

Agenda Item #:

3-2-1

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: 10/17/2006

☒

Consent

☐

Regular

Department

☐

Ordinance

☐

Public Hearing

Submitted By: Risk Management

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve:

(A) The Selection Committee's recommendation of award to CIGNA Healthcare (CIGNA) as the provider of claims administration services for the County's self-insured triple-option health insurance plan;

B) The Amended and Restated Administrative Services Only Agreement (with Privacy Addendum)(R2002-2286), effective January 1, 2007, with Connecticut General Life Insurance Company (CIGNA) for claims administration services for the County's self-funded triple-option (HMO, POS, PPO) health insurance plan for the period January 1, 2007 through December 31, 2007 (with four renewal options);

C) A per-capita funding increase of 9% to be borne by the Board of County Commissioners and Employees enrolled in tiers of coverage with payroll deductions for certain individual and dependent premiums; and

D) The Second Amendment to the Interlocal Agreement with Solid Waste Authority and Palm Tran, Inc. (R2002-2287) to renew the term of the Agreement for five years.

Summary: Having completed the last renewal option with CIGNA for Plan Year 2006, staff issued a competitive RFP for Administrative Services (including stop loss insurance) for the County's self-funded triple-option medical benefits plan on behalf of the employees of the Board, Solid Waste Authority and Palm Tran, Inc. Responses from five carriers were evaluated, and the top three responders were requested to provide "Best and Final" offers. The selection committee ranked each proposer and voted to recommend that CIGNA remain the provider of Administrative Services for the HMO, POS and PPO plans and that no other competing plan be offered. The total projected expense to the Board and employees, for administrative costs and total funding of the triple-option health insurance plan for Plan Year 2007, is 9%, or \$51,727,407. Staff is recommending a 9% increase to employees' current contributions (depending on enrollment selection) to maintain overall employee funding at 10% of the total plan cost. County wide (TKF).

Background and Policy Issues: (Continued on page 3)

Attachments:

1. Amended and Restated Administrative Services Only Agreement (with Privacy Addendum)
2. Letter and attachment from Gallagher Benefit Services illustrating Plan Year 2007 cost projections and recommended actuarial rates
3. Second Amendment to Interlocal Agreement with Palm Tran and Solid Waste Authority (R2002 2287)

Recommended by:

Nancy L Bolton
Department Director

10/2/06
Date

Approved By:

Bolton
Assistant County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures					
Operating Costs	52,379,034				
External Revenues					
Program Income (County)					
In Kind Match (County)					
NET FISCAL IMPACT	\$52,379,034				
# ADDITIONAL FTE					
POSITIONS (Cumulative)	—0—	—0—			

Is Item Included In Current Budget? Yes X No. _____
 Budget Account No.: Fund 5012 Agency 700 Org. 7300 Object 4511
 Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

Contributions from the BCC	\$43,049,279
BCC/Palm Tran Employee Deductions/Retiree Premiums	\$ 4,783,255
Solid Waste Authority Premiums	\$ 4,546,500

A mid-year balance brought forward budget amendment
 will be processed to recognize the actual fund balance
 as of 9/30/2006

C. Departmental Fiscal Review:

[Signature]

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

[Signature] 10-3-06
 OFMB
 atm 10-3-06
 10-3-06

[Signature] 10/5/06
 Contract Administration
 E. Jones 10/5/06

B.

Legal Sufficiency: TKF
[Signature] 10/10/06
 Assistant County Attorney

**This item complies with current
 County policies.**

*At the time of COC
 review, the documents
 were not created.*

C. Other Department Review:

 Department Director

Background and Policy Issues:

Following a 2001 RFP process, CIGNA was awarded a two year contract to provide a fully insured triple-option health insurance plan with additional options to renew for three one year periods. Because CIGNA's proposed 2003 rate increase was considered too high, the Board approved a change in funding mechanisms from full insurance to self insurance effective January 1, 2003. The Board approved an Administrative Services Only (ASO) Agreement under the terms of which CIGNA continues to administer claims and acts as the plan fiduciary. To date, County's contracted consultant, Gallagher Benefit Services and its actuary, estimate that the County has saved approximately \$8 million dollars through this funding change.

With the final renewal option of the ASO Agreement expiring December 31, 2006, staff recently issued a competitive RFP for Plan Year 2007. Continuing the insurance purchasing alliance begun in 1995, the Selection Committee consisted of representatives from the Solid Waste Authority, Palm Tran, Inc., and the Board of County Commissioners. Five carriers submitted responses to the RFP, including Aetna, Blue Cross/Blue Shield of Florida, CIGNA, Humana and United Health Care. Following an initial review, the Selection Committee voted to recommend that Blue Cross/Blue Shield, CIGNA, and United submit best and final offers (BAFOs) including final pricing and responses to specific questions. All three carriers submitted competitive responses, however the group ultimately voted to recommend the incumbent provider CIGNA for award. The new ASO Agreement submitted for Board execution has been amended and restated (rather than replaced in its entirety) to allow for continuation of services.

Beginning in plan year 2005, the Board adopted a new strategy to cap the Board's annual increase in contributions to the plan to a maximum of 10%, which included adopting true actuarial rates for each plan. The strategy involved an increase in employee (and retiree) rates for a majority of the triple option plans for plan year 2005, with the single (employee only) tier of the HMO plan continuing to be funded by the Board 100%, with no individual contribution. The premium cost percentages were balanced with employees funding 10% of the plan and the Board funding 90%.

In concurrence with the proposed rate increases for plan year 2005, benefit changes were made that increased co-payment for physician office visits and emergency room visits, the addition of a new per-admission co-payment for hospitalization, and the adoption of a three-tier drug formulary. These recommended changes targeted the most significant cost drivers of the plan, and contributed to a favorable renewal for 2006 by reducing the County's overall cost per member for these targeted services. Claims were not as favorable during plan year 2006, but the plan has gained a sufficient surplus in prior years to allow for the moderate funding increase of 9% as opposed to a more substantial one.

As in prior years, employees of the Solid Waste Authority and Palm Tran will participate in the group health insurance plan through renewal of Interlocal Agreement No. R2002-2287, which expires December 31, 2006. The total funding recommended for all three entities is \$52,379,034. The employees' estimated total contribution (including all three entities) to the plan's cost for 2007 will be \$4,958,349 and the Board's estimated total cost (including Palm Tran) will be \$43,049,279. The Solid Waste Authority's total premiums are estimated to be \$4,546,500 (includes employee and employer's portion) based on current enrollment and a projected employee population growth factor of roughly 4%.

Elements of the self- insurance program and the projected 2007 costs (depending on enrollment) appear below:

1. Expected Claims	\$48,047,305
2. Administrative Fees	\$ 3,093,726
3. Excess Insurance Program	\$ 586,376
4. Estimated plan gain	\$ 651,627

For Plan Year 2007, the actuary did not include a claim margin in the forecast because the plan has accumulated sufficient surplus and it was determined unnecessary to load the funding rates any further. The projected modest plan gain of \$651,627.00 will be impacted if claims run higher or lower than expected.

Staff recommends that the specific excess insurance cap remain at \$500,000 in claims for any one claimant annually before recovery of any insurance proceeds. Thus far, no claims have reached this amount for plan year 2006, and there is no indication that raising or lowering the cap would be beneficial to the County.

Sufficient funds have been budgeted to fund the anticipated cost of the health insurance program.