

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

Fiscal Years	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Capital Expenditures					
Operating Costs	1,810,015	603,388			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	<u>1,810,015</u>	<u>603,388</u>			
# ADDITIONAL FTE POSITIONS (Cumulative)					

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

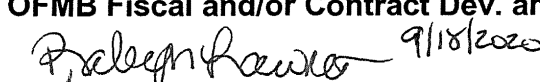
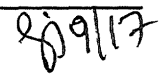

B. Recommended Sources of Funds/Summary of Fiscal Impact:

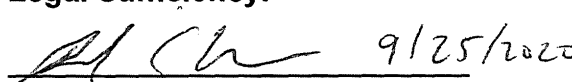
Employee Health Insurance Fund
Budget Line 5012-700-Various Units

ASO Fees (\$34.62 per employee per month)	\$415.44
Estimated Participants	<u>4,447</u>
Total ASO Fees (Unit 7312)	\$1,847,462
Stop-Loss Premium (\$9.48 per employee per month)	\$113.76
Estimated Participants	<u>4,447</u>
Total Stop-Loss Premium (Unit 7312)	\$505,891
Wellness Program Incentive	\$50.00
Estimated Participants	<u>1,200</u>
Estimated Total Fees (Unit 7313)	\$60,000
Estimated Total Cost for Plan Year 2021	<u>\$2,413,353</u>

C. Departmental Fiscal Review: 

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:
 OFMB 
 Contract Dev. and Control
 9-24-20 TD

B. Legal Sufficiency:

 Assistant County Attorney
 Ter A. Hvizd.

C. Other Department Review:

 Department Director

Summary: (continued from Page 1)

This includes expected claims of \$75,962,092 fixed administrative, access, utilization, and disease management fees of \$1,847,462, and stop loss insurance costs of \$505,891 paid to CHLIC.

Based on the contract negotiated following a competitive Request for Proposal, plan year 2021 fixed ASO/Access fees include an agreed upon 2% capped increase, which are projected to total \$1,847,462. The increase in ASO/Access fees is projected at \$36,000 per year. Specific stop loss premiums are unchanged and the specific excess insurance cap remains at \$625,000 per claim for plan year 2021. Specific stop loss coverage protects the County against catastrophic claim losses and the premium is estimated at \$505,891 for 2021.

The County will again receive an annual wellness allowance of \$175,000 for plan year 2021. As wellness activities were limited due to the COVID-19 pandemic in 2020, Cigna has agreed to rollover any remaining 2020 wellness balance to be spent by December 31, 2021.

Staff is not recommending changes to County or employee funding for the HMO, OAPIN and POS plans for the 2021 plan year. Although projected plan expenses of \$76,709,138 exceed expected 2021 funding of \$72,700,000 by approximately \$4 million, the plan has sufficient reserves to securely meet the 60 days of claims safe harbor surplus margin required by the Office of Insurance Regulations ("OIR"). The actuary has certified that the program remains in a strong financial position and is projected to remain so through 2021 and will be sufficiently funded to maintain the required margin for the 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 are projected at \$75,962,092 for Plan Year 2021, which is an increase of \$5,006,287 over the projected 2020 expected claims of \$70,532,831. Some of the projected increase will be offset by an anticipated increase in projected pharmacy rebates, which are projected to increase from \$2,500,000 in 2020 to \$3,002,000 in 2021. Although claims are showing an uptick staff is not recommending an increase in funding level of employer due to sufficient reserves to absorb additional claims costs.

In conjunction with its administrative services, Cigna will continue to provide one full time wellness coordinator to serve the County in a dedicated role. The wellness funding allowance offered by Cigna will again be funded at \$175,000 annually, which will provide additional opportunities for wellness offerings for Cigna covered employees and dependents.

Dina D'Angelo
Senior Client Manager



August 25, 2020

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, 2021 through December 31, 2021:

Administrative Fees

Network & Network POS	\$16.44 per employee per month
OAPIN	\$16.44 per employee per month

Access Fee

Network & Network POS	\$5.76 per employee per month
OAPIN	\$5.76 per employee per month

Utilization Fee

Network & Network POS	\$6.63 per employee per month
OAPIN	\$6.63 per employee per month

Disease Management Fee

Network & Network POS	\$5.79 per employee per month
OAPIN	\$5.79 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 includes a \$175,000 annual wellness fund. Cigna has agreed to rollover the remaining 2020 wellness balance to be spent by year end 2021.

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

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August 13, 2020

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

Re: Calendar Year 2021 Health Plan Projections

Dear Scott:

We have reviewed the County's claim experience under your health plan through June 2020. We projected the total 2021 calendar year expense based on an average enrollment of 4,447 employees (enrollment at the time of these calculations). Below is a description of the methodology and assumptions used to develop the rates.

Impact of COVID -19

There have been atypical claim payment patterns this year due to the COVID pandemic. The County's claims decreased a bit starting in April and more so in May but has ramped up again in June. The decrease was due to the temporary shutdown of elective procedures offset by new COVID claims. A report of the plan's spend on COVID related expenses through June is attached. As we do not expect this anomaly to occur in 2021, we have adjusted our pricing methodology to use a rolling-24 months of experience to pick up claims through March, excluding April through June claims.

New Plan Option – OAPIN

A third plan was offered to employees beginning January 1, 2020. We estimated 5% of the HMO population (206 employees at the time) and 2% of the POS population (7 employees) would migrate to the new OAPIN plan. The expected average cost of the new plan falls in between the HMO and the POS plans; however, the new plan was priced such the employee would pick up the majority of the increase in cost if moving from the HMO. As of June, there were 129 employees enrolled in the OAPIN. The HMO and POS plan enrollment decreased by 93 employees, so it appears new employees are also electing the OAPIN plan. The table below shows the migration between plans at three points in time.

	HMO	POS	OAP
December 2019	4,078	299	0
January 2020	4,008	296	87
June 2020	3,998	286	129
December -> June Change	(80)	(13)	129
% Change	(2.0%)	(4.3%)	

There were no plan changes expected in 2021.



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Page 2

Stop-Loss Coverage and Administrative Fees

We have updated the fixed fees to reflect Cigna's 2021 renewal. The stop-loss deductible of \$625,000 and premium of \$9.48 per employee per month were unchanged. As of June, there were no claims exceeding the stop-loss deductible.

After many years of a flat administrative fee of \$33.94, the fee is increasing 2% in 2021 to \$34.62 or approximately \$36,000 per year.

Pharmacy Rebates

The pharmacy rebate estimate has been increased to \$3,002,000 based on rebates payments received through June and the proposed increase in rebates in 2021 proposed by Cigna. Note that the rebates in the projections are less than those shown in the Cigna renewal letter as there is a lag (6 month) in rebate payment. In addition, the rebates in the 2021 renewal are not guaranteed so we calculated the amount separate from the proposal.

Projected 2021 Total Expense

Below is a table showing the components of the 2021 projected expense.

Expected Claims	\$75,962,092
ASO/Access Fees	\$1,847,462
Reinsurance Premiums	\$505,891
PCORI Fees	\$22,206
Other Expenses	\$1,373,487
Pharmacy Rebates	(\$3,002,000)
Total Projected 2021 Expense	\$76,709,138

With no increase in funding rates in 2021, the total revenue is projected to be \$72.7 million. We also project that the Office of Insurance Regulation ("OIR") safe harbor surplus threshold of 60 days of claims will be \$13.5 million at the end of 2021. The surplus as reported in 2019 was \$26.8 million. We project another gain of \$5.6 million in 2020 resulting in a surplus of over \$30 million in 2021. The plan would remain in a financially sound position if no changes were made in 2021 funding rates as there are sufficient reserves to cover the projected \$4 million difference between total cost and funding (\$76.7 - \$72.7 = \$4.0 million).

Overall, it is my opinion that the plan remains in a strong financial position and is likely to remain so through 2022 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



Gallagher

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Page 3

CC: Glen Volk, Gallagher
Barbara Crowe, Gallagher
Barbra Carr, Gallagher

**Palm Beach County Board of County Commissioners
2020 and 2121 Funding**

Plan	Tier	2020 Monthly Funding Rates			2021 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	\$830.02	\$ 781.02	\$49.00	0%
	EE + 1	\$1,727.53	\$ 1,452.14	\$275.00	\$1,727.53	\$ 1,452.14	\$275.00	0%
	Family	\$2,370.37	\$ 1,928.30	\$442.00	\$2,370.37	\$ 1,928.30	\$442.00	0%
	Overage Dep	\$498.00	\$ -	\$498.00	\$498.00	\$ -	\$498.00	0%
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 September 10, 2020