

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: October 1, 2013 ☐ Consent ☒ Regular
 ☐ Ordinance ☐ Public Hearing

Department: Risk Management

Submitted By: Risk Management

Submitted For: Group Insurance

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: A) Second annual option to renew the Administrative Services Only (ASO) Agreement (R 2011-1667) dated October 31, 2011, with CIGNA Health and Life Insurance Company (CHLIC) for claims administration services for the County's self-funded HMO and POS health insurance plans for the period January 1, 2014 through December 31, 2014; and **B)** CHLIC's proposed administrative fees, access fees and specific stop loss premiums estimated at \$2,353,808 for plan year 2014; and **C)** The actuarial rates per coverage tier for plan year 2014; and **D)** Employee wellness participation cash incentives in the amount of \$25 for completion of the online Health Risk Assessment (HRA) and \$25 for participation in an onsite biometric screening.

Summary: Staff recommends Board approval of the second annual option to renew the ASO Agreement with CHLIC for the period January 1, 2014 through December 31, 2014 on behalf of the employees of the Board of County Commissioners (Board), Supervisor of Elections, and Palm Tran, Inc. (collectively participating in the plan through the provisions of Interlocal Agreement 2002 2287). CHLIC's estimated fees of \$2,353,808 represent a reduction of \$71,914 over the expiring contract primarily due to a recommended adjustment to the stop-loss limit of \$600,000 per claim (from \$550,000), based on favorable experience. The total projected health plan and administrative expense for plan year 2014 is \$64,793,382, representing an increase of \$407,961 over the projected 2013 expense at the same time last year. Although enrollment continues to trend downward over last year, allowances were made for an estimated 85 employees who currently opt out of the Board's health plan and may enroll in the health plan in 2014 due to the individual coverage mandate of the Affordable Care Act (ACA). Also effective in 2014, the ACA will require health plans to limit out-of-pocket maximums to a total of \$6,350 annually. Therefore, the current out-of-pocket maximum plan provisions will be amended to include physician office and pharmacy copayments, which were previously not capped. Due to favorable claims experience and a projected operating gain of \$4.3 million for 2013, staff is recommending employee contributions and cost-sharing remain unchanged for plan year 2014, and that an employee cash incentive for participation in certain components of the wellness program be continued and increased from \$25 to a possible \$50 per employee for the 2014 plan year. Sufficient funds have been budgeted to fund the program. Countywide (TKF)

Background and/or Policy Issues: (continued on Page 3).

Attachments:

- 1) Letter from CIGNA confirming administrative fees, access insurance premium for plan year 2014.
- 2) Letter and attachment from Gallagher Benefit Services, Inc. illustrating plan year 2014 cost projections and recommend actuarial rate for each plan and associated tier coverage.

Recommended By: Nancy L. Belton

Department Director

9/17/13

Date

Approved By: [Signature]

County/Deputy/Assistant County Administrator

9/17/13

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

Fiscal Years	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital Expenditures					
Operating Costs	<u>1,787,856</u>	<u>595,952</u>			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	<u><u>1,787,856</u></u>	<u><u>595,952</u></u>			
# ADDITIONAL FTE POSITIONS (Cumulative)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Is Item Included In Current Budget?	Yes	No
Budget Account	Exp No.: Fund	5012 Dept 700 Unit VariousObj Various
	Rev No.: Fund	Unit Obj

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

Employee Health Insurance Fund
 Budget Line 5012-700-7312-3401/4503
 ASO Admin & Excess Insurance Fees (\$43.56 per month) \$522.62
 Estimated Participants X 4,503
 Estimated Total Fees \$2,353,808

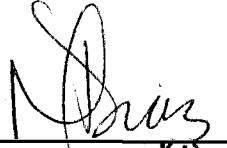
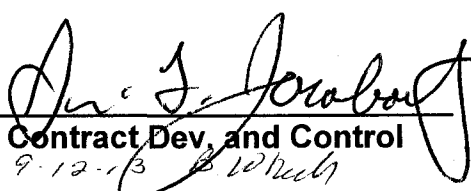
Budget Line 5012-700-7313-1501
 Wellness Program Incentive \$50.00
 Estimated Participants (based on 2013) 600
 Estimated Total Fees \$30,000

Estimated Total Cost \$2,383,808

C. Departmental Fiscal Review:

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

 8/11/2013 OFMB ^{MD} _{9/1} ^{JB} _{9/10}	 9/12/13 Contract Dev. and Control ⁹⁻¹²⁻¹³ _{9/12/13}
---------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------

B. Legal Sufficiency:


 9/13/13
 Assistant County Attorney

C. Other Department Review:

 Department Director

REVISED 9/03
 ADM FORM 01

(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)

Background and or Policy Issues: (continued from page 1):

The County has self-insured its health insurance plans since 2003. Annual claims experience has been consistent with, or in some years, more favorable than the numbers projected by the plan's actuary since the County became self-insured with the exception of plan years 2006 and 2010 when actual experience exceeded the actuary's projection. Plan years 2011, 2012 and YTD 2013 have enjoyed consistent favorable experience resulting from a number of factors including cost-reducing plan changes that took effect in January of 2011, a reduction in plan enrollment and a positive impact in part due to increased education and activities focused on employee wellness.

Based on the plan's stable reserve and consistent loss history over the past several years, staff recommends raising the specific excess insurance cap (stop loss insurance) to \$600,000 for any one claimant in the current plan year. This represents a small increase over the current cap of \$550,000 and provides for \$96,184 in premium savings. Specific stop loss coverage protects the County against catastrophic losses.

Wellness efforts have continued to take hold with a successful inaugural 5k run/walk at Okeeheelee Park on January 12, 2013. The event featured health screenings for participating employees and their eligible dependents who signed up for the race. More than 400 employees and dependents attended the event. The 2nd 5k run/walk is scheduled for January 11, 2014 again at Okeeheelee Park.

Other 2013 wellness initiatives included new and year-round physical fitness challenge classes lasting eight (8) weeks each. In addition to the established Zumba and Yoga classes, Soul Line Dancing and Cardio Kickboxing were offered. Registration and attendance for the new fitness classes have noticeably increased. As a pilot program, dependents enrolled in the Cigna health plan are able to attend the fitness classes for the first time in 2013.

We recommend continuing a cash incentive for Plan Year 2014. The incentive allows an employee to receive \$25 for voluntary completion of a biometric screening and another \$25 for voluntary completion of the online Health Risk Assessment (HRA). The incentive supports the goal of reaching 100% participation by employees. This would include any employee effective on the Board's Cigna health plan who is completing the biometric and HRA within Plan Year 2014 (Jan 1, 2014 – Dec 31, 2014). Sufficient funding is available in the Health Fund budget and reserve to allow for 100% participation.

Dina D'Angelo
Senior Client Manager

Attachment 1 – Page 1 of 1



August 12, 2013

1571 Sawgrass Corporate Parkway
Suite 300
Sunrise, FL 33323
Telephone 954-514-6877
Dina.Dangelo@cigna.com

Nancy Bolton
Director, Risk Management
Palm Beach County Board of County Commissioners
100 Australian Avenue, Suite 200
West Palm Beach, FL 33406

Dear Nancy:

This letter is to confirm the renewal rates for the period January 1, 2014 – December 31, 2014.

Administrative Fees

Network	\$16.12 per employee per month
Network POS	\$16.12 per employee per month

Access Fee (inclusive of Disease Management fee through bank account)

Network	\$17.82 per employee per month
Network POS	\$17.82 per employee per month

Specific Stop Loss @ \$600,000 level

Network	\$9.47 per employee per month
Network POS	\$9.47 per employee per month

HIPAA	\$.15 per employee per month
-------	------------------------------

Sincerely,
Dina D'Angelo
Dina D'Angelo
Sr. Client Manager



Healthcare Analytics

A Division of Gallagher Benefit Services, Inc.

August 12, 2013

Ms. Nancy Bolton
 Director, Risk Management
 Palm Beach County
 100 Australian Ave., Ste 200
 West Palm Beach, FL 33406

Re: 2014 Health Plan Projections

Dear Nancy:

I have reviewed the County's claim experience under your health plan through June 2013. I project the total 2014 calendar year expense, based on an average enrollment of 4,503 employees (which is the current enrollment increased by our estimate of 85 employees who will enroll due to healthcare reform) and the final fixed costs as negotiated with CIGNA, to be as follows:

Expected Claims	\$61,842,105
ASO/Access Fees	\$1,842,087
Reinsurance Premiums	\$511,721
PPACA Fees/Taxes	\$597,469
Total Projected 2014 Expense	\$64,793,382

Applying the 2013 funding rates to the expected enrollment generates revenue of \$1.2 million less than the projected 2014 expense. In light of the favorable experience and resulting surplus in the fund, I do not believe that any rate increase is necessary for 2014. Provided experience is in line with our expectations, we expect the plan's Fund Balance to remain at a level that satisfies the Office of Insurance Regulation's (OIR) safe harbor threshold. 2013 year to date experience has been very favorable, as the rolling 12-month per capita claim cost as of June 30, 2013 has increased by less than 0.5% from what it was a year ago. As a result, we now project an operating gain of \$4.3 million for 2013.

For your reference, I have attached a copy of the 2013 and recommended 2014 funding rates, showing the annualized funding produced for both years. Since we are not recommending any increase, the 2014 rates are the same as the 2013 rates. Note that the 2014 illustration assumes an increase of 85 enrollees as noted above and that is why the 2014 premium is over \$1 million higher than the 2013 total. If the County elects to transfer assets out of the health plan to bring the Fund Balance closer to the level of the OIR safe harbor threshold, I would recommend leaving a margin of close to \$1 million in excess of the threshold in order to prevent the Fund Balance from falling below the OIR safe harbor threshold if the expected loss occurs in 2014.

Anticipated pharmacy rebates and investment income allocated to the fund are expected to add close to \$1 million to the fund in 2014 and that will provide an additional margin to protect



Nancy Bolton
August 12, 2013
Page 2

against higher than expected claims without having the plan's Fund Balance fall below the OIR safe harbor.

Overall, it is my opinion that the plan is in a strong financial position and will remain so through 2014 under the recommended rating action. Please let me know if you have any questions about this or need any additional information.

Sincerely,



Hannah Rosser, ASA, MAAA
Actuary

cc: Glen Volk
Mark Rosenberg
Jeff Angello



Palm Beach County Board of County Commissioners
2014 Funding Illustrations Based on Breakeven Funding With No Changes to Employee Rates

2014 Enrollment Based on Current Total Enrollment Increased by Expected New Enrollees Due to Healthcare Reform

Plan	Tier	2013 Monthly Funding Rates				2014 Monthly Funding Rates			
		Enrollees	Total	County	Employee	Enrollees	Total	County	Employee
HMO	EE	1,884	\$ 654.93	\$ 629.93	\$ 25.00	1,906	\$ 654.93	\$ 629.93	\$ 25.00
	EE + 1	1,026	\$ 1,358.79	\$ 1,193.71	\$ 165.08	1,045	\$ 1,358.79	\$ 1,193.71	\$ 165.08
	Family	1,207	\$ 1,861.76	\$ 1,582.89	\$ 278.87	1,230	\$ 1,861.76	\$ 1,582.89	\$ 278.87
	Overage Dep		\$ 393.00	\$ -	\$ 393.00		\$ 393.00	\$ -	\$ 393.00
	Subtotal	4,117	\$ 58,504,431	\$ 51,867,513	\$ 6,636,918	4,181	\$ 59,498,363	\$ 52,740,339	\$ 6,758,024
POS	EE	205	\$ 726.46	\$ 671.46	\$ 55.00	208	\$ 726.46	\$ 671.46	\$ 55.00
	EE + 1	75	\$ 1,483.93	\$ 1,214.56	\$ 269.37	76	\$ 1,483.93	\$ 1,214.56	\$ 269.37
	Family	38	\$ 2,032.69	\$ 1,621.76	\$ 410.93	38	\$ 2,032.69	\$ 1,621.76	\$ 410.93
	Overage Dep		\$ 435.93	\$ -	\$ 435.93		\$ 435.93	\$ -	\$ 435.93
	Subtotal	318	\$ 4,048,809	\$ 3,483,747	\$ 565,062	322	\$ 4,093,495	\$ 3,523,165	\$ 570,330
Total All Plans		4,435	\$ 62,553,240	\$ 55,351,260	\$ 7,201,980	4,503	\$ 63,591,858	\$ 56,263,504	\$ 7,328,354
Annual 2014 Increase in \$							\$ 1,038,618	\$ 912,244	\$ 126,374