

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS**

**AGENDA ITEM SUMMARY**

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Meeting Date: October 6, 2015       Consent       Regular  
 Ordinance       Public Hearing

Department: Risk Management  
Submitted By: Risk Management  
Submitted For: Group Insurance

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**I. EXECUTIVE BRIEF**

**Motion and Title: Staff recommends motion to approve: A)** Fourth 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, 2016 through December 31, 2016; and **B)** CHLIC's proposed administrative fees, access fees and specific stop loss premiums estimated at \$2,193,381 for plan year 2016; and **C)** The actuarial rates per coverage tier for plan year 2016; and **D)** 2016 plan year continuation of wellness program 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; and **E)** Increases to certain copayments and rate contributions paid by employees for themselves and their eligible dependents for plan year 2016.

**Summary:** Staff recommends Board approval to renew the ASO Agreement with CHLIC for the period January 1, 2016 through December 31, 2016 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). For plan year 2016, projected premiums for the County's self-funded health plans reflect an increase in employee cost sharing for monthly premiums, as well as an increase in the Board's level of funding in the amounts of \$1,246,112 and \$7,415,359 respectively. The funding level reflects additional savings in the amount of \$1,939,144 through certain copayment increases in the prescription drug, emergency room, and inpatient benefits under the plan, as these are significant cost drivers. The recommended increases are necessary following a sustained period of adverse claim experience. To fund estimated claims and associated costs and meet the Office of Insurance Regulation's "safe harbor" surplus threshold for a self-insured plan, the 2016 funding rates reflect an increase of 14.65% over the expiring rates, which have not been increased since plan year 2011. Included within this amount is a flat renewal of \$2,193,381 in administrative and stop-loss insurance costs for the contract with CHLIC, \$63,537,077 in expected claims, and \$266,604 in taxes/fees mandated by the Affordable Care Act (ACA). In addition to the flat renewal with CHLIC, staff has also negotiated a \$75,000 contribution for wellness initiatives, representing a \$25,000 increase over the expiring year. Recommended copayment and premium increases have been bargained and tentatively agreed to by the CWA collective bargaining unit, with the ratification vote scheduled for October 14, 2015. Countywide (HH)

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

**Attachments:**

1. Letter from Cigna confirming administrative fees, access fees and stop loss insurance premiums for plan year 2016
2. Letter from Arthur J. Gallagher's consulting actuary certifying the 2016 health plan projections
3. Attachment to the actuary's letter illustrating 2016 funding rates
4. Attachment to the actuary's letter illustrating 2016 plan copayments and analysis

Recommended By: Nancy J. Bolton      9/24/15  
Department Director      Date

Approved By: [Signature]      \_\_\_\_\_  
County/Deputy/Assistant County Administrator      Date

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact**

Fiscal Years	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital Expenditures					
Operating Costs	1,687,036	562,345			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
<b>Net Fiscal Impact</b>					
<b># ADDITIONAL FTE POSITIONS (Cumulative)</b>	1,687,036	562,345	0	0	0

Is Item Included In Current Budget?	Yes	<u>X</u>	No				
Budget Account	Exp No.: 5012	Fund	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-Various Units

ASO Admin & Excess Insurance Fees (\$43.17 per month)	\$518.04
Estimated Participants	<u>4,234</u>
Estimated Total Fees	\$2,193,381
Wellness Program Incentive	\$50.00
Estimated Participants (based on 2015)	<u>1,120</u>
Estimated Total Fees	\$56,000
Estimated Total Cost	<u>\$2,249,381</u>

**C. Departmental Fiscal Review:** *B [Signature]*

**III. REVIEW COMMENTS**

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

*[Signature]*  
OFMB  
9/25/15

*[Signature]* 9/29/15  
Contract Dev. and Control  
B. Wheeler 9-29-15

**B. Legal Sufficiency:**

*[Signature]*  
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 is difficult to predict, but it has been generally 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 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 July 31, 2015 show an increased trend which have been monitored by staff and the plan's actuary. The trend is due to large losses associated with an increase in cancer, heart-related conditions, and advances in pharmaceutical specialty drugs. Adjustments to premiums and plan benefits are recommended for plan year 2016 and beyond if needed, based on continued escalating claims trends and in light of requirements under the Affordable Care Act (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 a 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.



September 2, 2015

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 954-790-8152  
Dina.Dangelo@cigna.com

Dear Nancy:

This letter is to confirm the renewal rates for the period January 1, 2016 – December 31, 2016.

**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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September 22, 2015

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

Re: 2016 Health Plan Projections

Dear Nancy:

We have reviewed the County's claim experience under your health plan through July 2015. We project the total 2016 calendar year expense, based on an average enrollment of 4,234 employees (which is the current enrollment), the proposed plan changes, and the final fixed costs as negotiated with CIGNA, to be as follows:

Expected Claims	\$63,537,077
ASO/Access Fees	\$1,724,424
Reinsurance Premiums	\$468,958
PPACA Fees/Taxes	\$266,604
<b>Total Projected 2016 Expense</b>	<b>\$65,997,063</b>

The 2016 funding rates reflect an average increase of 14.65%, and when applied to the expected enrollment generate revenue of \$67.8 million, or \$1.8 million more than the projected 2016 expense. We also expect miscellaneous income, primarily in the form of pharmacy rebates, to be close to \$1 million. Our current forecast is that the plan will enter the 2016 calendar year with a surplus of \$8.2 million, so at the proposed funding rates and including the expected other income that would be expected to increase to approximately \$11.0 million by the end of 2016. We project that the Office of Insurance Regulation ("OIR") safe harbor surplus threshold of 60 days of claims will be \$10.4 million at the end of 2016, so we project the yearend surplus to be approximately \$600,000 above the OIR threshold.

Based on these considerations, I believe the proposed benefit and funding changes are reasonable and appropriate. 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 2016, we expect the plan's Fund Balance to remain at a level that

Arthur J. Gallagher & Co.  
Healthcare Analytics Consulting  
2255 Glades Rd., Ste 200E, Boca Raton FL 33431  
Phone: 561.998.6755 – Fax: 561.998.6731

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**Attachment 2 – Page 2 of 2**

satisfies the OIR safe harbor threshold at the end of 2016, although the margin will remain small.

For your reference, we have attached a copy of the 2015 and recommended 2016 funding rates, showing the annualized funding produced for both years. We have also attached a summary of the benefit changes proposed for 2016.

Overall, it is my opinion that the plan remains in a strong financial position and will remain so through 2016 under the recommended rating and benefit actions. Please let me know if you have any questions about this or need any additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read 'G. Volk'.

Glen R. Volk, FSA, MAAA  
Consulting Actuary

cc: Jeff Angello

**Palm Beach County Board of County Commissioners  
2016 Funding Illustrations Based on Breakeven Funding**

**Increase Rates to Breakeven**

Plan	Tier	2015 Rates				2016 Rates with 14.3% Increase			
		Enrollees	Total	County	Employee	Enrollees	Total	County	Employee
HMO	EE	1,858	\$654.93	\$629.93	\$25.00	1,858	\$748.58	\$718.58	\$30.00
	EE + 1	970	\$1,358.79	\$1,193.71	\$165.08	970	\$1,558.10	\$1,363.10	\$195.00
	Family	1,094	\$1,861.76	\$1,582.89	\$278.87	1,094	\$2,137.99	\$1,807.99	\$330.00
	Overage Dep		\$393.00	\$0.00	\$393.00		\$449.20	\$0.00	\$449.20
	<b>Subtotal</b>	<b>3,922</b>	<b>\$54,859,820</b>	<b>\$48,719,884</b>	<b>\$6,139,937</b>	<b>3,922</b>	<b>\$62,894,156</b>	<b>\$55,623,236</b>	<b>\$7,270,920</b>
POS	EE	180	\$726.46	\$671.46	\$55.00	180	\$830.34	\$765.34	\$65.00
	EE + 1	80	\$1,483.93	\$1,214.56	\$269.37	80	\$1,704.13	\$1,386.13	\$318.00
	Family	52	\$2,032.69	\$1,621.76	\$410.93	52	\$2,339.36	\$1,853.36	\$486.00
	Overage Dep		\$435.93	\$0.00	\$435.93		\$487.35	\$0.00	\$487.35
	<b>Subtotal</b>	<b>312</b>	<b>\$4,262,125</b>	<b>\$3,628,309</b>	<b>\$633,816</b>	<b>312</b>	<b>\$4,889,260</b>	<b>\$4,140,316</b>	<b>\$748,944</b>
<b>Total All Plans</b>		<b>4,234</b>	<b>\$59,121,945</b>	<b>\$52,348,193</b>	<b>\$6,773,752</b>	<b>4,234</b>	<b>\$67,783,416</b>	<b>\$59,763,552</b>	<b>\$8,019,864</b>
<b>% Paid by Employees</b>					<b>11.5%</b>				<b>11.8%</b>
<b>Annual Increase in Premium</b>						<b>\$8,661,471</b>	<b>\$7,415,359</b>	<b>\$1,246,112</b>	

<b>Palm Beach County Board of County Commissioners</b> <b>2016 Plan Design Analysis</b>
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Plan	Feature	Current	Alternative	% Impact	Annual \$ Impact
HMO	Inpatient Copay	\$250	\$350	-0.23%	(\$135,274)
	ER Copay	\$150	\$200	-0.29%	(\$170,562)
	Pharmacy Copays	\$10/35/55	\$20/\$50/\$70	-2.44%	(\$1,437,214)
	<b>Subtotal</b>			<b>-2.96%</b>	<b>(\$1,743,050)</b>
POS	Inpatient Copay	\$250	\$350	-0.21%	(\$13,989)
	ER Copay	\$150	\$200	-0.29%	(\$19,319)
	Pharmacy Copays	\$10/35/55	\$20/\$50/\$70	-2.44%	(\$162,786)
	<b>Subtotal</b>			<b>-2.94%</b>	<b>(\$196,094)</b>
<b>Grand Total</b>	<b>Grand Total</b>			<b>-2.96%</b>	<b>(\$1,939,144)</b>