Agenda Item #: 324

PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: October 08, 2024	[X] Consent	ίĵ	Regular		
Department: Risk Management	[] Ordinance	ĹĴ	Public Hearing		
Submitted By: Risk Management					
Submitted For: Group Insurance					

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve:

- A) the actuarial rates per coverage tier for the County's self-funded medical CHOICE, HMO, and POS health plans through United Healthcare (UHC) for plan year (PY) 2025; and
- B) employee wellness participation cash incentives in the amount of \$50 per employee for voluntary participation in a biometric health screening that meets the requirements of the County's wellness program.

Summary: Staff recommends Board approval of the 2025 plan rates for the Employee Self-Funded Medical Benefits Plan (Contract No. 22-076/MD) with UHC for the period January 1, 2025 through December 31, 2025 on behalf of the employees of the Board of County Commissioners (BCC), Supervisor of Elections (SOE), and Palm Tran, Inc. (collectively participating in the plan through the provisions of Inter-local Agreement R2002-2287, as amended). The total conservative projected costs for PY 2025 are \$77,050,741. These projections include claims, fixed administrative, access, utilization and disease management fees, as well as stop loss insurance costs and other ancillary costs and fees, less any pharmacy rebates. In order to ensure the continued financial stability of our fund, a 5% increase to the employer contributions of the health plan premiums was included in the approved FY 2025 Budget to maintain a margin for the Office of Insurance Regulation ("OIR") safe harbor 60 day surplus threshold for the long term. This increase has been contemplated in the 2025 budget. Sufficient funds have been budgeted to fund the program. Countywide (HH)

Background and Justification: (Continued on page 3)

Attachments:

1) Letter from Arthur J. Gallagher's consulting actuary illustrating PY 2025 projections

2) Recommended actuarial illustrative rates for participants in our health plan for PY 2024 and 2025.

Recommended By	:	9/12/2024 Date
Approved By:	Assistant County Administrator	9/10/2024 Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact

	•									
Fiscal `	Years	<u>20</u>	<u>25</u>	<u>2026</u>	<u>20</u>	<u>27</u>	<u>2</u> (028	2	<u> 2029</u>
Capital Exp	enditures									
Operating (Costs	2,67	7,770	892,590					*****	
External Re	evenues									
Program In	come (County	r)			 					
_	tch (County)									
Net Fisca	al Impact	2,67	7,770	892,590						
# ADDITIO	NAL FTE									
POSITION	S (Cumulative))	<u> </u>		<u></u>		0	<u>.</u>	0
	n Included in (this Item inclu		_	al funds?	Yes <u>X</u> Yes <u> </u>		No .	X		
Budge	et Account	Exp No.: Rev No.:	Fund Fund	5012 De	-	<u>0 </u>		<u>Various</u>	Obj Obj	<u>Various</u>
B.	Recommende Employee Hea Budget Line 5 ASO Fees (\$3 Estimated Par Total ASO Fe Stop-Loss Pre Estimated Par Total Stop-Los Wellness Prog Estimated Par	alth Insurar 012-700-Va 88.74 per enticipants es (Unit 73 emium (\$27 rticipants ss Premiun gram Incenticipants	nce Fund arious Uni mployee p 12) .46 per en n (Unit 731	ts er month) mployee per		al Impa	ct:	\$2,6 \$1,4	\$464. 4,4 045,4 \$329. 4,4 149,8 \$50.	00 72 52 00 88 00
	Estimated Tot	`	,	2025					\$75,0 <u>570,3</u>	
C.	Departmenta	l Fiscal Re		EW COMME	ENTS					
Α.	OFMB Fiscal	and/or Co OFMB	ntract De 9/12/2 7 9/12	y _	trol Gon	ula 1		M 15 Control	9/	3/24
B.	Legal Suffici	C. Haiz	9-16 d 9-16 corney) -24						
C.	Other Depart	ment Revi	ew:							

Department Director

(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)

Page 3 – Background and Justification (continued)

The County has self-insured its health insurance plans since 2003. Annual claims experience is difficult to predict, but in general is more favorable than the conservative numbers projected by the plan's actuary.

For PY 2023, the County (through a competitive RFP process) made a carrier change to UHC that provided additional opportunities for savings and network improvements. These changes have served to slow, but not eliminate cost increases to our self-insured plan. In order to maintain the financial stability of our plan in accordance with state guidelines, a 5% increase to the County (Employer funded) health plan rate is being suggested and has been included in the 2025 budget. The fund has experienced an increase in high dollar claimants. For the second consecutive year, this has resulted in a large proposed increase (53%) to the individual stop loss insurance. After a period of more favorable loss ratio outcomes, beginning with PY 2020, the loss ratio has consistently exceeded 100%, and in some years, quite substantially (236% in 2020 and 174% in 2023). The cost of prescription drug coverage is being monitored as a continued challenge, with prescription drug cost trends consistently exceeding medical cost trends. The recommendation to increase the employer funding is made to avoid larger, potentially required increases in funding in the future and will not affect the employee portion of the rates with the exception of applying the increase to overage dependent (age 26-30) coverage and employees who pay the total premium due to experiencing an unpaid leave of absence in accordance with the applicable County PPM. Because retirees pay unsubsidized rates, their increase for 2025 will match the sum of the employee and revised County rates combined.

Staff is recommending to continue to offer a cash incentive that allows employees to earn \$50 for voluntary participation in a biometric health screening that meets the requirements of the County's wellness program in PY 2025.



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2255 Glades Rd. Suite 240W www.aig.com

Boca Raton, FL 33431

September 7, 2024

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

Re: Calendar Year 2025 Health Plan Projections

Dear Scott:

We have reviewed the County's claim experience under your health plan through June 2024. We projected the total 2025 calendar year expense based on enrollment of 4,400 employees (enrollment at the time of these calculations). Below is a description of the methodology and assumptions used in the projections.

Contribution Changes

For 2025, the County contributions will increase 5% while the employee contributions will remain at the 2024 level. This is projected to increase the County total health care contributions to \$70 million from \$67 million. The employee contributions are projected to remain level at \$10 million.

Stop-Loss Coverage

The 2025 stop-loss premium quote from UnitedHealthcare increased from the current \$17.90 pepm to \$27.46 pepm or 53.4% (\$505,000 for the year) with no change to the specific deductible of \$625,000.

Administrative Fees

The administrative fees are guaranteed to remain flat for 5-years. This fee is \$38.74 pepm which includes the vision plan administration.

The COBRA administration fee is per event versus per employee per month and is billed quarterly. Fees for COBRA administration averaged \$2,400 per quarter since the beginning of the contract, January 1, 2023. The per event fee will not change in 2025.

There is a \$13.00 per employee per month (pepm) Naviguard fee. The Naviguard program negotiates discounts off billed charges from out-of-network (non-contracted) providers. The County has the option to convert the fixed pepm fee to a percentage of savings achieved through negotiations. The \$13.00 pepm fee totaled \$690,000 in 2023 compared to a fee of \$1.9 million if the plan was charged 35% of negotiated savings. Through June 2024, the \$13.00 pepm fees equate to \$345,000 compared to \$960,000 as a percent of savings. The Naviguard fee will renew at \$13.00 pepm in 2025 as this arrangement results in lower costs to the County.

Pharmacy Rebates

Rebates are projected to increase 5% in 2025 to \$8.4 million from \$8.0 million. The original rebate projection for 2024 was \$4.6 million which was completed prior to receiving actual rebates from UnitedHealthcare as rebate payments are 6 months in arrears. The \$4.6 million projection was based on the minimum guarantees included in UnitedHealthcare's proposal. The projections have been updated using



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actual rebate payments received to date which have exceeded the minimum guarantees.

Projected 2024 and 2025 Total Expense and Fund Balance

Below is a table showing the components of the 2024 and 2025 plan years projected using data through June 2024 and stop-loss premiums.

	2024	2025
Projected Enrollment	4,409	4,400
Expected Claims (stop-loss recoveries reflected,		
includes Naviguard out-of-network negotiation	\$76,060,784	\$80,393,004
fees)	·	
Administration	\$2,049,772	\$2,045,472
Reinsurance Premiums	\$947,107	\$1,449,888
PCORI Fees	\$27,595	\$29,251
Internal expenses	\$1,550,424	\$1,581,433
Pharmacy Rebates	(\$8,018,148)	(\$8,419,056)
Total Projected Expense	\$72,617,535	\$77,050,741
Total Projected Revenue	\$76,647,524	\$79,774,769
Projected Gain/(Loss)	\$4,029,989	\$2,724,028
BOY Surplus	\$24,371,326	\$28,401,316
Transfers In/(Out)	\$0	\$0
EOY Surplus	\$28,401,316	\$31,125,343
OIR 60-Day Requirement	\$11,956,839	\$12,989,494
OIR 60-Day Days Met	143	144

In 2025, the County contribution will increase 5% (employee contributions were not increased). Without the increase in contribution in 2025, the surplus was projected to cover 128 days of projected claims.

Maintaining the current plans, if no further rate increases were to occur after 2025, the plan would begin to experience losses starting in 2026 (expenses would begin to exceed revenue), therefore, reducing the surplus by the amount of the loss. In 2027 with no increase in contributions, the surplus would be reduced to a level just above the 60-day threshold. By 2028, again with no increase in contributions, the surplus would fall below \$0 meaning the County would have to send a letter to the OIR stating there are enough unencumbered funds in the General Fund to cover the shortfall.

Please let me know if you have any questions about this or need any additional information.

Sincerely,

Sharon Leach
Sharon Leach ASA, MAAA, FCA

Consulting Actuary

CC: Barbara Crowe, Gallagher Michelle Nathan, Gallagher

Palm Beach County Board of County Commissioners . 2024 and 2025 Funding									
Plan	Tier	2024 Actual Rates			202	25 Illustrative R	Employer	Employee	
		Total	County	Employee	Total	County	Employee	Increase	Increase
НМО	EE	\$870.61	\$839.61	\$31.00	\$912.60	\$881.60	\$31.00	5.0%	0.0%
	EE + 1	\$1,798.35	\$1,597.35	\$201.00	\$1,878.22	\$1,677.22	\$201.00	5.0%	0.0%
	Family	\$2,461.13	\$2,121.13	\$340.00	\$2,567.20	\$2,227.20	\$340.00	5.0%	0.0%
	Overage Dep.	\$522.00	\$0.00	\$522.00	\$548.00	\$0.00	\$548.00	5.0%	5.0%
Choice	EE	\$908.12	\$859.12	\$49.00	\$951.08	\$902.08	\$49.00	5.0%	0.0%
	EE + 1	\$1,872.35	\$1,597.35	\$275.00	\$1,952.22	\$1,677.22	\$275.00	5.0%	0.0%
	Family	\$2,563.13	\$2,121.13	\$442.00	\$2,669.20	\$2,227.20	\$442.00	5.0%	0.0%
	Overage Dep.	\$545.00	\$0.00	\$545.00	\$571.00	\$0.00	\$571.00	5.0%	4.8%
POS	EE	\$962.36	\$895.36	\$67.00	\$1,007.12	\$940.12	\$67.00	5.0%	0.0%
	EE + 1	\$1,956.42	\$1,628.42	\$328.00	\$2,037.84	\$1,709.84	\$328.00	5.0%	0.0%
	Family	\$2,680.39	\$2,179.39	\$501.00	\$2,789.36	\$2,288.36	\$501.00	5.0%	0.0%
	Overage Dep.	\$577.00	\$0.00	\$577.00	\$604.00	\$0.00	\$604.00	5.0%	4.7%

Presented:

September 8, 2024

Overage dependant rates are rounded to the nearest dollar and are 60% of the employee only rate.