

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

Fiscal Years	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital Expenditures					
Operating Costs	1,751,018	583,672			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	<u>1,751,018</u>	<u>583,672</u>			

ADDITIONAL FTE

POSITIONS (Cumulative)	0	0	0	0	0
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Is Item Included In ^{Proposed} ~~Current~~ Budget? Yes X No _____
 Budget Account Exp No.: Fund 5012 Dept 700 Unit Various Obj Various
 Rev No.: Fund _____ Dept _____ Unit _____ Obj _____

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

Employee Health Insurance Fund
 Budget Line 5012-700-Variou Units

ASO Admin & Excess Insurance Fees (\$43.17 per month)	\$518.04
Estimated Participants	<u>4,362</u>
Estimated Total Fees	<u>\$2,259,690</u>
Wellness Program Incentive	\$50.00
Estimated Participants (based on 2014)	<u>1,500.</u>
Estimated Total Fees	<u>\$75,000.00</u>
Estimated Total Cost	<u>\$2,334,690</u>

C. Departmental Fiscal Review:

III. REVIEW COMMENTS

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

[Signature] 8/18/14 OFMB
[Signature] 8/19/14 Contract Dev. and Control
 8-19-14 Bill Leach

B. Legal Sufficiency:

[Signature] 8/20/14
 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 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.

Plan year 2014 claims through June 30, 2014 have begun to show an increased trend which is being monitored by staff. Adjustments to premiums and plan benefits may have to be considered for plan year 2016 and beyond, depending on claims trends and in light of requirements under the ACA and the impending excise tax that is scheduled to take effect plan year 2018. Unless changes are made by lawmakers, the ACA will impose an annual 40% excise tax on health plans with premiums exceeding \$10,200 for individuals or \$27,500 for a family. It is currently unknown if the County's health plan costs will exceed these thresholds in plan year 2018. However, in the coming plan years, it will be necessary for staff to recommend strategic changes to the plans as needed to avoid this costly tax and to ensure sufficient surplus remains in the self-insured health fund to maintain the appropriate "safe-harbor" threshold to pay 60-days-of claims. These changes will likely be a combination of premium increases and plan adjustments.

The County's wellness program continues to grow. Participation in the 2nd successful 5k run/walk held at Okeeheele Park on January 11, 2014 increased by nearly 15% over the previous year. The wellness program has expanded from a limited annual 8-week program to year-round activities at numerous times and locations throughout the County. Staff continues to seek out additional types of wellness activities and classes to provide a variety of offerings and increase employee engagement. In June 2014, the county hired a full time Wellness Program Coordinator who works with a wellness program contractor, staffed by a local SBE company through the ASO Agreement with CHLIC.

Participation in HRA and biometrics markedly increased when an incentive was offered to employee for completion of a biometric screening and Health Risk Assessment (see table below) staff is recommending to continue the current cash incentive of employees being able to earn \$25 for voluntary completion of a biometric screening and another \$25 for voluntary completion of the online HRA within Plan Year 2015 (Jan 1, 2015 – Dec 31, 2015).

Year of Completion	Biometric Screening	Health Risk Assessment (HRA)	Program Notes
2012	893	713	\$25 for completion of HRA
2013	182	37	\$25 for completion of HRA, if not incentivized before
2014 (YTD)	977	704	\$25 for completion of HRA and \$25 for completion of biometric in Plan Year 2014

Sufficient funding is available in the Health Fund budget and reserve to allow for 100% participation.

Dina D'Angelo
Senior Client Manager



August 5, 2014

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

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

Dear Nancy:

This letter is to confirm the renewal rates for the period January 1, 2015 – December 31, 2015.

Administrative Fees

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

Access Fee

Network	\$5.65 per employee per month
Network POS	\$5.65 per employee per month

Utilization Fee

Network	\$6.50 per employee per month
Network POS	\$6.50 per employee per month

Disease Management Fee

Network	\$5.67 per employee per month
Network POS	\$5.67 per employee per month

Specific Stop Loss @ \$600,000 level

Network	\$9.23 per employee per month
Network POS	\$9.23 per employee per month

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

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August 7th, 2014

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

Re: 2015 Health Plan Projections

Dear Nancy:

We have reviewed the County's claim experience under your health plan through June 2014. We project the total 2015 calendar year expense, based on an average enrollment of 4,362 employees (which is the current enrollment) and the final fixed costs as negotiated with CIGNA, to be as follows:

Expected Claims	\$61,848,047
ASO/Access Fees	\$1,776,555
Reinsurance Premiums	\$483,135
PPACA Fees/Taxes	\$406,460
Total Projected 2014 Expense	\$64,514,198

Applying the 2014 funding rates to the expected enrollment generates revenue of \$61.5 million, or \$3 million less than the projected 2015 expense. Our current forecast is that the plan will enter the 2015 calendar year with a surplus of \$13.2 million, so at current funding levels that would be expected to fall to \$10.2 million by the end of 2015. We project that the Office of Insurance Regulation ("OIR") safe harbor surplus threshold of 60 days of claims will be \$10.3 million at the end of 2015, so with no rate increase for 2015 we project the yearend surplus to be almost exactly equal to the projection OIR threshold. In addition, the plan will be credited with pharmacy rebates and investment income in 2015 that will provide additional margin of close to \$1 million.

Based on these considerations, and the fact that the plan has experienced increases in recent years that have been lower than our expectations, we do not believe that any rate increase is necessary for 2015. Provided that experience is in line with our expectations and that no surplus assets are transferred out of the health plan between now and the end of 2015, we expect the plan's Fund Balance to remain at a level that

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satisfies the OIR safe harbor threshold at the end of 2015, although the margin will be much smaller than it has been in the past.

For your reference, we have attached a copy of the 2014 and recommended 2015 funding rates, showing the annualized funding produced for both years. Since we are not recommending any increase, the 2015 rates are the same as the 2014 rates.

Overall, it is my opinion that the plan is in a strong financial position and will remain so through 2015 under the recommended rating action. 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 'G. Volk'.

Glen R. Volk, FSA, MAAA
Consulting Actuary

cc: Jeff Angello

**Palm Beach County Board of County Commissioners
2015 Funding Illustrations Based on Breakeven Funding With No Changes to Employee Rates**

Plan	Tier	2014 Monthly Funding Rates				2015 Monthly Funding Rates			
		Enrollees	Total	County	Employee	Enrollees	Total	County	Employee
HMO	EE	1,875	\$654.93	\$629.93	\$25.00	1,853	\$654.93	\$629.93	\$25.00
	EE + 1	1,009	\$1,358.79	\$1,193.71	\$165.08	1,009	\$1,358.79	\$1,193.71	\$165.08
	Family	1,173	\$1,861.76	\$1,582.89	\$278.87	1,187	\$1,861.76	\$1,582.89	\$278.87
	Overage Dep		\$393.00	\$0.00	\$393.00		\$393.00	\$0.00	\$393.00
	Subtotal	4,057	\$57,399,517	\$50,911,786	\$6,487,731	4,049	\$57,534,162	\$51,007,249	\$6,526,913
POS	EE	196	\$726.46	\$671.46	\$55.00	201	\$726.46	\$671.46	\$55.00
	EE + 1	76	\$1,483.93	\$1,214.56	\$269.37	74	\$1,483.93	\$1,214.56	\$269.37
	Family	42	\$2,032.69	\$1,621.76	\$410.93	38	\$2,032.69	\$1,621.76	\$410.93
	Overage Dep		\$435.93	\$0.00	\$435.93		\$435.93	\$0.00	\$435.93
	Subtotal	315	\$4,097,282	\$3,513,357	\$583,925	313	\$3,996,858	\$3,437,613	\$559,245
Total All Plans		4,372	\$61,496,799	\$54,425,143	\$7,071,656	4,362	\$61,531,020	\$54,444,863	\$7,086,158
Annual 2015 Increase in \$						\$34,221	\$19,720	\$14,502	

2014 enrollment based on actual through June and current enrollment through December
2015 enrollment based on current enrollment