112.23	\$3,030.21	\$15,151.05	\$12,120.84

UHC	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$35.89	\$969.03	\$4,037.63	\$3,068.60
Employee + One	\$69.00	\$1,863.00	\$7,762.50	\$5,899.50
Family	\$109.69	\$2,961.63	\$12,340.13	\$9,378.50
<b>County Actives: CHOICE</b>				
Individual	\$29.91	\$807.57	\$4,037.85	\$3,230.28
Employee + One	\$57.50	\$1,552.50	\$7,762.50	\$6,210.00
Family	\$91.41	\$2,468.07	\$12,340.35	\$9,872.28

Dental PPO	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$3.59	\$96.93	\$403.88	\$306.95
Employee + One	\$8.00	\$216.00	\$900.00	\$684.00
Family	\$11.51	\$310.77	\$1,294.88	\$984.11
<b>County Actives: CHOICE</b>				
Individual	\$2.99	\$80.73	\$403.65	\$322.92
Employee + One	\$6.66	\$179.82	\$899.10	\$719.28
Family	\$9.59	\$258.93	\$1,294.65	\$1,035.72

**Calendar 2009 Employee and County Shares of Health Benefits Premiums - MCG Employees Only**

Dental DMO	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$1.63	\$44.01	\$183.38	\$139.37
Employee + One	\$2.99	\$80.73	\$336.38	\$255.65
Family	\$4.49	\$121.23	\$505.13	\$383.90
<b>County Actives: CHOICE</b>				
Individual	\$1.36	\$36.72	\$183.60	\$146.88
Employee + One	\$2.49	\$67.23	\$336.15	\$268.92
Family	\$3.74	\$100.98	\$504.90	\$403.92

Vision	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$0.39	\$10.53	\$43.88	\$33.35
Employee + One	\$0.61	\$16.47	\$68.63	\$52.16
Family	\$0.93	\$25.11	\$104.63	\$79.52
<b>County Actives: CHOICE</b>				
Individual	\$0.32	\$8.64	\$43.20	\$34.56
Employee + One	\$0.51	\$13.77	\$68.85	\$55.08
Family	\$0.77	\$20.79	\$103.95	\$83.16

High RX \$4/\$8	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: CHOICE</b>				
Individual	\$24.34	\$657.18	\$3,285.90	\$2,628.72
Employee + One	\$45.04	\$1,216.08	\$6,080.40	\$4,864.32
Family	\$69.79	\$1,884.33	\$9,421.65	\$7,537.32

High RX \$5/\$10	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$25.63	\$692.01	\$2,883.38	\$2,191.37
Employee + One	\$47.42	\$1,280.34	\$5,334.75	\$4,054.41
Family	\$73.49	\$1,984.23	\$8,267.63	\$6,283.40
<b>County Actives: CHOICE</b>				
Individual	\$23.47	\$633.69	\$3,168.45	\$2,534.76
Employee + One	\$43.42	\$1,172.34	\$5,861.70	\$4,689.36
Family	\$67.29	\$1,816.83	\$9,084.15	\$7,267.32

Std. RX	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
Individual	\$12.98	\$350.46	\$1,460.25	\$1,109.79
Employee + One	\$24.02	\$648.54	\$2,702.25	\$2,053.71
Family	\$37.22	\$1,004.94	\$4,187.25	\$3,182.31
<b>County Actives: CHOICE</b>				
Individual	\$10.82	\$292.14	\$1,460.70	\$1,168.56
Employee + One	\$20.02	\$540.54	\$2,702.70	\$2,162.16
Family	\$31.02	\$837.54	\$4,187.70	\$3,350.16

Dependent Life Insurance	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
<b>County Actives: SELECT</b>				
\$2,000/\$1,000/\$100	\$0.11	\$2.97	\$12.38	\$9.41
<b>County Actives: CHOICE</b>				
\$2,000/\$1,000/\$100	\$0.09	\$2.43	\$12.15	\$9.72

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**Calendar 2009 Employee and County Shares of Health Benefits Premiums - MCG Employees Only**

LTD II	Employee Biweekly	Employee Annual	Annual Total Premium	County Cost
County Actives: SELECT	\$4.803	\$129.68	\$540.34	\$410.66
County Actives: CHOICE	\$4.003	\$108.08	\$540.41	\$432.32

Basic Life and AD&D*	Employee Biweekly	Total Bi-Weekly Premium	County Bi-Weekly Cost
County Actives: SELECT	\$0.027	\$0.111	\$0.084
County Actives: CHOICE	\$0.022	\$0.111	\$0.089

LTD I**	Employee Biweekly	Total Bi-Weekly Premium	County Bi-Weekly Cost
County Actives: SELECT	0.031	0.128	0.098
County Actives: CHOICE	0.026	0.128	0.103

\*Life and AD&D rates are multiplied per \$1,000 per individual salary to derive bi-weekly premiums.

\*\*LTD I rates are multiplied per \$100 per individual salary to derive bi-weekly premiums.

## CONDITIONS

Rates are as of 1/1/2009 and enrollment numbers are as of 8/3/2009.

There were 27 pay periods during 2009 because of the 2010 New Years' Holiday.  
There were 26 paydays in 2008 which is the usual number.

Beginning in 2009, the High Option Rx plan has two different copay structures with  
 - \$4/\$8 copay - MCGEO and IAFF  
 - \$5/\$10 copay - FOP and unrepresented.

Choice part-time employees pay the same cost share (20% employee; 80% employer)

Costs under the Select Plan do not reflect the actual costs for part-time employees  
 40 hours per week - 24% employee; 76% employer  
 30-39 hours per week - 43% employee; 57% employer  
 20-29 hours per week - 62% employee; 38% employer  
 10-19 hours per week - 81% employee; 19% employer

Part-time employees who are members of the Employees' Retirement System do not have LTD.

The face value of basic life insurance for Select Plan members is 1 times their base annualized salary.

The face value of basic life insurance for Choice Plan members is 2 times their base annualized salary.

Life and LTD enrollment numbers and dollars are as of 8/26/09 to account for the differences between full-/part-time and Choice/Select employees as outlined above.

# Enr.	Coverage	County Bi-Weekly	Employee Bi-Weekly	Total Cost
8,394	BASIC LIFE CHOICE	\$86,467.18	\$21,617.00	\$108,084.18
1,064	BASIC LIFE SELECT	\$6,761.11	\$2,364.09	\$9,125.20
2,036	DEPENDENT LIFE CHOICE	\$751.75	\$187.94	\$939.69
76	DEPENDENT LIFE SELECT	\$26.57	\$8.51	\$35.08
4,795	LTD 1 CHOICE	\$12,691.04	\$3,182.89	\$15,873.93
25	LTD 1 SELECT	\$63.35	\$20.08	\$83.42
3,257	LTD 2 CHOICE	\$54,146.37	\$13,544.11	\$67,690.48
1,016	LTD 2 SELECT	\$15,718.86	\$5,396.75	\$21,115.61

**Montgomery County Government  
Medical and Prescription Drug - POS/PPO Comparison**

Employee Paid	Montgomery County POS High Option		FEHB PPO Standard Option	
Medical Plan	CareFirst		BlueCross BlueShield	
Deductible	In-Network	Out-of-Network	In-Network Preferred	Out-of-Network Participating <sup>1</sup>
Individual	\$0	\$300	\$300	
Family Maximum	\$0	\$600	\$600	
Annual Out of Pocket Maximum				
Individual	\$1,000		\$5,000	\$7,000
Family			\$5,000	\$7,000
Office Visit co-pay (PCP)	\$10	20%	\$20	30% no ded.
Office Visit co-pay (Specialist)	\$10	20%	\$20	30% no ded.
Preventive: Well Child Care	\$10	20% no ded.	Covered in Full	Covered in Full
Preventive: Physical	\$10	20%	\$20	Not covered
Preventive: Immunizations	Covered in Full	20%	\$20 visit, No Cost for immunizations	30% no ded.
Surgery	Covered in Full	20%	15%	30%
Inpatient Professional	Covered in Full	20%	15%	30%
Outpatient Facility	Covered in Full	20%	15%	30%
Inpatient Hospital	Covered in Full	20%	\$200 Preferred Per Admit \$300 member \$300 + 30% for Non-Member.	
Emergency Room	\$25	20%	Accidental injury covered in full; 15% Medical Emergency; 100% of non-participating providers up to \$350	

**Prescription Drugs**

	Carve Out to Caremark Standard Option Plan	Integrated with Carrier	
Deductible	\$50	None	
Retail Generic	\$10	20%	45%
Retail Preferred Brand	\$20	30%	45%
Retail Non-Preferred Brand	\$35	30%	45%
Mail Generic	\$10	\$10 (1st 4 waived)	N/A
Mail Preferred brand	\$20	\$65 copay for 1-30 scripts,	N/A
Mail Non-Preferred Brand	\$35	then \$50 copay	N/A

**Employee Monthly Contributions**

Medical and Prescription Drug Contribution	Percent of Cost	Employee Monthly Payment	Percent of Cost	Employee Monthly Payment
Employee only	20%	\$98.75	31%	\$152.06
	24%	\$118.50		
Employee + 1	20%	\$173.74	32%	\$356.59
	24%	\$208.49		
Family	20%	\$286.50		
	24%	\$343.80		
Most popular Montgomery County Gov. plan			Most popular plan with approx 70% of population	

<sup>1</sup> A non-participating provider can balance bill for charges not paid by plan.

FEHB is Federal Employees Health Benefits

Coinsurance subject to deductible unless stated otherwise.

**Montgomery County Government  
Medical and Prescription Drug - HMO Comparison**

Employee Paid	Montgomery County Gov.	FEHB	FEHB
Benefit Details	UHC Select	CareFirst BlueChoice High	MD IPA High
Individual - OOP	\$1,100	\$1,900	\$1,800
Family - OOP	\$3,600	\$5,500	\$4,800
Office Visit copay (PCP)	\$5	\$20	\$20 > age 18 \$0 < age 18
Office Visit copay (Specialist)	\$10	\$30	\$30
Preventive: Well child	\$5 PCP \$10 Specialist	No Copay	No charge for visits and immunizations up to age 18
Preventive: Physical	\$5 PCP \$10 Specialist	No Copay	\$20 PCP \$30 Specialist
Preventive: Immunizations	\$5 PCP	\$20 PCP, \$30 Specialist	\$20 PCP
Surgery - Outpatient	\$25	\$20 PCP \$30 Specialist	\$200
Outpatient Hospital Visit	Covered in Full	\$50	\$50
Inpatient Hospital Visit	Covered in Full	\$100	\$150 a day up to 3 days
Emergency Room	\$25	\$100	\$100
Urgent Care	\$15	\$30 participating center \$100 non-participating center	\$50

**Prescription Drugs**

	Carve Out to Caremark Standard Option Plan	Included in Plan	Included in Plan
Deductible	\$50	None	None
Retail Generic	\$10	\$10	\$7
Retail Preferred Brand	\$20	\$25	\$25
Retail Non-Preferred Brand	\$35	\$40	\$50
Mail Generic	\$10	\$20	\$21
Mail Preferred brand	\$20	\$50	\$75
Mail Non-Preferred Brand	\$35	\$80	\$150

**Employee Contributions**

Medical and Prescription Drug Contribution	Percent of Cost	Employee Monthly Payment	Percent of Cost	Employee Monthly Payment	Percent of Cost	Employee Monthly Payment
Employee	20%	\$91.65	25%	\$112.82	25%	\$111.20
	24%	\$109.98			26%	\$111.20
Employee + One	20%	\$174.42	25%	\$253.13	26%	\$261.82
	24%	\$209.30			26%	\$261.82
Family	20%	\$275.47	25%	\$253.13	26%	\$261.82
	24%	\$330.56			26%	\$261.82

FEHB is Federal Employees Health Benefits

The MDIPA is the most popular regional HMO.

Note: The percentages shown represent what the plan pays unless otherwise indicated.

## Montgomery County Government Dental - PPO Comparison

Dental Plan	MC Gov UCCIPPO Dental		FEHB MetLife High Option	
	In-Network	Out-of-Network	In-Network	Out-of-Network
<b>Employee Paid</b>				
Deductible				
Individual	\$50		N/A	\$50 per individual
Family	\$150		N/A	
Annual Maximum Benefit	\$2,000		\$3,000	
Prev (Type I)	Covered in Full	Covered in Full	Covered in Full	10%
Basic (Type II)	20%	20%	30%	40%
Major (Type III)	40%	40%	50%	60%
Ortho (Type IV)	40%	40%	50%	50%
Ortho max	\$1,000		\$3,000	
<b>Employee Monthly Contributions</b>				
	%	\$	%	\$
Employee only	20%	\$6.73	100%	\$39.98
	24%	\$8.08		
Employee + 1	20%	\$14.99	100%	\$79.95
	24%	\$17.99		
Family	20%	\$21.57	100%	\$119.90
	24%	\$25.89		
	Most popular Montgomery County Gov. plan		Most popular plan with approx 55% of population	

FEHB is Federal Employees Health Benefits

The MetLife is the most popular dental plan.

Note: The percentages shown represent what the plan pays unless otherwise indicated.

6

Resolution No.: 15-454  
Introduced: December 2, 2003  
Adopted: December 9, 2003

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: County Council

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**SUBJECT:** Policy Guidance for Agency Group Insurance Programs

Background

1. The Council has historically provided strong support for the employee group insurance programs of the five County and bi-County agencies: County Government, Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, and the Washington Suburban Sanitary Commission.
2. Since its inception in 1990 the Management and Fiscal Policy Committee has spearheaded the Council's support for highly competitive agency group insurance programs as well as multiple measures to reduce costs. The agencies have worked productively with their bargaining units to this same end.
3. The return of double-digit increases in the cost of group insurance in each of the last several years is a matter of concern to agencies, employees, and taxpayers, and to the Council as the funding authority for all agencies. In FY 2004 agency group insurance costs for employees and retirees combined are \$264.4 million. Continued large cost increases, from a base this high, are not sustainable and call for collaborative efforts to find solutions.
4. The health insurance premium split between agencies and employees, and the level of co-payments and deductibles, are benefits issues that are subject to collective bargaining. That process has produced different results at different agencies.
5. On April 29, 2003 the Council approved the MFP Committee's recommendations on agency group insurance programs for FY 2004. The Committee received useful assistance from a report by Bolton Partners that proposed ways to improve management and control costs of these programs, starting with savings of \$1.1 million in FY 2004. The Committee has met several times since then to craft longer-term policy guidance for the Council's review and approval.

6. On April 29, 2003 Council President Subin appointed a Task Force on Health Benefit Improvements, composed of agency and bargaining unit representatives and chaired by Wendell M. Holloway, to "review employee health plans across County agencies with a charge to determine ways to improve coverage and save money." The Task Force submitted its report on November 25, 2003.
7. The MFP Committee has also worked with agency staff to assess the implications of financial reporting standards for retiree group insurance proposed on February 14, 2003 by the Governmental Accounting Standards Board (GASB) for implementation in FY 2007 or 2008. At the Committee's request agency staff have obtained an updated actuarial valuation of their retiree group insurance obligations. This valuation and the proposed standards raise major fiscal questions for the County.
8. The Council recognizes that for the two bi-County agencies, M-NCPPC and WSSC, coordination on group insurance issues with Prince George's County is required.

#### Action

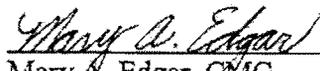
The County Council for Montgomery County, Maryland approves the following resolution:

1. The Council believes that there is no one "correct" number for the health insurance premium split between agencies and employees or for the level of co-payments and deductibles. At the same time the Council considers it important for the parties to collective bargaining in all agencies to fully understand the cost implications of these issues for employees, agencies, and taxpayers alike.
2. The Council endorses the following recommendations from the Bolton Partners report, in addition to those approved for FY 2004 on April 29, 2003:
  - Expand agency joint bidding efforts for health care, prescription drugs, and life insurance.
  - Adhere to the targets proposed in the report for several important determinants of cost, including trend assumptions, fund balance, and incurred-but-not-reported claims.
  - Prepare detailed six-year forecasts of agency group insurance funds, as County Government now does.
  - Develop a consumer-driven health care option for possible introduction in calendar year 2005, as the American Postal Workers Union did in the federal health benefits plan starting in 2003.

(11)

3. The Council endorses the following recommendations for County agencies from the Holloway task force:
- Use joint labor/management committees that can work collaboratively to address the problem of rising health care costs.
  - Encourage and expand efforts to achieve economies of scale in purchasing health care.
  - Improve control and oversight of pharmacy management programs.
  - Identify trends in utilization and pinpoint opportunities to target "critical" cases.
  - Audit claims and eligibility records to ensure the integrity of the eligibility pool.
  - Encourage managed care providers to promote wellness and better utilize disease management programs.
  - Consider pooling all agencies under a single benefit trust.
  - Consider expanding purchasing cooperative efforts to include other government employers, such as school systems, counties, and municipalities.
  - Consolidate the number of vendors and plan designs offered.
  - Develop and maintain a common data base on public and private employer benefit information that can be used for comparative purposes.
  - Examine group insurance fund management.
  - Develop a fraud policy.
  - Address the GASB issue noted above and below.
4. The Council endorses the MFP Committee's efforts to assess the impact of financial reporting standards for retiree group insurance proposed by the Governmental Accounting Standards Board. This includes the Committee's request to the Office of Management and Budget and the Department of Finance that they assess how this information can be reflected in the County's Fiscal Plan. The Council also endorses the Committee's request to the agencies that they jointly:
- Develop for the Committee a plan outlining options for action and the timetable for decisions.
  - Suggest how this information can best be conveyed to the agencies, employees, and the public.
  - Provide more information on approaches like the Minnesota health care savings plan.
5. The Council requests the agencies to work closely with the MFP Committee to assess the impact of changes in national policy, such as the recently enacted Medicare prescription drug benefit, on their group insurance programs.

This is a correct copy of Council action.

  
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 Mary A. Edgar, CMC  
 Clerk of the Council

(12)

Resolution No.: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Equity in County Employee Group Insurance Plans

**Background**

1. Montgomery County Government offers two group insurance plans for its employees. Most employees may enroll in the **Choice Plan**. Non-represented employees hired since October 1, 1994, about 11 percent of the total, may enroll only in the **Select Plan**, which costs employees (especially part-time employees) more and provides less life insurance coverage. As of September 1, 2009, 8,356 County employees were eligible for the Choice Plan; 1,062 were eligible for the Select Plan. Both plans offer medical, dental, prescription drug, life insurance, and long-term disability options.
2. The national debate on health care has highlighted serious problems of cost and coverage for millions of Americans. By comparison, employees of Montgomery County Government and other County agencies are fortunate. Compared to the most popular option in the federal employees' plan, which is often held up as a model, the County provides a larger share of the premium and better coverage of medical, prescription drug, dental, and vision costs. This is true of both the Choice Plan and the Select Plan.
3. The County's authority to provide employee group insurance comes from §20-37(b) of the County Code. Specific plan details come from the County's Plan Document. Until 1994 the Plan Document included only the Choice Plan. In 1994, when the County was still reeling from the deep recession of the early 1990s, the Council and Executive concluded that in addition to salary restrictions, County benefits had to be restructured.
4. To restructure retirement benefits, the County established a defined contribution plan (the Retirement Savings Plan) in place of the traditional defined benefit plan (the Employees' Retirement System) for non-public safety employees hired since October 1, 1994. To restructure group insurance benefits, the County established the Select Plan for new employees.<sup>1</sup> While the new RSP covered both general government employees represented by MCGEO/UFCW Local 1994 and non-represented employees, the new Select Plan covered only non-represented employees. New employees represented by MCGEO, like all other represented employees, remain in the Choice Plan.

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<sup>1</sup> The Select Plan began as a flexible benefits plan designed to save 5 percent in the County share and pro-rate the County share for part-time employees. In 1999 the Plan was revised to its present form with the same fiscal goal.

5. Full-time employees in the Select Plan pay more because the County's share of their premium is smaller: 76 percent v. 80 percent in the Choice Plan. Select Plan members also receive less life insurance coverage: 1 x salary v. 2 x salary (with a ceiling of \$200,000). The largest impact is felt by part-time employees in the Select Plan, for whom (unlike employees in the Choice Plan) the County's share of the premium drops sharply:

<b>County Share</b>	
<b>30 to 39 hours per week</b>	<b>57 percent</b>
<b>20 to 29 hours per week</b>	<b>38 percent</b>
<b>10 to 19 hours per week</b>	<b>19 percent</b>

6. To illustrate the impact of this difference, part-time employees in the Select Plan who chose the most extensive coverage options for 2009, compared to part-time employees in the Choice Plan, would pay at least \$4,000 more per year if they work 30-39 hours per week and at least \$8,000 more per year if they work 20-29 hours per week.
7. Data from the Office of Human Resources indicate that if current Select Plan participants were enrolled instead in the Choice Plan, the additional County cost related to the higher County premium share would be \$511,193. OHR data also indicate that if current Choice Plan participants were enrolled instead in the Select Plan, the County savings related to the lower County premium share would be \$3,752,918.
8. Enrolling Select Plan participants in the Choice Plan would incur two other costs. OHR estimates the annual cost of providing life insurance at 2 x salary instead of 1 x salary at \$200,000. OHR estimates the cost of paying the Choice Plan's 80 percent premium share for part-time employees now enrolled in the Select Plan (currently 75) at \$115,000.<sup>2</sup>
9. In sum, using OHR's figures, the total cost in calendar 2009 to enroll Select Plan participants in the Choice Plan would have been about \$826,000.<sup>3</sup> The cost in future years could be higher depending on changes in health care costs and on changes in the enrollment rates and option choices of Select Plan participants.
10. This \$826,000 cost is about one percent of the current \$84.8 million expenditure for the Choice and Select Plans combined. This amount, while significant, should be weighed against the disproportionate burden now borne by the 11 percent of the County workforce that is not eligible for the Choice Plan.
11. Funding a uniform package of group insurance benefits for all County employees is not possible in the current fiscal environment. To illustrate the impact of making such a change in calendar 2011, using data for calendar 2009, half the impact (\$413,000) would be felt in the FY12 budget, while the full impact (\$826,000) would be felt in FY13. The

<sup>2</sup> Of the 75 part-time employees, 35 currently have not enrolled in medical coverage. Some of them might enroll if the County's premium share rose to 80 percent.

<sup>3</sup> This is the additional cost for County Government employees. Other organizations whose employees participate in the two plans, such as HOC, cover the full cost and allocate it between the employer and employees.

change could also be implemented in stages – for example, by moving to the 80 percent County share of the premium more gradually or by increasing life insurance coverage at a later date.

**Action**

The County Council for Montgomery County, Maryland approves the following resolution:

The Council's policy intent is that when fiscal conditions permit, all County employees should be eligible for the same package of group insurance benefits at the same price. This policy can be implemented in stages.

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council