

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

Fiscal Years	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital Expenditures					
Operating Costs	<u>1,743,653</u>	<u>581,218</u>			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	<u>1,743,653</u>	<u>581,218</u>			
# ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Current Budget?	Yes	X	No	
Does this item include the use of Federal funds?	Yes		No	X
Budget Account	Exp No.: Fund	5012	Dept	700
	Rev No.: Fund		Dept	
	Unit	Various	Obj	Various
	Unit		Obj	

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

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

ASO Fees (\$33.94 per employee per month)	\$407.28
Estimated Participants	<u>4,372</u>
Total ASO Fees (Unit 7312)	\$1,780,628

Stop-Loss Premium (9.23 per employee per month)	110.76
Estimated Participants	<u>4,372</u>
Total Stop-Loss Premium (Unit 7312)	\$484,243

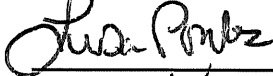

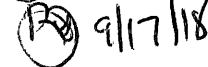

Wellness Program Incentive	\$50.00
Estimated Participants	<u>1,200</u>
Estimated Total Fees (Unit 7313)	\$60,000

Estimated Total Cost for Plan Year 2018	<u>\$2,324,871</u>
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C. Departmental Fiscal Review:

III. REVIEW COMMENTS

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

 9/18/18	 9/20/18
 9/17/18 OFMB	9/17 Contract Dev. and Control
	9/20/18 

B. Legal Sufficiency:

 9-24-18
Assistant County Attorney

C. Other Department Review:

Department Director

Summary: (continued from Page 1)

This includes expected claims of \$73,165,729, fixed administrative, access, utilization, and disease management fees of \$1,780,628, stop loss insurance costs of \$484,243 paid to CHLIC, and an estimated \$20,000 in taxes/fees mandated by the Affordable Care Act (ACA).

Based on the contract negotiated following a competitive Request for Proposal that includes level ASO and administrative fees beginning January 1, 2018 and for five (5) years, the fixed ASO/Access fees of \$1,780,628 represent a flat renewal over the expiring contract, and a flat renewal of specific stop loss premiums, which will remain at the specific excess insurance cap (stop loss insurance) of \$600,000 per claim for plan year 2019. Specific stop loss coverage protects the County against catastrophic claim losses and the premium is estimated at \$484,243 for 2019.

The County will continue to receive an annual wellness allowance of \$100,000 and two additional contracted on-site representatives (one service representative and one wellness representative).

Staff is not recommending changes to County or employee funding. The actuary has certified that the 2019 plan year beginning surplus can sufficiently absorb the projected increase in claims expenses and will maintain the required margin for the Office of Insurance Regulation ("OIR") safe harbor surplus threshold. Staff will closely monitor health fund financial performance and may find it necessary to recommend plan and/or premium changes in a future plan year, if claims continue to trend higher. Sufficient funds have been budgeted to fund the program. Countywide (HH)

Background and Justification: (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. The funding level for the plan year was increased by 3% for the 2017 plan year.

Staff recommended a 3% increase in funding level of employer and employee contributions for plan year 2018 to maintain the level that satisfies the OIR safe harbor threshold for 2018. This recommendation was lower than the 7% projected increase during the 2018 budget process. This was due to a lower than projected claims trend and the RFP process and subsequent negotiations generating more favorable terms for ASO fees, reinsurance premiums and pharmacy rebates, as well as no longer having to fund the Transitional Reinsurance Fee under the Affordable Care Act (ACA) for the upcoming plan year.

Background and Justification: (continued from Page 3)

Staff will continue to monitor the regulatory environment, including developments related to the ACA, including the excise tax, commonly known as the “Cadillac Tax”, which has been delayed by two years and is scheduled to take effect in plan year 2022. 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 2022). It is currently unknown if the County's health plan costs will exceed these thresholds in plan year 2022. 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 robust engagement. Registration for the annual 5K walk/run has increased by nearly 10% each year. The 7th annual 5K is scheduled for Saturday, January 12, 2019. 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. The Wellness program and other Group Insurance staff will participate in the County Administrator's Annual Employee Recognition Event on October 13, 2018 at the Jim Brandon Equestrian Center 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 and community partners that strive to improve wellbeing.

Wellness staff coordinated a mobile mammography service that will be available in September 2018 to county employees at three different county locations to provide mammography screening close to the employees' work location.

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 year 2019 (Jan 1, 2019 - Dec 31, 2019).

	2013	2014	2015	2016	2017	2018 (YTD)
Biometric screenings provided	182	1,164	1,271	1,301	1284	1,008
Health Risk Assessment completions	47	971	905	948	927	723

In conjunction with its administrative services, Cigna will continue to provide one full time wellness coordinator to serve the County in a dedicated, on-site role. The wellness funding allowance offered by Cigna that increased from \$75,000 to \$100,000 annually effective 2018, will again be available at a level of \$100,000 for plan year 2019.



August 16, 2018

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 the following ASO fees for the contract period January 1, 2019 through December 31, 2019:

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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ATTACHMENT 2
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561-998-6732
www.aig.com

September 4, 2018

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

Re: 2019 Health Plan Projections

Dear Scott:

We have reviewed the County's claim experience under your health plan through July 2018. We project the total 2019 calendar year expense, based on an average enrollment of 4,372 employees (which is the enrollment at the time of these calculations), the current plan design, and the final fixed costs under the current Cigna contract where fees did not increase in 2019 to be as follows:

Expected Claims	\$73,165,729
ASO/Access Fees	\$1,780,628
Reinsurance Premiums	\$484,243
Other Expenses	\$1,404,394
Pharmacy Rebates	(\$2,128,000)
Total Projected 2019 Expense	\$74,706,994

The 2019 revenue would be \$72.7 million at the current 2018 funding level when applied to the expected 2019 renewal. This results in a \$2.0 million (2.7%) shortfall when compared to the projected 2019 expense. However, our current forecast is that the plan will enter the 2019 calendar year with a surplus of approximately \$23.6 million, so at the current funding rates we expect the surplus to be approximately \$21.6 million by the end of 2019. We project that the Office of Insurance Regulation ("OIR") safe harbor surplus threshold of 60 days of claims will be \$12.2 million at the end of 2019, so we project that the year-end surplus will comfortably exceed the OIR threshold, and that will give the County flexibility in setting the 2020 premium rates. Attached are the updated projections using data through July.

Based on these considerations, I believe if the County and employee contributions remain level in 2019, there is sufficient surplus to cover the projected increase in total cost. Provided that experience is in line with our expectations and that no assets are transferred out of the health plan between now and the end of 2019, we expect the plan's Fund Balance will continue to satisfy the OIR safe harbor threshold at the end of 2019.

For your reference, we have also attached a copy of the 2018 and 2019 funding rates holding the employee and Board contributions level.



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Overall, it is my opinion that the plan remains in a strong financial position and is likely to remain so through 2019 under the recommended rating actions. Please let me know if you have any questions about this or need any additional information.

Sincerely,

Sharon Leach, ASA, MAAA, FCA
Actuarial Consultant

CC: Glen Volk, Gallagher



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Palm Beach County Board of County Commissioners

Self Insured Premium Equivalent Rate Exhibit

2018 and 2019 Rates by Plan and Tier

HMO	Projected CY 2018 Enrollment	2018			July Enrollment	2019			PE Increase	
		PE Rate	County Rate	Employee Rate		PE Rate	County Rate	Employee Rate	Increase \$	Increase %
Employee Only	2,008	\$794.28	\$763.28	\$31.00	2,013	\$794.28	\$763.28	\$31.00	\$0.00	0.0%
Employee + 1	1,022	\$1,653.14	\$1,452.14	\$201.00	1,020	\$1,653.14	\$1,452.14	\$201.00	\$0.00	0.0%
Employee + 2 or more	1,049	\$2,268.30	\$1,928.30	\$340.00	1,047	\$2,268.30	\$1,928.30	\$340.00	\$0.00	0.0%
Overage Dependent	0	\$476.56	\$0.00	\$476.56		\$476.56	\$0.00	\$476.56	\$0.00	0.0%
Total / Aggregate PEPM	4,079	\$1,388.49	\$1,235.44	\$153.05	4,079	\$1,387.48	\$1,234.68	\$152.81		
Estimated Annual Cost		\$67,964,503	\$60,473,020	\$7,491,483		\$67,915,063	\$60,435,391	\$7,479,672		

PPO	Projected CY 2018 Enrollment	2018			July Enrollment	2019			PE Increase	
		PE Rate	County Rate	Employee Rate		PE Rate	County Rate	Employee Rate	Increase \$	Increase %
Employee Only	172	\$880.96	\$813.96	\$67.00	171	\$880.96	\$813.96	\$67.00	\$0.00	0.0%
Employee + 1	72	\$1,808.38	\$1,480.38	\$328.00	73	\$1,808.38	\$1,480.38	\$328.00	\$0.00	0.0%
Employee + 2 or more	50	\$2,482.26	\$1,981.26	\$501.00	48	\$2,482.26	\$1,981.26	\$501.00	\$0.00	0.0%
Overage Dependent	0	\$545.60	\$0.00	\$545.60		\$545.60	\$0.00	\$545.60	\$0.00	0.0%
Total / Aggregate PEPM	293	\$1,380.41	\$1,175.68	\$204.73	293	\$1,371.58	\$1,168.42	\$203.16		
Estimated Annual Cost		\$4,858,470	\$4,137,917	\$720,553		\$4,827,392	\$4,112,352	\$715,040		

Total	4,372	\$72,822,973	\$64,610,937	\$8,212,036	4,372	\$72,742,455	\$64,547,743	\$8,194,712	(\$80,518)	-0.1%
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