

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: 10/7/08

Consent

Regular

Department:

Ordinance

Public Hearing

Submitted By: Risk Management

Motion and Title: Staff recommends motion to approve:

- A) Second annual option to renew the Amended and Restated Administrative Services Only Agreement (R2006 2287); dated October 17, 2006, 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, 2009 through December 31, 2009; and
- B) CIGNA's proposed administrative fees and specific stop loss premiums for plan year 2009; and
- C) Actuarial rates for plan year 2009

Summary: Staff recommends Board approval for the second annual option to renew the Administrative Services Only Agreement with CIGNA for the period January 1 through December 31, 2009. For plan year 2009, projected premiums for the County's triple-option health plans (HMO, POS & PPO) reflect an overall increase in the amount of 6.9%. No increases to employee contributions or benefit changes are being recommended. Employees of Palm Tran, Inc. and the Supervisor of Elections will continue to participate in the group health insurance plan, however the Solid Waste Authority has provided notice of its intention to terminate its participation in the County's plan and the rates have been adjusted to reflect the Authority's departure from the plan. The total plan cost projected for all three remaining entities is \$56,610,076, a \$3,637,140 increase over the projected cost for the expiring plan year. Sufficient funds have been budgeted to fund the program. Countywide (TKF)

Background and Policy Issues: (Continued on Page 3).

Attachments:

- 1. Letter from CIGNA confirming new fees and Stop Loss premiums for plan year 2009.
- 2. Letter and attachment from Gallagher Benefits Services illustrating Plan year 2009 cost projections and recommended actuarial rates for each plan and associated tier of coverage.

Recommended by: Nancy L Boldt 9/16/08
 Department Director Date

Approved by: [Signature] 9/23/08
 Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

| Fiscal Years | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--------------------------|----------------------------|----------------------------|-------------|-------------|-------------|
| Capital Expenditures | | | | | |
| Operating Costs | <u>\$38,285,715</u> | <u>\$12,761,904</u> | | | |
| External Revenues | | | | | |
| Program Income (County) | | | | | |
| In Kind Match (County) | | | | | |
| NET FISCAL IMPACT | <u>\$38,285,715</u> | <u>\$12,761,904</u> | | | |

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 \$ 51,047,619
Employee Deductions/Retiree Premiums \$ 5,562,458

C. Departmental Fiscal Review: Gay Kappel

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

Shwillhite 9-19-08 Dr. J. Jacoby 9/22/08
St 9/18/08 OFMB en 9/11/08 Contract Administration Lt. Jones 9/22/08

B. Legal Sufficiency:
[Signature] 9/23/08
Assistant County Attorney

C. Other Department Review:

Department Director

Background and Policy Issues: (continued from page 1)

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% for each plan year of the five year period ending December 31, 2009, which included adopting true actuarial rates for each plan and associated tier of coverage. The strategy involved an increase in employee (and retiree) rates for a majority of the triple option plans for plan year 2005. The strategy also included a premium funding arrangement in which the Board would pay no more than 90% of the total cost of the plan.

In concurrence with the proposed rate increases for plan year 2005, benefit changes were made that increased co-payments 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 during plan year 2005. Claims for plan years 2006 and 2007 did not continue the favorable trend of 2005, and it was necessary to pass on a premium increase to employees/members enrolled in all plans for the expiring plan year.

The increase included the Board's approval of staff recommendation (following an impasse by the CWA) that individual employees begin contributing \$10 per month for the individual HMO plan in order to offset the rising costs of the plans. A review of local public employers and the County's constitutional officers, as well as employers nationwide revealed overwhelmingly that it is common for employers to require individual contributions for HMO and other provided insurance plans.

Staff also recommends that the specific excess insurance cap (stop loss insurance) remain at \$500,000 in claims for any one claimant annually before recovery of any insurance proceeds. To date, one claim has reached and exceeded this threshold.

As in prior years, employees of the Supervisor of Elections, and Palm Tran, Inc. will participate in the program under the authority of the Interlocal Agreement (R2006 2288), which expires December 31, 2011. The total funding recommended for all three entities is \$56,610,076. The employees' estimated total contribution (including all three entities) to the plan's cost for 2009 will be \$5,562,458 and the Board's estimated total cost (including Palm Tran) will be \$51,047,619.

Via written notice, the Solid Waste Authority has expressed the desire to terminate their participation in the Interlocal Agreement (R2006 2288), and is awaiting Board approval to purchase a fully insured health plan. Staff will return to the Board with an Amended Interlocal Agreement reflecting the departure of SWA when they have received formal approval.

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

Dina D'Angelo
Client Manager

ATTACHMENT 1

A

September 10, 2008

Nancy Bolton
Director, Risk Management
Palm Beach County Board of County Commissioners
160 Australian Way, Suite 140
West Palm Beach, FL 33406

1571 Sawgrass Corporate
Parkway
Suite 140
Sunrise, Florida 33323
Telephone 954-514-6877
Dina.dangelo@cigna.com

Dear Nancy,

This letter is to confirm the renewal rates for the period January 1st, 2009 – December 31st, 2009.

Administrative Fee

| | |
|--------------------------|--------------------------------|
| Network | \$22.70 per employee per month |
| Network Point of Service | \$22.70 per employee per month |
| PPO | \$22.70 per employee per month |

Access Fee

| | |
|--------------------------|--------------------------------|
| Network | \$13.00 per employee per month |
| Network Point of Service | \$13.00 per employee per month |
| PPO | \$10.30 per employee per month |

Specific Stop Loss @\$500,000

| | |
|--------------------------|-------------------------------|
| Network | \$8.46 per employee per month |
| Network Point of Service | \$8.46 per employee per month |
| PPO | \$8.46 per employee per month |

HIPAA

\$.17 per employee per month

Pharmacy Fee

\$2.40 per employee per month

Thank you for your continued partnership with us.

Sincerely,

Dina D'Angelo
Client Manager



Gallagher Benefit Services, Inc.

ATTACHMENT 2

A Subsidiary of Arthur J. Gallagher & Co.

September 15, 2008

Ms. Nancy Bolton
Director, Risk Management
Palm Beach County
160 Australian Ave., Ste 401
West Palm Beach, FL 33406

Re: 2009 Health Plan Projections

Dear Nancy:

I have reviewed the County's most recent claim experience under your health plan. Assuming that the Solid Waste Authority (SWA) leaves the plan, I project the total 2009 expense, based on the current plan design and an average enrollment of 4,843 employees, to be as follows:

| | |
|-------------------------------------|---------------------|
| Expected Claims | \$53,742,126 |
| ASO/Access Fees | \$2,223,177 |
| Reinsurance Premiums | \$513,745 |
| Total Projected 2009 Expense | \$56,479,048 |

The funding rates on the attached exhibit generate expected revenue of just over \$56.6 million. The difference between the projected funding and the expense figures is a small provision for adverse claim experience. The claims have been reasonably consistent with what we expected so far in 2008.

Note that the projected 2009 expense assumes no further change in the enrollment other than the assumed elimination of the SWA enrollees. In prior years we have assumed an increase in lives from each year to the next, but this year we did not based on our discussions.

For your reference, I have attached a copy of the 2008 and 2009 funding, showing the annualized funding produced for both years. The 2009 rates represent an increase of 6.9%, or \$3.6 million, over 2008, and we assumed that the entire increase would be borne by the County. To the best of my knowledge and judgment, these rates will adequately fund the health plan in 2009.

One Boca Place
2256 Glades Road, Suite 400 E
Boca Raton, FL 33431
561.995.6706
Fax 561.995.6708
www.ajg.com



Nancy, please let me know if you have any questions about this or need any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Glen R. Volk", is written over the word "Sincerely,".

Glen R. Volk, FSA, MAAA
Vice President & Consulting Actuary

cc: Jeff Angello

**Palm Beach County Board of County Commissioners
Projected 2009 Health Plan Funding Increase**

Based on Current Enrollment, Excluding SWA, with a 6.9% Increase for 2009

| Plan | Tier | Enrollees | 2008 Monthly Funding Rates | | | 2009 Monthly Funding Rates @ 6.9% Increase | | |
|-----------------------------------|-----------------|--------------|----------------------------|----------------------|---------------------|--|----------------------|---------------------|
| | | | Total | County | Employee | Total | County | Employee |
| HMO | EE | 1,980 | \$ 514.14 | \$ 504.14 | \$ 10.00 | \$ 549.44 | \$ 539.44 | \$ 10.00 |
| | EE + 1 | 972 | \$ 1,049.03 | \$ 933.95 | \$ 115.08 | \$ 1,121.06 | \$ 1,005.98 | \$ 115.08 |
| | Family | 1,370 | \$ 1,431.27 | \$ 1,227.40 | \$ 203.87 | \$ 1,529.54 | \$ 1,325.67 | \$ 203.87 |
| | Subtotal | 4,322 | \$ 47,981,931 | \$ 43,050,415 | \$ 4,931,516 | \$ 51,276,376 | \$ 46,344,860 | \$ 4,931,516 |
| POS | EE | 374 | \$ 562.47 | \$ 532.47 | \$ 30.00 | \$ 601.09 | \$ 571.09 | \$ 30.00 |
| | EE + 1 | 81 | \$ 1,149.95 | \$ 930.58 | \$ 219.37 | \$ 1,228.91 | \$ 1,009.54 | \$ 219.37 |
| | Family | 36 | \$ 1,569.11 | \$ 1,233.18 | \$ 335.93 | \$ 1,676.85 | \$ 1,340.92 | \$ 335.93 |
| | Subtotal | 491 | \$ 4,319,972 | \$ 3,826,983 | \$ 492,989 | \$ 4,616,592 | \$ 4,123,602 | \$ 492,989 |
| PPO | EE | 22 | \$ 1,404.37 | \$ 1,183.35 | \$ 221.02 | \$ 1,500.80 | \$ 1,279.78 | \$ 221.02 |
| | EE + 1 | 6 | \$ 2,867.77 | \$ 2,153.88 | \$ 713.89 | \$ 3,064.68 | \$ 2,350.79 | \$ 713.89 |
| | Family | 2 | \$ 3,908.35 | \$ 2,733.22 | \$ 1,175.13 | \$ 4,176.70 | \$ 3,001.57 | \$ 1,175.13 |
| | Subtotal | 30 | \$ 671,034 | \$ 533,081 | \$ 137,952 | \$ 717,109 | \$ 579,156 | \$ 137,952 |
| Total All Plans | | 4,843 | \$ 52,972,937 | \$ 47,410,479 | \$ 5,562,458 | \$ 56,610,076 | \$ 51,047,619 | \$ 5,562,458 |
| Annual 2009 Increase in \$ | | | | | \$ 3,637,140 | \$ 3,637,140 | \$ - | |