

**MEMORANDUM  
PERSONNEL DEPARTMENT  
COUNTY OF PLACER**

**To:** Board of Supervisors  
**From:** Nancy Nittler, Personnel Director  
**By:** Ann Craig, Personnel Services Manager *AN*  
**Date:** June 19, 2012  
**Subject:** Vision Service Plan Contract Renewal

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**ACTION REQUESTED:** Authorize the Personnel Director to sign an updated contract, subject to Risk Management's approval, with Vision Service Plan for an estimated \$40,000 per fiscal year for administrative services for County's vision insurance program from July 1, 2012, through June 30, 2015.

**BACKGROUND:** Placer County has been self insured for the Vision plan benefits since 1984. Through the competitive bid process the County has contracted with Vision Service Plan (VSP) for administration of the insurance program since 2001. VSP has been very responsive to the County's requests for assistance in claims handling and plan design changes and implementation. In January of 2003, Placer Public Employees Organization (PPEO) negotiated to include dependent vision coverage to be paid for by the employee. In January of 2005, Placer County Deputy Sheriff's Association (PCDSA) added dependent vision to their benefit package which is also paid for by the employee.

VSP processes approximately 2700 claims each year for the 2700 participants and their families. The annual value of the claims processed by VSP is approximately \$390,000. Not only does VSP provide claims processing for the County, but also provides the provider network, provider credentialing, network development, reporting, billing services, claims trends analysis, plan design assistance and recommendations, as well as excellent customer service for our employees. In the renewal process, the County has been advised by VSP that that the Value Plan benefit platform will no longer be offered. It should be noted that Placer County is the last remaining employer on the VSP Value plan platform and VSP is discontinuing the existing benefit design platform.

VSP is proposing to place Placer County on the VSP Choice benefit platform with the same plan design as the County currently maintains. There are no plan design changes from the employee perspective and the employees will have additional providers from which to choose. The employees will also benefit from discounts on services and/or products not covered by the current plan design. The rest of the benefit structure remains the same as our current plan design (i.e. \$25.00 deductible, eye exam one time per year, \$75.00 frame allowance, bifocal, trifocal and tinted lenses etc). However, under the VSP Choice platform the reimbursement to contracted providers for some of the services provided are different; primarily the progressive lens reimbursement is slightly higher than the current plan platform.

It is anticipated that this benefit plan design change will ultimately result in an additional 7.25% cost (\$30,000 per year) based on current claims. To offset this cost increase, VSP has proposed reducing the administrative fee by 10% and reimbursing the County for the difference in claims costs over the next 3 years (after adjusting for a 2% trend in medical inflation).

The reduced administrative fee proposed by VSP would be as follows:

	<u>Current</u>	<u>Proposed</u>
Employee only	\$.93/month	\$.84/month
Employee + 1 dependent	\$1.35/month	\$1.22/month
Employee + family	\$2.42/month	\$2.18/month

The Personnel Department considered two other alternatives offered by VSP and decided against a recommendation to move forward:

1. VSP offered to move the County to an insured status at the current rates for three years. The County would pay the claims run out (the claims not filed by the close of the plan year, but incurred in the plan year.) Thereafter, we would be subject to traditional insurance renewals and associated margin built into the rates.
2. VSP offered a 35% reduction in the administrative fees in exchange for moving to the Choice platform resulting in an approximate savings of \$15,425 based on the FY 11-12 costs. However, the cost savings affiliated with claims reimbursements over a 3 year period in addition to the 10% reduction in administrative fees was more fiscally prudent.

The Personnel Department is recommending approval of an updated contract agreement, with Risk Management's approval, based on the attached proposed amendment with VSP to include the 10% administrative fee rate reduction, change to the Choice platform and reimbursement of claims costs which is based on a per enrollee per month basis in excess of the current Value plan platform. This provides the County with a constant budget for the next three years, reimbursement of potential additional costs, a 10% reduction in claim administration fees and the most flexibility to control plan design, policies and rules.

**FISCAL IMPACT:** The increased claims costs of approximately \$30,000 annually would initially be absorbed within the Dental and Vision budget and be reimbursed annually by VSP. The administrative services fees would also be reduced by 10% (or approximately \$4500 per fiscal year.)

Attachment – July 1, 2012 VSP Proposed Amendment – County of Placer



Lucinda Ward  
Regional Manager

Date: June 7, 2012

RE: JULY 1, 2012 -VSP CONTRACT RENEWAL – COUNTY OF PLACER

Dear Ms. Craig:

County of Placer is a valued VSP client and we are pleased to offer another period of quality vision coverage from the nation's leader in eye care.

Client Name:	COUNTY OF PLACER
Contract Number:	12168909
Renewal Period:	07/01/2012 – 36 Month Policy
Current Rates:	Administrative Rates: \$.93 / \$1.35 / \$2.42
Renewal Rates:	Administrative Rates: \$.84 / \$1.22 / \$2.18 Claim Costs: 7/1/2012 - 7/1/2013 – reimbursement for avg. claims cost per ee over \$11.21 7/1/2013 - 7/1/2014 – 2% trend, reimbursement for avg. claims cost per ee over \$11.43 7/1/2014 - 7/1/2015 – 2% trend, reimbursement for avg. claims cost per ee over \$11.66

At this time, we ask for your assistance in updating eligibility information for the upcoming contract period. Please complete the information below:

Child/Student Age Verification:

- Child Age limit
- Student Age limit
- Same as Current

Child/Student Age Changes:

- Child Age limit
- Student Age limit
- New age limits

Domestic Partner Coverage:  Yes  No

If Yes checked above, please check the appropriate box(es) below.

- Same Sex Only
- Opposite Sex Only
- Both Same and Opposite Sex
- Children of Domestic Partner

Please sign and return this renewal notice via e-mail or fax. If you have any questions at all regarding this renewal, please contact me directly at 800 852 7600 x 5093 or via email at Lucinda@vsp.com

Cordially,

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Authorized Client/Broker Representative Signature

LUCINDA WARD  
Regional Manager

**Please provide your signed renewal notice to:**

Katrina Holtzen – VSP Sales Office  
Phone: (916) 851 4832 Fax: (916) 851 4854  
Email: Katrina.Holtzen@vsp.com

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