

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

Fiscal Years	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Capital Expenditures					
Operating Costs	<u>1,773,029</u>	<u>591,010</u>			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	<u><u>1,773,029</u></u>	<u><u>591,010</u></u>			
# ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Proposed Budget? Yes No

Does this item include the use of Federal funds? Yes 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:

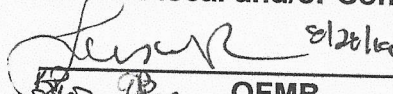
Employee Health Insurance Fund
Budget Line 5012-700-Various Units

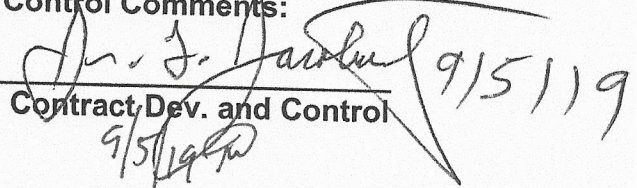
ASO Fees (\$33.94 per employee per month)	\$407.28
Estimated Participants	<u>4,422</u>
Total ASO Fees (Unit 7312)	\$1,800,992
Stop-Loss Premium (\$9.48 per employee per month)	113.76
Estimated Participants	<u>4,422</u>
Total Stop-Loss Premium (Unit 7312)	\$503,047
Wellness Program Incentive	\$50.00
Estimated Participants	<u>1,200</u>
Estimated Total Fees (Unit 7313)	\$60,000
Estimated Total Cost for Plan Year 2020	<u>\$2,364,039</u>

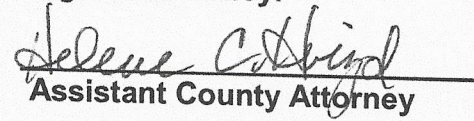
C. Departmental Fiscal Review: 

III. REVIEW COMMENTS

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

 8/20/19
OFMB

 9/5/19
Contract Dev. and Control

B. Legal Sufficiency:

Assistant County Attorney

C. Other Department Review:

Department Director

Summary: (continued from Page 1)

This includes expected claims of \$70,532,831, fixed administrative, access, utilization, and disease management fees of \$1,800,992, and stop loss insurance costs of \$503,047 paid to CHLIC.

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 \$1,800,992 represent a flat renewal over the expiring contract. Specific stop loss premiums are increasing 2.73% (\$18,804 annual increase over prior year projections), with an increase of the specific excess insurance cap (stop loss insurance) from \$600,000 to \$625,000 per claim for plan year 2020. Specific stop loss coverage protects the County against catastrophic claim losses and the premium is estimated at \$503,047 for 2020.

Staff is recommending the addition of a third medical plan option for Plan Year 2020. CHLIC included a proposal for an Open Access Plan with a National Network with the most recent Request for Proposal, as an option for the County to exercise.

The County will receive an increase of \$75,000 in the annual wellness allowance to an annual amount of \$175,000.

Staff is not recommending changes to County or employee funding for the HMO and POS plans. Staff recommends that the OAPIN rates will be subject to the same employer funding as for the HMO plan, with the exception of the OAPIN Employee Only coverage tier to keep the relative value of the employee contributions between the plans in line, at a projected cost to the County of \$20,000 for the plan year. The actuary has certified that the program remains in a strong financial position and is projected to remain so through 2020 under the recommended rating actions and will be sufficiently funded to 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, should claims 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 a few plan years.

Staff recommended a 3% increase in funding level of employer and employee contributions for plan year 2018 to maintain a funding level that satisfies the OIR safe harbor threshold. This recommendation was lower than the 7% projected increase, which was determined by the plan's actuary, 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.

Claims have remained relatively stable and are projected at \$70,532,831 for Plan Year 2020, which is a decrease of \$2,632,898 over the projected 2019 expected claims of \$73,165,729. The stabilized claims combined with a notable increase in projected pharmacy rebates (increased to \$2,500,000 from \$2,128,000) due to the merger of Cigna and Express Scripts is forecasting a 2% surplus which strengthens the County's ability to maintain the OIR safe harbor threshold of 60 days of claims. Staff is not recommending an increase in funding level of employer and employee contributions, with the exception of the minimal adjustment to employer funding of the OAPIN Employee Only coverage tier.

The newly recommended OAPIN plan does not require the designation of a primary care physician (gate keeper) by the participant, nor does this plan require referrals for specialty care, although pre-certification of certain procedures and services will be required. The OAPIN plan offers in-network benefits only and the co-payment structure mirrors that of the HMO plan, with minimal differences specific to infertility surgical co-payment as well as co-payments charged for labs and x-ray radiology charged specifically when benefits are administered in a physician's office or emergency room/urgent care facility, which will be outlined in the communication plan when the new health plan option is introduced to employees. The OAPIN plan offers a significantly broader national network with contracted providers in all 50 states. Staff is recommending to add this plan to provide additional choice to employees and covered dependents.

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 will increase from \$100,000 to \$175,000 annually, which will provide additional opportunities for wellness offerings for Cigna covered employees and dependents.



August 1, 2019

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, 2020 through December 31, 2020:

Administrative Fees

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

Access Fee

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

Utilization Fee

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

Disease Management Fee

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

Specific Stop Loss @ \$625,000 level

Network & Network POS	\$9.48 per employee per month
OAPIN	\$9.48 per employee per month

This renewal reflects the addition of an OAPIN plan and a change to the Specific Stop Loss from \$600,000 to \$625,000 level. Cigna has also increased the wellness fund to \$175,000 annually.

Sincerely,

Dina D'Angelo

Dina D'Angelo
Sr. Client Manager

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Gallagher

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July 25, 2019

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

Re: Calendar Year 2020 Health Plan Projections

Dear Scott:

We have reviewed the County's claim experience under your health plan through June 2019. We projected the total 2020 calendar year expense based on an average enrollment of 4,422 employees (which is the enrollment at the time of these calculations). The following changes were incorporated into the projections.

New Plan Option

A third plan will be offered to employees starting in 2020. The plan benefits will closely mirror the current HMO plan but the gatekeeper requirement will be removed. We refer to this plan as the OAPIN. The network is broader and includes network providers in places such as Tallahassee where the current HMO and POS networks do not exist. The County will contribute the same amount for both the HMO and the OAPIN plan with the exception of the OAPIN employee only coverage. The County will contribute approximately \$17 per employee per month (pepm) more for employee only coverage in the OAPIN plan in order to keep the relative value of the employee contributions between the plans in line. We have assumed 5% of the employees currently enrolled in the HMO plan and 2% of the employees currently enrolled in the POS plan will move to the new OAPIN plan. Using these assumptions, the additional County contribution for the OAPIN employee only coverage is expected to be approximately \$20,000 for the plan year.

There were no changes in the plan design of the two current plans.

Stop-Loss Coverage and Premiums

We have updated the stop-loss premiums to reflect Cigna's 2020 stop-loss renewal. The stop-loss deductible will be \$625,000 with a premium of \$9.48 pepm. This is up from \$600,000 and \$9.23 respectively. The projected additional cost to the County is approximately \$90,000 for the additional exposure to claims between \$600,000 and \$625,000 and \$15,000 for the increase in the stop-loss premium.

Pharmacy Rebates

The pharmacy rebate estimate has been increased to \$2,500,000 from \$2,000,000 that has been projected for the 2019 calendar year. Due to the merger of Cigna and Express Scripts, Cigna is guaranteeing an increase in rebates.



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Below is a table showing the components of the 2020 projected expense.

Expected Claims	\$70,532,831
ASO/Access Fees	\$1,800,992
Reinsurance Premiums	\$503,047
Other Expenses	\$1,365,981
Pharmacy Rebates	(\$2,500,000)
Total Projected 2019 Expense	\$71,702,851

The 2020 revenue is projected to be \$73.1 million at the current 2019 funding levels. This results in a \$1.4 million (2.0%) surplus when compared to the projected 2020 expense shown above. If the County were to keep the funding rates at the current level, there will be sufficient revenue in 2020 to cover the projected 2020 expense without transferring assets from the current surplus.

We also project that the Office of Insurance Regulation ("OIR") safe harbor surplus threshold of 60 days of claims will be \$12.5 million at the end of 2020. Updating the surplus from the most recent OIR for a \$10 million asset transfer, we project that the year-end surplus will comfortably exceed the OIR threshold barring other asset transfers.

For your reference, we have also attached a copy of the 2019 and 2020 funding rates holding the employee and Board contributions level along with the 2020 rates for the new third plan option.

Overall, it is my opinion that the plan remains in a strong financial position and is likely to remain so through 2020 under the recommended rating actions. Please let me know if you have any questions about this or need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Leach".

Sharon Leach, ASA, MAAA, FCA
Actuarial Consultant

CC: Glen Volk, Gallagher

Palm Beach County Board of County Commissioners								
2019 Funding								
Plan	Tier	2019 Monthly Funding Rates			2020 Illustrative Rates			Employee Increase
		Total	County	Employee	Total	County	Employee	
HMO	EE	\$794.28	\$ 763.28	\$31.00	\$794.28	\$ 763.28	\$31.00	0%
	EE + 1	\$1,653.14	\$ 1,452.14	\$201.00	\$1,653.14	\$ 1,452.14	\$201.00	0%
	Family	\$2,268.30	\$ 1,928.30	\$340.00	\$2,268.30	\$ 1,928.30	\$340.00	0%
	Overage Dep	\$476.56	\$0.00	\$476.56	\$476.56	\$0.00	\$476.56	0%
OAPIN	EE				\$830.02	\$ 781.02	\$49.00	
	EE + 1				\$1,727.53	\$ 1,452.14	\$275.00	
	Family				\$2,370.37	\$ 1,928.30	\$442.00	
	Overage Dep				\$498.00	\$ -	\$498.00	
POS	EE	\$880.96	\$813.96	\$67.00	\$880.96	\$813.96	\$67.00	0%
	EE + 1	\$1,808.38	\$1,480.38	\$328.00	\$1,808.38	\$1,480.38	\$328.00	0%
	Family	\$2,482.26	\$1,981.26	\$501.00	\$2,482.26	\$1,981.26	\$501.00	0%
	Overage Dep	\$545.60	\$0.00	\$545.60	\$545.60	\$0.00	\$545.60	0%

Created July 24, 2019