Agenda Item #: 37-2

## PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

## AGENDA ITEM SUMMARY

Meeting Date: September 27, 2016

[X] Consent[] Ordinance

Regular Public Hearing

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Department: Risk Management

Submitted By: Risk Management

Submitted For: Group Insurance

## I. EXECUTIVE BRIEF

**Motion and Title:** Staff recommends motion to approve: A) CIGNA Health and Life Insurance Company (CHLIC)'s proposed specific stop loss premiums estimated at \$477,043 for the County's self-funded HMO and POS health insurance plans for the period of January 1, 2017 through December 31, 2017; and **B**) Actuarial rates per coverage tier for the County's self-funded HMO and POS health insurance plans for plan year 2017; and **C**) 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 CHLIC's proposed stop loss premiums and actuarial rates per coverage tier for the County's self-funded HMO and POS health insurance plans for plan year 2017. The total projected health plan and administrative expense for plan year 2017 is \$70,726,941. This includes expected claims of \$68,718,683, stop loss insurance costs of \$477,043 paid to CHLIC, and \$252,325 in taxes/fees mandated by the Affordable Care Act (ACA). The Board previously approved the plan year 2017 renewal with CHLIC, which also included the fixed administrative. access, utilization, and disease management fees, at the December 15, 2015 Board meeting. The 2017 funding level represents a 3% increase over 2016 rates. Staff recommends employee contributions and cost-sharing remain unchanged for plan year 2017, following changes that were collectively bargained and put in effect in the expiring plan year (2016). The 3% increase is necessary to ensure the financial stability of the fund and, based on projections, will provide sufficient funding to maintain the required Office of Insurance Regulation's (OIR) safe harbor surplus of 60 days of claims. Sufficient funds have been budgeted to fund the program. Countywide (HH)

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

## Attachments:

- 1. Letter from CHLIC confirming stop loss insurance premium for plan year 2017
- 2. Letter from Arthur J. Gallagher's consulting actuary certifying the 2017 health plan projections
- 3. Attachment to the actuary's letter illustrating 2017 funding rates

Recommended by	:	9/1/16
	Department Director	Date
Approved By:	Vancy & Belt	9/16/16
	County/Deputy/Assistant County Administrator	Date

## II. FISCAL IMPACT ANALYSIS

# A. Five Year Summary of Fiscal Impact

Fiscal Years			<u>2017</u>		<u>2018</u>		<u>2019</u>	<u>2020</u>	<u>2021</u>	
Oper Exter Prog	tal Expenditur ating Costs rnal Revenues ram Income ( nd Match (Co	s County)	_400,5	32	133,511					
Ne	t Fiscal Impac	ct	400,5	32	133,511				•	
	DITIONAL FTI ITIONS (Cum									
ls Iter	n Included In	Current Bu	dget?	Yes	Х	No				
Budg	et Account	Exp No.: Rev No.:	Fund Fund	5012	Dept Dept	700	Unit Unit	Various	Obj Obj	Various
B.	Recommend Employee He Budget Line 5 Excess Insura Estimated Pa Estimated Tot Wellness Prog Estimated Pa Estimated Tot Estimated Tot	alth Insuran 012-700-Va ance Fees (S rticipants tal Fees gram Incenti rticipants (ba tal Fees tal Cost	<u>ce Fund</u> irious U 9.23 pe ive ased on	<u>d</u> nits er mon	th)	of Fiso	\$ \$2 \$	act: 4,307 4,307 477,043 \$50.00 <u>1,140</u> 57,000 534,043		
C.	Departmenta	I Fiscal Rev	view:	5	2	-				
		11	. <u>REVI</u>	EWC	OMMEN	<u>rs</u>				
Α.	OFMB Fiscal and/or Contract Dev. and Control Comments: MUL 18/6 Are J. Mulu 9/15/16 Contract Dev and Control									
В.	Legal Sufficiency: <u>Helene Chrisch</u> 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.)

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### Background and Justification (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 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 2011, a reduction in plan enrollment and positive impact in part due to increased efforts and activities focused on employee wellness.

Plan years 2014 and 2015 showed a new trend of adverse claims experience, and additional plan changes were implemented for plan year 2016. Copayments were increased for prescription drugs, emergency room, and inpatient benefits under the plans, as they are significant cost drivers. The 2016 health plan funding level was increased by 14.65% over the prior year for the first time since plan year 2011. The employee portion of the premium was increased at the same time.

Due to higher than expected claims in plan year 2015 the plan fell below the 60 day safe harbor (covering 54 of the required 60 day threshold), which necessitated a letter to the OIR in April of 2016 certifying that the County's unassigned General Fund assets would be transferred if it should become necessary due to health plan expenses during the 2016 plan year. Plan year 2015 claims through July 31, 2016 continue to show an increased trend which has been monitored by staff and the plan's actuary. The claims trend is, in part, caused by additional catastrophic claims notably driven by neoplasm (cancer) diagnoses and is tied to availability and utilization of high cost specialty drugs. Based on the plan performance and actuarial projections, staff deems it prudent to recommend the 3% increase in funding level for plan year 2017 to maintain the level that satisfies the OIR safe harbor threshold for 2017.

Although the excise tax, commonly known as the "Cadillac Tax" under the Affordable Care Act (ACA) has been delayed by two years and is scheduled to take effect in plan year 2020, staff continues to monitor the regulatory environment. 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 (these thresholds are indexed and will be higher on the delayed effective date of 2020). It is currently unknown if the County's health plan costs will exceed these thresholds in plan year 2020. However, in the coming plan years, it will be necessary for staff to recommend strategic changes of the plans as needed to avoid this costly tax and to ensure a sufficient safe harbor threshold requirement to pay 60 days of claims. These changes will likely be a combination of premium increases and plan adjustments.

Palm Beach County's employee wellness program continues to demonstrate annual growth. Registration for the annual 5K walk/run has increased by nearly 10% each year. The 5th annual 5K is scheduled for Saturday, January 21, 2017. This annual physical activity offering, in conjunction with free-of-charge group fitness class events hosted twice per week, has engaged employees and covered dependents alike. Group meditations are hosted in multiple employee locations on a regular basis. Nutrition based education, including lunch and learn seminars and healthy cooking demonstrations are hosted in attempts to comprehensively address all health and wellness based interests. An inaugural wellness festival is planned for October 15, 2016 at Okeeheelee Park to provide educational information and resources to employees and their family members about Risk Management wellness benefits as well as the multitude of offerings across other County departments that strive to improve wellbeing.

Participation in biometric screenings and electronic health risk assessments (HRA) markedly increased when an incentive was offered to employees for completion (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 HRA in plan vear 2017 (Jan 1, 2016 - Dec 31, 2017).

j j j j j j j j j j j j j j j j j j j							
	2012	2013	2014	2015	2016 (YTD)		
Biometric screenings provided	893	182	1,164	1.271	1,207		
Health Risk Assessment completions	713	47	971	905	872		

Attachment 1

Dina D'Angelo Senior Client Manager



August 5, 2016

Mr. Scott Marting 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 Scott:

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	\$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					

We have revised our November 24, 2015 extension offer to include Stoploss coverage remaining at \$600,000 ISL limit with a pass on the current fee of \$9.23 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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August 25, 2016

Mr. Scott Marting Director, Risk Management Palm Beach County 100 Australian Ave., Ste 200 West Palm Beach, FL 33406

Re: 2017 Health Plan Projections

Dear Scott:

We have reviewed the County's claim experience under your health plan through June 2016. We project the total 2017 calendar year expense, based on an average enrollment of 4,307 employees (which is the current enrollment), the current plan design, and the final fixed costs as negotiated with CIGNA including the ASO fee credit which we assumed would be applied in 2017, to be as follows:

Expected Claims	\$68,718,683
ASO/Access Fees	\$1,323,049
Reinsurance Premiums	\$477,043
PPACA Fees/Taxes	\$252,325
Other Expenses	\$1,355,841
Pharmacy Rebates	(\$1,400,000)
Total Projected 2017 Expense	\$70,726,941

The 2017 funding rates reflect an average increase of 3.0%, and when applied to the expected enrollment generate revenue of \$71.0 million, or \$300,000 more than the projected 2017 expense. Our current forecast is that the plan will enter the 2017 calendar year with a surplus of \$11.3 million, so at the proposed funding rates that would be expected to increase to approximately \$11.5 million by the end of 2017. We project that the Office of Insurance Regulation ("OIR") safe harbor surplus threshold of 60 days of claims will also be \$11.5 million at the end of 2017, so we project the yearend surplus to very close to 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

> 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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Scott Marting August 25, 2016 Page 2

Attachment 2, Page 2 of 2

now and the end of 2017, we expect the plan's Fund Balance to remain at a level that satisfies the OIR safe harbor threshold at the end of 2017, although the margin will remain small.

For your reference, we have attached a copy of the 2016 and recommended 2017 funding rates, showing the annualized funding produced for both years.

Overall, it is my opinion that the plan remains in a strong financial position and is likely to remain so through 2017 under the recommended rating actions. Please let me know if you have any questions about this or need any additional information.

Sincerely,

JUNELK

Glen R. Volk, FSA, MAAA Consulting Actuary

cc: Jeff Angello Barbara Crowe Garrett Moore

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 3

#### Palm Beach County Board of County Commissioners 2017 Funding Illustrations Based on Breakeven Funding

#### Increase Rates to Breakeven - Assumes No Benefit Changes

Plan			2016 F	Rates			2017 Rates with	th 3.0% Increase			
	Tier	Enrollees	Total	County	Employee	Enrollees	Total	County	Employee		
HMO	EE	1,890	\$748.58	\$718.58	\$30.00	1,893	\$771.04	\$741.04	\$30.00		
	EE + 1	986	\$1,558.10	\$1,363.10	\$195.00	988	\$1,604.84	\$1,409.84	\$195.00		
	Family	1,112	\$2,137.99	\$1,807.99	\$330.00	1,114	\$2,202.13	\$1,872.13	\$330.00		
	Overage Dep		\$449.20	\$0.00	\$449.20		\$462.68	\$0.00	\$462.68		
	Subtotal	3,988	\$63,942,694	\$56,551,264	\$7,391,430	3,995	\$65,980,002	\$58,575,162	\$7,404,840		
POS	IEE	180	\$830.34	\$765.34	\$65.00	180	\$855.25	\$790.25	\$65.00		
	EE + 1	80	\$1,704.13	\$1,386,13	\$318.00	80	\$1,755.25	\$1,437.25	\$318.00		
	Family	52	\$2,339.36	\$1,853.36	\$486.00	52	\$2,409.54	\$1,923,54	\$486,00		
	Overage Dep		\$514.27	\$0.00	\$514.27		\$529.70	\$0.00	\$529.70		
	Subtotal	312	\$4,889,260	\$4,140,316	\$748,944	312	\$5,035,933	\$4,286,989	\$748,944		
Total A	l Plans	4,300	\$68,831,954	\$60,691,580	\$8,140,374	4,307	\$71,015,934	\$62,862,150	\$8,153,784		
									<i>v.</i> ,,		
% Paid	by Employees				11.8%				11.5%		
Annual	Increase in Premiur	n					\$2,183,981	\$2,170,571	\$13,410		