Agenda Item #: 3

PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: December 15, 2015	[X]	Consent Ordinance	[]	Regular Public Hearing
Department: Risk Management	r 1	Oramanoc	r 1	I done Hearing
Submitted By: Risk Management				
Submitted For: Group Insurance				

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: A) Additional one (1) year extension of 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, 2017 through December 31, 2017; and B) CHLIC's proposed administrative, access, utilization, and disease management fees, which are extended at no increase for plan year 2017 and include a three (3) month fee "holiday," estimated at \$1,293,318 based on current enrollment; and C) Postponement of the previously scheduled Request for Proposal for a period of one (1) year, to be released in the spring of 2017.

Summary: Staff recommends a one (1) year extension of the current ASO Agreement with CHLIC for the administration of the County's self-insured health plan which expires December 31, 201 6 The recommendation to extend the ASO Agreement and postpone the scheduled RFP is in the best interest of the County because CHLIC has offered a three (3) month fee "holiday" which would result in a financial benefit for the County in the estimated amount of \$431,106. Also, it would advance the new contract date to January 1, 2018, and provide staff with an additional year of plan development to allow for a more accurate picture of the impact the Affordable Care Act's excise tax, commonly known as the "Cadillac Tax," will have on the County's self-insured health plans. This recommendation encompasses CHLIC's fixed administrative fees only. Staff will return to the Board for approval of estimated claims and stop loss insurance costs for plan year 201 7 prior to open enrollment in the fall of 2016 Countywide (HH)

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

Attachments:

1. Letter from Cigna confirming administrative, access, utilization & disease management fees and fee holiday for plan year 2017

Recommended By: _

artment Director

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Approved By:

County/Deputy/Assistant County Administrator

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II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

A. Five Year Summary of Fiscal Impact													
Fiscal Y	Years <u>2016</u>		<u>5</u>	2017		2018		<u>2019</u>		<u>2020</u>			
Capital Expenditures Operating Costs External Revenues Program Income (County) In-Kind Match (County)						431,106							
Net Fiscal Impact						431,106							
# ADDITION POSITIONS	IAL FTE 6 (Cumulative)	0		0		0		0		0			
ls Itei	m Included In F	- -uture Bud	qet?	Yes	Х	No							
	et Account	Exp No.:	_	5012			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 (\$33.94 per month, for 9 months only) \$305.46 Estimated Participants 4,234 Estimated Total Fees \$1,293,318												
C.	5 A												
III. <u>REVIEW COMMENTS</u>													
A.	OFMB Fiscal and/or Contract Dev. and Control Comments: Contract Dev. and Control												
B.	Legal Sufficie	ncy:						·					
	<i>y</i>	1	A										

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):

President Obama signed the Affordable Care Act (ACA) into law on March 23, 2010. The passing of the ACA brought sweeping changes to the health insurance industry and a multi-year series of compliance items for individuals and employers. Among the compliance items for employers is the 2018 excise tax, which is often referred to as the Cadillac Tax. Under the Cadillac Tax, plans that exceed certain annual cost thresholds are deemed by the ACA to be high cost, and are taxed at a rate of 40% for every dollar exceeding the threshold. For plan year 2018, these thresholds are \$10,200 for individual coverage, and \$27,500 for full family coverage. Currently, the County's HMO plan is \$8,983 and \$25,656 respectively. It is expected that the County's plans will exceed the ACA Cadillac Plan thresholds at some point in the next five years. In order to avoid the high cost of paying the tax, it is necessary to continually review and potentially revise the funding and design of the County's health plans.

With the coming elections in 2016 and the aggressive lobbying efforts seeking to revise or repeal the Cadillac Tax, the proposed year's postponement of the County's RFP for health plan administrative services provides an opportunity for the County to be better informed as to the overall ramifications of the Cadillac Tax. As such, staff would be in a better position to draft a more timely and appropriate health plan administration RFP for the 2018 plan year, along with four (4) subsequent option years.

Dina D'Angelo Senior Client Manager



November 24, 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:

Cigna is pleased to offer a renewal extension for the period January 1, 2017 through December 31, 2017. ASO fees for this period would be held at the current fees listed below:

Administrative Fees

Network POS \$16.12 per employee per month \$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 POS \$6.50 per employee per month \$6.50 per employee per month

Disease Management Fee

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

In addition, Cigna is offering the County a three month fee holiday for the ASO fees which equates to a savings of a \$431,106. The fee holidays may be taken for payments due in either the 2016 or 2017 plan year.

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

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