

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Agenda Item #

5D-1

Meeting Date: 10/19/10

Consent

Regular

Ordinance

Public Hearing

Department:

Submitted By: Risk Management

Motion and Title: Staff recommends motion to approve:

- A) Fourth 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, 2011 through December 31, 2011; and
- B) CIGNA's proposed administrative fees and specific stop loss premiums and risk retention level for plan year 2011; and
- C) Changes to certain copayments and rate contributions paid by employees and their eligible dependents for plan year 2011

Summary: Staff recommends Board approval for the fourth annual option to renew the Administrative Services Only Agreement with CIGNA for the period January 1, 2011 through December 31, 2011. For plan year 2011, projected Board premiums for the County's self-funded health plans reflect an increase in employee cost sharing for both plan copayments and monthly premiums. The recommended employee cost sharing increases, estimated to total approximately \$7,000,000 for the 2011 plan year, are necessary to offset the increasing cost of the health plans and to meet the Board's budgetary objectives. The total plan cost projected for 2011 is \$61,357,242, a \$1,504,901 increase over the projected cost for the expiring plan year. Included within this amount is \$2,779,124 in administrative and stop-loss insurance costs for the renewing contract with CIGNA. The increase in employee cost sharing, coupled with a fund balance accumulation due to less than expected claims experience in prior plan years, will negate a need to increase the Board's level of funding for coming year. 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. 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 fees and Stop Loss premiums for plan year 2011.
2. Letter and attachment from Gallagher Benefit Services, Inc. illustrating Plan year 2011 cost projections and recommended actuarial rates for each plan and associated tier of coverage.

Recommended by:

Nancy L. Bolton
Department Director

10/7/10
Date

Approved by:

Paula Lewis
Assistant County Administrator

10/14/10
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital Expenditures					
Operating Costs	\$2,084,343	\$694,781	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In Kind Match (County)	_____	_____	_____	_____	_____
NET FISCAL IMPACT	\$ _____	_____	_____		
# 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:

Est. Adm/Excess Ins. Fees (\$48.91 per month *12)	\$586.93
Est. Employees	4735
Est. Total Adm/Excess Ins. Fees	\$2,779,124


C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

 _____ OFMB 10/15/10	 _____ Contract Administration 10/13/10
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B. Legal Sufficiency:



 Assistant County Attorney
 10/14/10

C. Other Department Review:

 Department Director

Background and Policy Issues:

The County has self-insured its triple-option health insurance plan (HMO, POS & PPO) since 2003. 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. Due to the addition of interest income and prescription drug rebates contributing to the revenue received in the fund, the plan has accumulated a balance in the fund which is expected to remain in excess of the 60 day safe harbor threshold established by the Office of Insurance Regulation at the end of the 2011 plan year. It is expected, however, that the accumulated fund balance will be near that threshold at that time, and although the plan will still be adequately funded within the state's recommendation for self-insured plans, it is likely that excess funds will not be available to offset premiums for plan year 2012.

The specific excess insurance cap (stop loss insurance) is currently \$500,000 for any one claimant. Since the County changed its insurance funding arrangement to self-insured, only two claims have reached and exceeded this threshold. Therefore, as a cost savings strategy for the coming plan year, staff recommends increasing the stop loss limit to \$550,000. This small increase in the stop loss limit will continue to protect the Board's plan assets against catastrophic claims, while saving approximately \$82,000 in premiums over the cost of a renewed policy at the \$500,000 stop loss limit, and \$10,000 over the expiring policy.

In plan year 2005, the Board adopted a cost control strategy that included a provision that the Board would fund 90% of the annual plan cost, with employees funding the remaining 10%. This funding arrangement has continued through the current (2010) plan year. Increases to employee premiums will shift this funding arrangement to approximately 86%/14%, with additional employee cost-sharing through copayments at the time services are rendered, expected to fund as much as 7% of the total plan costs (as compared to 3% for the expiring plan year). This funding arrangement will allow the Board to continue to offer a competitive health plan to eligible employees and their dependents, while also meeting its budgetary goals to control costs.

The proposed changes for the HMO and POS plans include an increased specialist copayment of \$40 (from the current \$20), emergency room copayment of \$150 (from the current \$50), Pharmacy copayments of \$35 (brand-name, from the current \$20), and \$55 (preferred brand, from the current \$35), with generic drug copayments remaining at the current \$10, outpatient surgery copayments of \$150 (from the current \$0), and advanced diagnostic imaging (MRI, PET, CT) copayments of \$150 (from the current \$0). Premium increases will include an individual HMO premium of \$25 per month (from the current \$10) and an individual POS premium of \$55 per month (from the current \$30), and for both plans, an increase to the employee + 1 tiers an additional \$50 per month and the family tiers an additional \$75 per month. The proposed changes are consistent and with what other local public employers are offering in the way of plan cost sharing.

PPO rates are based on the true actuarial cost of claims, and have become cost prohibitive. With only 24 employees remaining in this plan, staff recommends that the plan be discontinued for new employees for plan year 2011. Employees choosing to remain in the plan may do so for the coming plan year, but the rates will be increased significantly (see attached rate verification).

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.

Pursuant to the collective bargaining process, the proposed plan and premium changes were negotiated with the CWA and were ratified by its members on the evening of October 5, 2010.

Dina D'Angelo
Sr. Client Manager

A

October 5, 2010

Nancy Bolton
Director, Risk Management
Palm Beach County Board of County Commissioners
160 Australian Avenue, Suite 401
West Palm Beach, FL 33406

Dear Nancy,

This letter is to confirm the renewal rates for the period January 1st, 2011 - December 31st, 2012.

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 POS	\$13.50 per employee per month
PPO	\$10.70 per employee per month

Specific Stop Loss @ \$550,000

Network	\$9.55 per employee per month
Network Point of Service	\$9.55 per employee per month
PPO	\$9.55 per employee per month

HIPAA \$.18 per employee per month

Pharmacy Fee \$2.50 per employee per month

Sincerely,

Dina D'Angelo

Dina D'Angelo
Sr. Client Manager

Attachment 1



Gallagher Benefit Services, Inc.

A Subsidiary of Arthur J. Gallagher & Co.

October 5, 2010

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

Re: 2011 Health Plan Projections

Dear Nancy:

I have reviewed the County's claim experience under your health plan through July 2010. We have also estimated the impact of the plan changes that will be effective on January 1, 2011. I project the total 2011 expense, based on the revised plan design and an average enrollment of 4,735 employees (which is the current enrollment), with continued gradual migration of employees from the POS to the HMO plan, to be as follows:

Expected Claims	\$58,578,118
ASO/Access Fees	\$2,236,493
Reinsurance Premiums	\$542,631
Total Projected 2011 Expense	\$61,357,242

The funding rates on the attached exhibit generate expected revenue of \$58.4 million. The difference between the projected funding and the expense figures suggests the plan will incur a loss of \$2.9 million in 2011. The claims have been slightly higher than what we expected so far in 2010 and we project the plan will lose close to \$5 million, compared to the \$4 million shortfall we had projected.

For your reference, I have attached a copy of the 2010 and 2011 funding rates, showing the annualized funding produced for both years. The 2011 rates represent no change in the County portion of the 2010 rates, but reflect increased employee premiums for all plans and tiers. As noted above, I project that these rates will result in a shortfall of \$2.9 million in 2011, and this shortfall will reduce the plan's accumulated fund balance. 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. The accumulated fund balance is sufficient to cover the projected 2010 and 2011 shortfalls and we project that the balance at the end of 2011 will still satisfy the state's surplus guidelines for self-funded governmental plans. Beyond 2011, it may be necessary to avoid, or at least reduce, further shortfalls in order to satisfy the state guidelines.

One Boca Place
2255 Glades Road, Suite 400 E
Boca Raton, FL 33431
561.995.6706
Fax 561.995.6708
www.ajg.com

Attachment 2



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
Consulting Actuary

cc: Jeff Angello

**Palm Beach County Board of County Commissioners
2011 Funding Illustrations Based on Negotiated Benefit and Contribution Changes**

Based on Current Total Enrollment With Assumed Migration from POS to HMO

Plan	Tier	2010 Monthly Funding Rates				2011 Monthly Funding Rates			
		Enrollees	Total	County	Employee	Enrollees	Total	County	Employee
HMO	EE	1,899	\$ 549.44	\$ 539.44	\$ 10.00	1,969	\$ 564.44	\$ 539.44	\$ 25.00
	EE + 1	1,056	\$ 1,121.06	\$ 1,005.98	\$ 115.08	1,056	\$ 1,171.06	\$ 1,005.98	\$ 165.08
	Family	1,309	\$ 1,529.54	\$ 1,325.67	\$ 203.87	1,309	\$ 1,604.54	\$ 1,325.67	\$ 278.87
	Subtotal	4,264	\$ 50,752,725	\$ 45,864,162	\$ 4,888,564	4,334	\$ 53,380,375	\$ 46,317,291	\$ 7,063,084
POS	EE	279	\$ 601.09	\$ 571.09	\$ 30.00	209	\$ 626.09	\$ 571.09	\$ 55.00
	EE + 1	111	\$ 1,228.91	\$ 1,009.54	\$ 219.37	111	\$ 1,278.91	\$ 1,009.54	\$ 269.37
	Family	57	\$ 1,676.85	\$ 1,340.92	\$ 335.93	57	\$ 1,751.85	\$ 1,340.92	\$ 410.93
	Subtotal	447	\$ 4,796,323	\$ 4,173,906	\$ 622,417	377	\$ 4,472,007	\$ 3,694,190	\$ 777,817
PPO	EE	19	\$ 1,500.80	\$ 1,279.78	\$ 221.02	19	\$ 1,579.78	\$ 1,279.78	\$ 300.00
	EE + 1	4	\$ 3,064.68	\$ 2,350.79	\$ 713.89	4	\$ 3,564.79	\$ 2,350.79	\$ 1,214.00
	Family	1	\$ 4,176.70	\$ 3,001.57	\$ 1,175.13	1	\$ 4,999.57	\$ 3,001.57	\$ 1,998.00
	Subtotal	24	\$ 539,407	\$ 440,647	\$ 98,761	24	\$ 591,295	\$ 440,647	\$ 150,648
Total All Plans		4,735	\$ 56,088,456	\$ 50,478,714	\$ 5,609,742	4,735	\$ 58,443,677	\$ 50,452,128	\$ 7,991,549
Annual 2011 Increase in \$						\$ 2,355,221	\$ (26,586)	\$ 2,381,807	