



# Mendocino County

## Legislation Text

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**File #:** 21-1009, **Version:** 1

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**To:** Board of Supervisors

**From:** Executive Office

**Meeting Date:** September 28, 2021

**Department Contact:** Cherie Johnson

**Phone:** 463-4441

**Department Contact:** Emma Saucedo

**Phone:** 463-4441

**Item Type:** Regular Agenda

**Time Allocated for Item:** 30 Min

**Agenda Title:**

Discussion and Possible Action Regarding the Employee Health Plan Current Financial Status and Renewal, Recommending the Employee Health Plan Funding/Premiums Increase Employer/Employee Contributions by 12% for Calendar Year 2022, Effective January 9, 2022, and Provide Direction Regarding Funding for the Incurred But Not Reported Claims  
(Sponsor: Executive Office)

**Recommended Action/Motion:**

Receive update regarding the Employee Health Plan Renewal current financial status and renewal, recommend the Employee Health Plan funding/premiums increase Employer/Employee contributions by 12% for calendar year 2022, effective January 9, 2022; provide direction regarding funding the incurred but not reported claims; and authorize Chair to sign same.

**Previous Board/Board Committee Actions:**

The Board of Supervisors reviews the health plan and sets premium levels annually. On November 12, 2013, the Board approved a rate stabilization increase of 3% to funding/premiums for the Employee Health Plan for plan year 2014. On October 2014, the Board approved the Employee Health Plan funding/premiums to remain at the current level for plan Year 2015. Subsequent calendar years 2016-2019 also remained at current levels. In calendar year 2019 a 3% increase was implemented. On December 15, 2020, the Board authorized a 3% health plan funding/premium increase to the employer/employee contributions for calendar year 2021, effective January 1, 2021.

**Summary of Request:**

The County of Mendocino sponsors a Self-Funded Health Plan and provides a health benefits package to all eligible employees who desire it. The County contributes 75% towards a pre-determined bi-weekly premium amount and the employee pays the remaining 25%. The premium is intended to pay for the cost of claims and administration fees that are incurred throughout the year.

Over the past several years the number and cost of claims has exceeded the amount that is collected in premiums. This is due to increased healthcare costs and to more than anticipated high dollar claims related to catastrophic illness of the employee or their dependent. The Plan was previously able to utilize reserve funds to make up the shortfall however, in calendar years 2017 and 2018 a 3-month holiday premium significantly

reduced the reserves and more recent claims experience has since depleted it.

The plan is required to keep a sufficient reserve amount to pay for claims that are incurred but not reported (IBNR). There are currently not enough funds in the reserves to adequately cover the IBNR. Without a rate increase in calendar year 2022 and an appropriate annual increase thereafter, The Plan will continue to operate in a deficit and not be able to meet the required IBNR amount as directed by the Board and calculated by the Actuary.

Recently, Executive Office staff met with the health plan consultants, Keenan & Associates to review current and estimated ongoing plan costs and funding. To stabilize the plan and to fund a reserve that will be in compliance with IBNR required levels, the consultant recommends a 12% premium increase in 2022 and annual increases thereafter that will be determined by the plan's utilization. Staff agrees with this recommendation and request authorization from the Board to implement the rate increase in the first full pay period of 2022.

Alternatively, staff requests direction from the Board if the requested increase is not approved.

**Alternative Action/Motion:**

Direction to staff.

**How Does This Item Support the General Plan?** N/A

**Supervisory District:** All

**vote requirement:** Majority

**Supplemental Information Available Online At:** N/A

**Fiscal Details:**

**source of funding:** 0715

**current f/y cost:** \$17,963,643 (est.)

**annual recurring cost:** \$18,908,890 (est.)

**budget clarification:** Estimated claims and administration costs

**budgeted in current f/y:** Yes

**if no, please describe:**

**revenue agreement:** No

**Agreement/Resolution/Ordinance Approved by County Counsel:** N/A

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**CEO Liaison:** Darcie Antle, Assistant CEO

**CEO Review:** Yes

**CEO Comments:**

**FOR COB USE ONLY**

Executed By: Atlas Pearson, Deputy Clerk I

Final Status: **Approved**

Date: September 30, 2021

