



# Adopt Resolution to Update Maximum Contribution to Medical Insurance

Organization, Personnel and Technology  
Committee  
Item 7-5  
September 10, 2018

# Purpose

- Board Approval of CalPERS Resolution for Medical Plan Contributions effective January 1, 2019.

# Review of CalPERS Requirements

- CalPERS Adopts medical rates based on six different regions.
- MWD must base its maximum contribution on one specific plan *and one region* to comply with its MOU language and CalPERS requirements.
- Board must approve a new Resolution whenever the maximum contributions change.

# MOU Changes Negotiated for 2019

- Previous MOUs, MWD contributed 100% of:
  - Highest cost HMO -or- PERS Choice PPO, *in any of the regions*
- Under new MOUs, MWD contributes 100% of:
  - Highest cost HMO in *either Los Angeles or Other Southern California regions*
  - Los Angeles/Southern California rates historically less costly and majority of most employees

# MOU Changes Help Contain Costs

- Current CalPERS Resolution reflects Anthem Traditional HMO, Sacramento Region
- Proposed new CalPERS Resolution will reflect *Anthem Traditional HMO, Los Angeles Region*
- Impact? MWD maximum contribution limits will be 17% lower in 2019

	<u>2018</u>	<u>2019</u>	<u>2019 (New Resolution)</u>
1-Party	\$1,055	\$1,178	\$878
2-Party	\$2,109	\$2,358	\$1,757
Family	\$2,742	\$3,065	\$2,284

# Cost Containment Is Critical

- MWD has reduced its maximum exposure, even as Medical Premiums continue to rise:
  - HMOs on average by 2.45% in 2019
  - PPOs on average by 2.37%
- Over the past decade, rates have steadily increased

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Avg. Rate Change	8.95%	5.27%	8.06%	0.13%	5.45%	8.87%	4.09%	2.57%	2.42%

# Cost Containment Is Critical

- Even with MOU changes, Employees and Retirees have options for ***at least two medical plans fully paid by MWD.***

# Board Options

- Option #1 – Adopt CEQA determination and adopt resolution to base MWD maximum medical contribution on Anthem Traditional HMO, Los Angeles Region
  - Fiscal Impact: Estimated annual savings of \$110,283
- Option #2 – Do not adopt resolution

# Staff Recommendation

- Option #1

# Questions?

