

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: 9/15/09

Consent

Regular

Ordinance

Public Hearing

Department:

Submitted By: Risk Management

Motion and Title: Staff recommends motion to approve:

- A) Third 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, 2010 through December 31, 2010; and
- B) CIGNA's proposed administrative fees and specific stop loss premiums for plan year 2010

Summary: Staff recommends Board approval for the third annual option to renew the Administrative Services Only Agreement with CIGNA for the period January 1, 2010 through December 31, 2010. For plan year 2010, projected Board and employee premiums for the County's triple-option health plans (HMO, POS & PPO) do not reflect an increase over the expiring plan year. Prior year plan gains due to less than expected claims experience have left the fund with a balance accumulation sufficient to negate a need to increase premiums. Eligible employees of Palm Tran, Inc. and the Supervisor of Elections will continue to participate in the health insurance plans along with the eligible employees of the Palm Beach County Board of County Commissioners. The total plan cost projected for all three entities is \$59,852,341, a \$4,008,506 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 2010.
- 2. Letter and attachment from Gallagher Benefits Services illustrating Plan year 2010 cost projections and recommended actuarial rates for each plan and associated tier of coverage.

Recommended by: Nancy L Bolton 9/13/09
 Department Director Date

Approved by: Bolton 9/13/09
 Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital Expenditures					
Operating Costs	\$ <u>2,124,269</u>	\$ <u>708,090</u>			
External Revenues					
Program Income (County)					
In Kind Match (County)					
NET FISCAL IMPACT	\$ <u>2,124,269</u>	\$ <u>708,090</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:

Total Fees (\$49.40 per month)	\$ 593.04
Employees	4776
	<u>\$2,832,359</u>

The total plan cost projected for all three entities is \$59,852,341, a \$4,008,506 increase over the projected costs for the expiring plan year. Sufficient funds have been budgeted to fund the program.

C. Departmental Fiscal Review: Gay Kanter

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

<u>MSL</u> OFMB 9/8/09	<u>Dr. J. J. J...</u> Contract Administration 9/11/09
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B. Legal Sufficiency:

J. J. J...
Assistant County Attorney 9/11/09

This item complies with current County policies.

C. Other Department Review:

Department Director

Background and Policy Issues:

The County has self-insured its triple-option health insurance plans since 2003. The Board funds approximately 90% of the plan, with the remainder of the funding coming from employee payroll deductions and premium contributions paid in full by participating retirees.

With the exception of plan year 2006, annual claims experience has been consistent with, or in some years, more favorable than projected by the plan's actuary since the County became self-insured. For plan year 2008, a total of \$57.8 million in premium was allocated to the plans. There were no claims exceeding the stop loss cap in plan year 2008. Total plan expenses were \$55.1 million. Due to the addition of interest income and prescription drug rebates contributing to the revenue received in the fund, the plan experienced a gain of \$3.3 million for the year. This has contributed to the accumulated balance in the fund, which will allow for the flat premium renewal being recommended for plan year 2010. The accumulated fund balance, even with the flat renewal for plan year 2010, is expected to remain in excess of the 60 day safe harbor threshold established by the Office of Insurance Regulation.

Staff recommends that the specific excess insurance cap (stop loss insurance) remain at \$500,000 for any one claimant. For the current plan year-to-date, one claim has reached and exceeded this threshold and it appears as though three more claims might follow suit before year end. This coverage ensures, for any claim, the ultimate exposure to the Board is capped at \$500,000.00.

As in prior years, eligible 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.

Dina D'Angelo
Client Manager

A

August 31, 2009

Nancy Bolton
Director, Risk Management
Palm Beach County Board of County Commissioners
100 Australian Way, Suite 200
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, 2010 – December 31st, 2010.

Administrative Fee

Network	\$23.60 per employee per month
Network Point of Service	\$23.60 per employee per month
PPO	\$23.60 per employee per month

Access Fee

Network	\$13.50 per employee per month
Network Point of Service	\$13.50 per employee per month
PPO	\$10.70 per employee per month

Specific Stop Loss @\$500,000

Network	\$ 9.64 per employee per month
Network Point of Service	\$ 9.64 per employee per month
PPO	\$ 9.64 per employee per month

HIPAA

Pharmacy Fee

\$.18 per employee per month
\$ 2.50 per employee per month

Thank you for your continued partnership with us.

Sincerely,

Dina D'Angelo

Dina D'Angelo
Senior Client Manager



Gallagher Benefit Services, Inc.

A Subsidiary of Arthur J. Gallagher & Co.

September 4, 2009

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

Re: 2010 Health Plan Projections

Dear Nancy:

I have reviewed the County's claim experience under your health plan through July 2009. I project the total 2010 expense, based on the current plan design and an average enrollment of 4,776 employees, to be as follows:

Expected Claims	\$57,020,889
ASO/Access Fees	\$2,278,964
Reinsurance Premiums	\$552,488
Total Projected 2009 Expense	\$59,852,341

The funding rates on the attached exhibit generate expected revenue of \$55.8 million. The difference between the projected funding and the expense figures suggests the plan will incur a loss of \$4 million in 2010. The claims have been reasonably consistent with what we expected so far in 2009 and we project a break-even year for this year.

Note that the projected 2010 expense assumes no further change in the enrollment. In some 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 2009 and 2010 funding, showing the annualized funding produced for both years. The 2010 rates represent no change from the 2009 rates, so there are no differences in total funding between the years. As noted above, I project that these rates will result in a shortfall of \$4 million in 2010, and this shortfall will reduce the accumulated surplus in the plan. Anticipated pharmacy rebates may offset approximately \$700,000 of this shortfall. Any investment income allocated to the fund will also serve to reduce the shortfall.



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

Sincerely,

A handwritten signature in dark ink, appearing to read 'Glen R. Volk', is written over the typed name.

Glen R. Volk, FSA, MAAA
Consulting Actuary

cc: Jeff Angello

**Palm Beach County Board of County Commissioners
Projected 2010 Health Plan Funding Increase**

Based on Current Enrollment with No Increase for 2010

Plan	Tier	Enrollees	2009 Monthly Funding Rates			2010 Monthly Funding Rates @ No Increase		
			Total	County	Employee	Total	County	Employee
HMO	EE	1,964	\$ 549.44	\$ 539.44	\$ 10.00	\$ 549.44	\$ 539.44	\$ 10.00
	EE + 1	964	\$ 1,121.06	\$ 1,005.98	\$ 115.08	\$ 1,121.06	\$ 1,005.98	\$ 115.08
	Family	1,358	\$ 1,529.54	\$ 1,325.67	\$ 203.87	\$ 1,529.54	\$ 1,325.67	\$ 203.87
	Subtotal	4,286	\$ 50,843,008	\$ 45,953,817	\$ 4,889,191	\$ 50,843,008	\$ 45,953,817	\$ 4,889,191
POS	EE	353	\$ 601.09	\$ 571.09	\$ 30.00	\$ 601.09	\$ 571.09	\$ 30.00
	EE + 1	75	\$ 1,228.91	\$ 1,009.54	\$ 219.37	\$ 1,228.91	\$ 1,009.54	\$ 219.37
	Family	35	\$ 1,676.85	\$ 1,340.92	\$ 335.93	\$ 1,676.85	\$ 1,340.92	\$ 335.93
	Subtotal	463	\$ 4,356,513	\$ 3,890,910	\$ 465,604	\$ 4,356,513	\$ 3,890,910	\$ 465,604
PPO	EE	20	\$ 1,500.80	\$ 1,279.78	\$ 221.02	\$ 1,500.80	\$ 1,279.78	\$ 221.02
	EE + 1	5	\$ 3,064.68	\$ 2,350.79	\$ 713.89	\$ 3,064.68	\$ 2,350.79	\$ 713.89
	Family	2	\$ 4,176.70	\$ 3,001.57	\$ 1,175.13	\$ 4,176.70	\$ 3,001.57	\$ 1,175.13
	Subtotal	27	\$ 644,314	\$ 520,232	\$ 124,081	\$ 644,314	\$ 520,232	\$ 124,081
Total All Plans		4,776	\$ 55,843,835	\$ 50,364,959	\$ 5,478,876	\$ 55,843,835	\$ 50,364,959	\$ 5,478,876
Annual 2009 Increase in \$					\$ -	\$ -	\$ -	