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Indian River County
Inter-Office Memorandum
Office of Management and Budget

To: Members of the
Board of County Commissioners

Date: January 25, 2016

Subject: **Health Insurance Financial Update and Summary of Cost Saving Options**

From: Jason E. Brown - Director, Management & Budget

Background

Indian River County operates a self-insured health insurance program for employees and retirees of the Board of County Commissioners as well as the five (5) Constitutional Officers. County staff, with assistance from our broker (The Gehring Group), regularly monitors our claims experience and evaluates options to reduce and control costs going forward. Healthcare costs in the State of Florida have increased by about 9% per year. In order to manage these costs and avoid passing such increases on to the taxpayers each year, the County has made various plan changes aimed at reducing cost increases and sharing the burden of such costs between the employer and employees.

The County made plan adjustments in fiscal years 2005/06, 2006/07, 2007/08, and 2009/10 to manage these expenses. In recent years, however, two factors have prevented the County from making plan changes. First, the Affordable Care Act ("Obamacare") placed certain requirements on health insurance plans beginning on March 23, 2010. Any new plans must provide new benefits, such as certain preventative services and women's health initiatives, free of charge. Plans in existence prior to March 23, 2010 are considered "grandfathered" and do not have to comply with these requirements under Obamacare. If plan changes are made to an existing plan, however, it loses its "grandfathered" status. It has been estimated that the cost to fund these additional requirements is between 3% - 5% of total plan costs. The County's health insurance program is a "grandfathered" plan. In order to avoid the additional costs associated with the new requirements, the County has not made any plan changes since 2010. As an additional challenge, any plan changes that would save money now have to overcome the additional "Obamacare" costs. An additional consideration for the County has been the reluctance to shift significant healthcare costs to the employees in light of the fact that most received little or no wage increases for several years.

Through a combination of wellness programs, outreach, and good fortune, the County's healthcare costs experienced relatively modest cost increases for several years (see Table 1 below). Over the last two years, though, expenses have begun to increase substantially. The fund experienced reasonable surpluses for fiscal years 2008/09 through 2012/13. In fiscal year 2013/14, the fund experienced the first loss in recent history. During fiscal year 2014/15, claims expenses increased significantly, resulting in a substantial loss (\$2.8 million – see Table 2). In light of the increase and expected losses, staff presented some potential plan changes to the Board of County Commissioners on June 23, 2015. At that meeting, the Board directed staff to provide additional background and present various alternatives at a future date. This agenda item represents the first report, which includes the history and current status of the health plan along with a brief discussion of potential alternatives. Based upon feedback and direction received at this meeting, staff intends to provide more in-depth information on selected alternatives at a future meeting.

Table 1- Annual Healthcare Costs

| Fiscal Year | Total Healthcare Expenditures | % Increase/ (Dec.) from Prior Year |
|-----------------|-------------------------------|------------------------------------|
| 2008/09 | \$13,681,578 | n/a |
| 2009/10 | \$14,208,908 | 3.9% |
| 2010/11 | \$13,557,377 | -4.6% |
| 2011/12 | \$13,503,300 | -0.3% |
| 2012/13 | \$14,779,396 | 9.5% |
| 2013/14 | \$16,290,083 | 10.2% |
| 2014/15 | \$18,070,954 | 10.9% |
| 2015/16 (Proj.) | \$19,700,000 | 9.0% (proj.) |

Analysis and Funding

Table 1 above shows total healthcare expenditures from fiscal year 2008/09 through 2014/15, along with projected expenses for the current fiscal year (2015/16). Please note, staff has assumed a 9.0% inflation factor for the current fiscal year, which results in expected expenses of \$19.7 million with the current plan. Staff estimates that the health insurance fund will experience a shortfall in fiscal year 2015/16 of about \$3.9 million with no change in funding rates (see Table 2 below).

Table 2- Health Insurance Fund Net Revenues/(Expenses)

| Fiscal Year | Net Revenues/ (Expenses) |
|-----------------|--------------------------|
| 2008/09 | \$3,032,903 |
| 2009/10 | \$1,761,580 |
| 2010/11 | \$1,250,302 |
| 2011/12 | \$993,336 |
| 2012/13 | \$484,193 |
| 2013/14 | (\$1,375,479) |
| 2014/15 | (\$2,763,295) |
| 2015/16 (Proj.) | (\$3,900,000) |

Please see Table 3 below for the current funding rates for health insurance divided into the employer and employee portion for the County as well as local municipalities and surrounding counties. It should be noted that the table only shows monthly premiums for employee and employer, while coverage, co-pays, deductibles, out-of-pocket maximums and provider networks can vary significantly. These varying factors can make it difficult to arrive at a true “apples to apples” comparison, however, the table does illustrate the different premium amounts required by surrounding agencies for comparative purposes. In many cases, the employee premium for other agencies is significantly higher than the County rates.

**Table 3- FY 2015/16 Monthly Health Insurance Contributions
County & Surrounding Municipalities**

| Agency | Employee Only | | Employee + Family | | Comments |
|---------------------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Employee Premium | Employer Premium | Employee Premium | Employer Premium | |
| Indian River County | \$0 | \$505 | \$218 | \$745 | Blue Choice |
| Brevard County – Plan 1 | \$46 | \$540 | \$233 | \$1,711 | HRA |
| Brevard County – Plan 2 | \$35 | \$473 | \$179 | \$1,509 | EPO |
| Brevard County – Plan 3 | \$85 | \$616 | \$385 | \$1,952 | PPO |
| St. Lucie County | \$38 | \$736 | \$136 | \$1,880 | Blue Options |
| Martin County | \$119 | \$513 | \$299 | \$1,321 | Blue Options |
| City of Sebastian | \$25 | \$489 | \$777 | \$740 | Blue Options |
| City of Vero Beach – Plan 1 | \$0 | \$581 | \$457 | \$1,371 | Low Plan |
| City of Vero Beach – Plan 2 | \$27 | \$581 | \$541 | \$1,371 | Mid Plan |
| City of Fellsmere | \$0 | \$497 | \$307 | \$799 | Blue Options |
| Indian River Shores | \$0 | \$593 | \$464 | \$1,418 | Blue Options |
| School Board of IRC – Plan 1 | \$108 | \$453 | \$583 | \$453 | Blue Options |
| School Board of IRC – Plan 2 | \$37 | \$453 | \$451 | \$453 | Blue Options |
| School Board of IRC – Plan 3 | \$0 | \$429 | \$339 | \$453 | Blue Options |
| Mosquito Control Dist. – Plan 1 | \$49 | \$566 | \$374 | \$1,472 | United Healthcare |
| Mosquito Control Dist. – Plan 3 | \$0 | \$566 | \$227 | \$1,472 | United Healthcare |

Summary and Conclusion

The total loss for fiscal year 2014/15 (\$2,763,295) equates to \$150/month per employee. Based upon the projected increase of 9.0%, the County's healthcare expenses are projected to reach \$19.7 million in fiscal year 2015/16 (up \$1.6 million). This increase will be partially offset by the \$30/month increase in the employer premium approved by the Board for this year (\$460,000 in additional revenue). Therefore, staff projects a loss of \$3.9 million for fiscal year 2015/16. Without any changes, a premium increase of about \$210/month would be needed to eliminate the shortfall.

There are essentially three ways to reduce the impact of the shortfall on the County—and resultantly, the taxpayer; 1.) shift costs to the employee, 2.) make efforts to reduce overall costs, or 3.) a combination of 1.) and 2.). Staff recommends that any measure to reduce the overall costs be taken prior to shifting costs to the employees. However, due to the magnitude of the shortfall, both measures will be needed to accomplish this task.

Please see a listing of potential cost-saving measures and adjustments that may be considered to make necessary changes to the County health plan:

1. Consumer-directed health plans
2. Basic plan design changes (multiple plan levels, co-pay, deductible increases, increased tiers)
3. Premium increases (employer and employee)
4. Employee Wellness Clinic
5. Wellness initiatives
6. Pharmacy Benefit Manager (PBM)
7. International Prescription Provider
8. Optional Supplemental Products (e.g. HRA's, HSA's, PEHP)

The solution will likely be a combination of several items listed above. Staff has presented several options that can be researched further and presented to the Board as a potential plan to ensure the long-term financial stability of the County health plan. It may be necessary to take a phased approach to implement multiple changes as well. This would afford additional time for the County to provide the necessary education and outreach to assist employees through the process.

Recommendation

Staff recommends that the Board of Commissioners provide direction to staff regarding which options should be explored further for a future presentation and recommendation to the Board.





Attachments

Health Insurance Premium Summary

APPROVED AGENDA ITEM:

BY: 
 Joseph A. Baird
 County Administrator

FOR: February 9, 2016

| Indian River County | Approved | Date |
|---------------------|---|---------|
| Administrator |  | 2/4/16 |
| County Attorney |  | 1/27/16 |
| Budget |  | 1/27/16 |
| Department |  | 1/27/16 |
| Risk Management | | |

HEALTH INSURANCE PREMIUMS SURVEY

| Agency | Tier of Coverage | Employee's Monthly Premium | Employer's Monthly Premium | Total Premium | Insurance Carrier |
|-----------------------------|-----------------------|----------------------------|----------------------------|---------------|----------------------|
| Indian River County | Employee Only | \$ - | \$ 505.00 | \$ 505.00 | Blue Choice |
| | Employee + Dependents | \$ 217.50 | \$ 745.00 | \$ 962.50 | |
| Brevard County - Plan 1 | Employee Only | \$ 46.00 | \$ 540.00 | \$ 586.00 | Cigna & Health First |
| HRA | Employee + Spouse | \$ 140.00 | \$ 1,236.00 | \$ 1,376.00 | Summary attached |
| | Employee + Children | \$ 112.00 | \$ 1,000.00 | \$ 1,112.00 | |
| | Employee + Family | \$ 233.00 | \$ 1,711.00 | \$ 1,944.00 | |
| Brevard County - Plan 2 | Employee Only | \$ 35.00 | \$ 473.00 | \$ 508.00 | |
| EPO | Employee + Spouse | \$ 108.00 | \$ 1,087.00 | \$ 1,195.00 | |
| | Employee + Children | \$ 85.00 | \$ 879.00 | \$ 964.00 | |
| | Employee + Family | \$ 179.00 | \$ 1,509.00 | \$ 1,688.00 | |
| Brevard County - Plan 3 | Employee Only | \$ 85.00 | \$ 616.00 | \$ 701.00 | |
| PPO | Employee + Spouse | \$ 334.00 | \$ 1,389.00 | \$ 1,723.00 | |
| | Employee + Children | \$ 265.00 | \$ 1,125.00 | \$ 1,390.00 | |
| | Employee + Family | \$ 385.00 | \$ 1,952.00 | \$ 2,337.00 | |
| City of Fellsmere | Employee Only | \$ - | \$ 496.72 | \$ 496.72 | Blue Options |
| | Employee + Spouse | \$ 157.52 | \$ 671.55 | \$ 829.07 | Summary attached |
| | Employee + Children | \$ 107.40 | \$ 547.50 | \$ 654.90 | |
| | Employee + Family | \$ 307.47 | \$ 798.54 | \$ 1,106.01 | |
| City of Sebastian | Employee Only | \$ 25.00 | \$ 489.30 | \$ 514.30 | United Health Care |
| | Employee + Spouse | \$ 507.16 | \$ 650.02 | \$ 1,157.18 | No Summary |
| | Employee + Children | \$ 310.44 | \$ 584.44 | \$ 894.88 | |
| | Employee + Family | \$ 777.16 | \$ 740.02 | \$ 1,517.18 | |
| City of Vero Beach - Plan 1 | Employee Only | \$ - | \$ 581.38 | \$ 581.38 | United Health Care |
| FX4 Low Plan | Employee + Spouse | \$ 321.64 | \$ 964.88 | \$ 1,286.52 | Summary attached |
| | Employee + Children | \$ 290.42 | \$ 871.26 | \$ 1,161.68 | |
| | Employee + Family | \$ 456.92 | \$ 1,370.76 | \$ 1,827.68 | |
| City of Vero Beach - Plan 2 | Employee Only | \$ 26.80 | \$ 581.38 | \$ 608.18 | United Health Care |
| FXW Mid Plan | Employee + Spouse | \$ 380.98 | \$ 964.88 | \$ 1,345.86 | Summary attached |
| | Employee + Children | \$ 344.00 | \$ 871.26 | \$ 1,215.26 | |
| | Employee + Family | \$ 541.22 | \$ 1,370.76 | \$ 1,911.98 | |
| Martin County | Employee Only | \$ 119.36 | \$ 513.30 | \$ 632.66 | Blue Options 03748 |
| | Employee + Family | \$ 298.74 | \$ 1,320.83 | \$ 1,619.57 | Summary attached |

| Agency | Tier of Coverage | Employee's Monthly Premium | Employer's Monthly Premium | Total Premium | Insurance Carrier |
|------------------------------|---------------------|----------------------------|----------------------------|---------------|--------------------|
| Mosquito District - Plan 1 | Employee Only | \$ 49.30 | \$ 566.22 | \$ 615.52 | United Health Care |
| | Employee + Spouse | \$ 236.22 | \$ 1,087.15 | \$ 1,323.37 | Summary attached |
| | Employee + Children | \$ 187.44 | \$ 951.27 | \$ 1,138.71 | |
| | Employee + Family | \$ 374.36 | \$ 1,472.20 | \$ 1,846.56 | |
| Mosquito District - Plan 3 | Employee Only | \$ - | \$ 566.23 | \$ 566.23 | United Health Care |
| | Employee + Spouse | \$ 130.24 | \$ 1,087.15 | \$ 1,217.39 | Summary attached |
| | Employee + Children | \$ 96.26 | \$ 951.27 | \$ 1,047.53 | |
| | Employee + Family | \$ 226.50 | \$ 1,472.19 | \$ 1,698.69 | |
| School Board of IRC - Plan 1 | Employee Only | \$ 108.00 | \$ 453.00 | \$ 561.00 | Blue Options 5770 |
| | Employee + Spouse | \$ 475.00 | \$ 453.00 | \$ 928.00 | Summary attached |
| | Employee + Children | \$ 456.00 | \$ 453.00 | \$ 909.00 | |
| | Employee + Family | \$ 583.00 | \$ 453.00 | \$ 1,036.00 | |
| School Board of IRC - Plan 2 | Employee Only | \$ 37.00 | \$ 453.00 | \$ 490.00 | Blue Options 5772 |
| | Employee + Spouse | \$ 357.00 | \$ 453.00 | \$ 810.00 | Summary attached |
| | Employee + Children | \$ 341.00 | \$ 453.00 | \$ 794.00 | |
| | Employee + Family | \$ 451.00 | \$ 453.00 | \$ 904.00 | |
| School Board of IRC - Plan 3 | Employee Only | \$ - | \$ 429.00 | \$ 429.00 | Blue Options 5774 |
| | Employee + Spouse | \$ 256.00 | \$ 453.00 | \$ 709.00 | Summary attached |
| | Employee + Children | \$ 242.00 | \$ 453.00 | \$ 695.00 | |
| | Employee + Family | \$ 339.00 | \$ 453.00 | \$ 792.00 | |
| St. Lucie County | Employee Only | \$ 38.26 | 735.88 | \$ 774.14 | Blue Options |
| | Employee + One | \$ 111.59 | 1254.38 | \$ 1,365.97 | Summary attached |
| | Employee + Family | \$ 136.41 | 1880.29 | \$ 2,016.70 | |
| Town of Indian River Shores | Employee Only | \$ - | \$ 592.74 | \$ 592.74 | Blue Options 14005 |
| | Employee + Spouse | \$ 294.48 | \$ 1,116.25 | \$ 1,410.73 | Summary attached |
| | Employee + Children | \$ 187.78 | \$ 926.58 | \$ 1,114.36 | |
| | Employee + Family | \$ 464.12 | \$ 1,417.84 | \$ 1,881.96 | |

Health Insurance Funding

Background Funding History and Future Options

HEALTH INSURANCE PLAN

Highlights

- ❑ Provides coverage for following groups:
 - ❑ County employees ~650
 - ❑ Constitutional Officers ~650
 - ❑ Retirees ~250
 - ❑ Plus: eligible dependents (spouses, children)
 - ❑ Total members ~3,600

HEALTH INSURANCE PLAN

Highlights (continued)

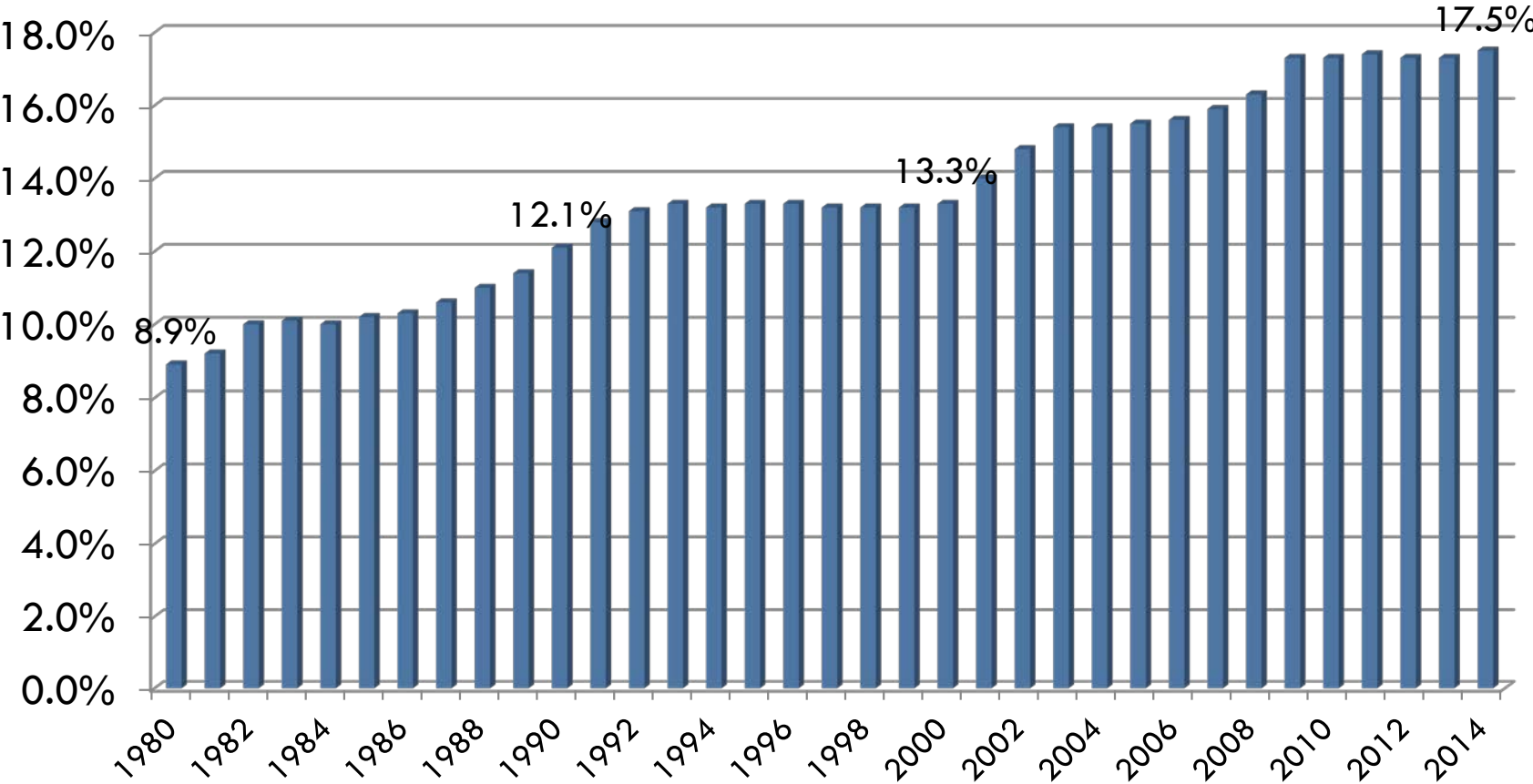
- ❑ Self-insured fund
- ❑ “Grandfathered” status under ACA
- ❑ No plan changes since 2010
- ❑ PPO
- ❑ Administered by Florida Blue

HEALTH INSURANCE PLAN

Rising Costs

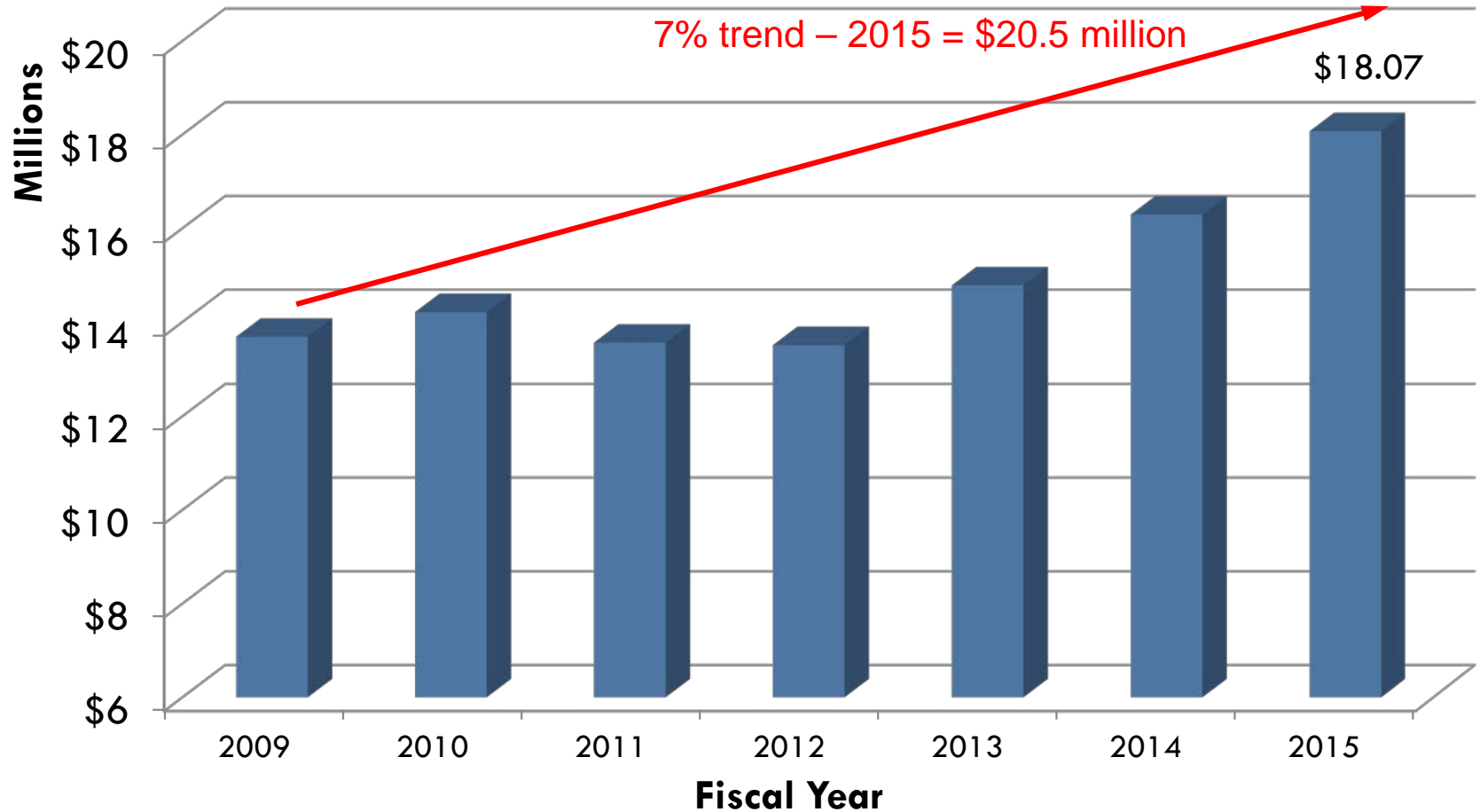
- ❑ Prescription drug prices up 13.6% for 2015 (Milliman)
- ❑ Medical trend up 9.0% for 2015, forecast of 9.6% for 2016 (Wells Fargo Ins.)
- ❑ Healthcare costs = 17.5% of GDP in 2014 (Up 5.3% from 2013)
- ❑ ACA additional costs - \$236,275 fees **plus**

Healthcare Expenditures as % of GDP



Source: Centers for Medicare and Medicaid Services

IRC Healthcare Expenditures



Historical Premiums per Month

| Fiscal Year | Single Coverage | | Family Coverage | |
|-------------|-----------------|----------|-----------------|----------|
| | Employee | Employer | Employee | Employer |
| 2009/10 | \$0 | \$495 | \$217.50 | \$735 |
| 2010/11 | \$0 | \$495 | \$217.50 | \$735 |
| 2011/12 | \$0 | \$495 | \$217.50 | \$735 |
| 2012/13 | \$0 | \$475 | \$217.50 | \$715 |
| 2013/14 | \$0 | \$475 | \$217.50 | \$715 |
| 2014/15 | \$0 | \$475 | \$217.50 | \$715 |
| 2015/16 | \$0 | \$505 | \$217.50 | \$745 |

Monthly Premium Comparison - Counties

| Agency | Single Coverage | | Family Coverage | | Comments |
|-----------------------|-----------------|----------|-----------------|----------|--------------|
| | Employee | Employer | Employee | Employer | |
| IR County | \$0 | \$505 | \$218 | \$745 | Blue Choice |
| Brevard Cty. – Plan 1 | \$46 | \$540 | \$233 | \$1,711 | HRA |
| Brevard Cty. – Plan 2 | \$35 | \$473 | \$179 | \$1,509 | EPO |
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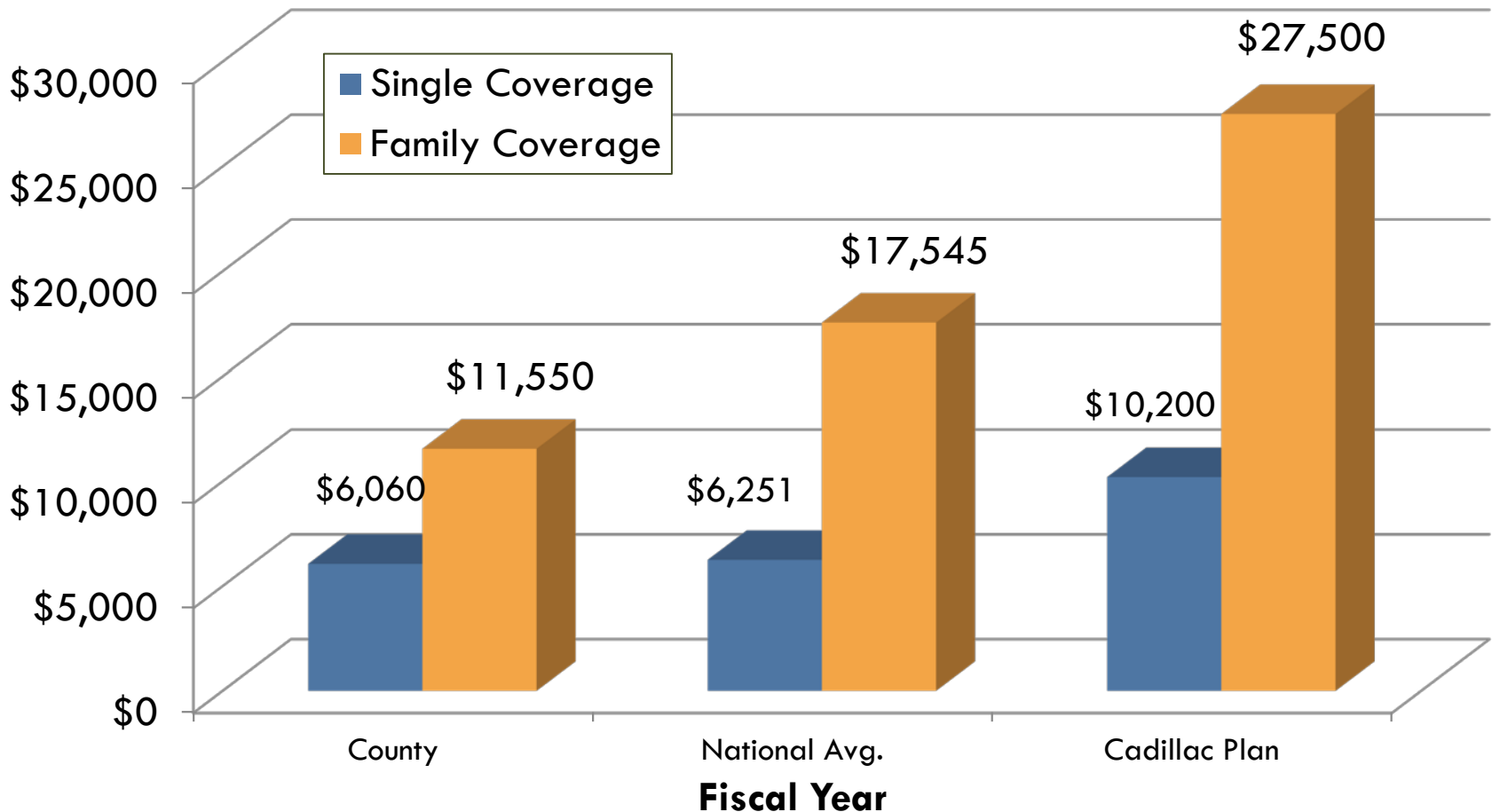
Monthly Premium Comparison – IRC Municipalities

| Agency | Single Coverage | | Family Coverage | | Comments |
|---------------------|-----------------|----------|-----------------|----------|--------------|
| | Employee | Employer | Employee | Employer | |
| IR County | \$0 | \$505 | \$218 | \$745 | Blue Choice |
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| Vero Beach – Plan 1 | \$0 | \$581 | \$457 | \$1,371 | Low Plan |
| Vero Beach – Plan 2 | \$27 | \$581 | \$541 | \$1,371 | Mid Plan |
| Fellsmere | \$0 | \$497 | \$307 | \$799 | Blue Options |
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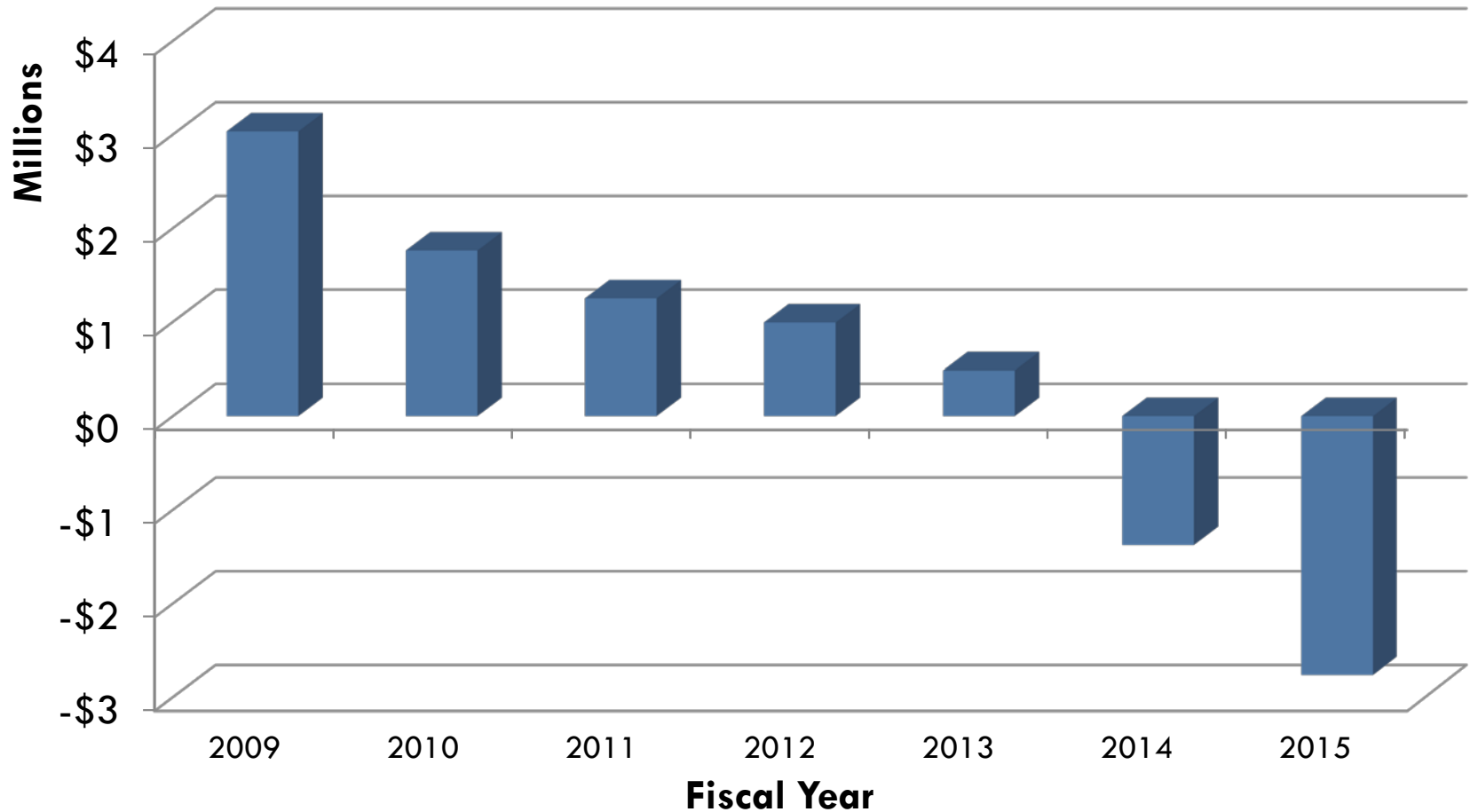
Monthly Premium Comparison – IRC Other Governmental Entities

| Agency | Single Coverage | | Family Coverage | | Comments |
|---------------------------|-----------------|----------|-----------------|----------|-------------------|
| | Employee | Employer | Employee | Employer | |
| IR County | \$0 | \$505 | \$218 | \$745 | Blue Choice |
| School Board – Plan 1 | \$108 | \$453 | \$583 | \$453 | Blue Options |
| School Board – Plan 2 | \$37 | \$453 | \$451 | \$453 | Blue Options |
| School Board – Plan 3 | \$0 | \$429 | \$339 | \$453 | Blue Options |
| Mosquito Control - Plan 1 | \$49 | \$566 | \$374 | \$1,472 | United Healthcare |
| Mosquito Control - Plan 3 | \$0 | \$566 | \$227 | \$1,472 | United Healthcare |

County Health Premiums vs. National Average & “Cadillac Tax” Limit



Health Ins. Fund Net Revenues/(Expenses)

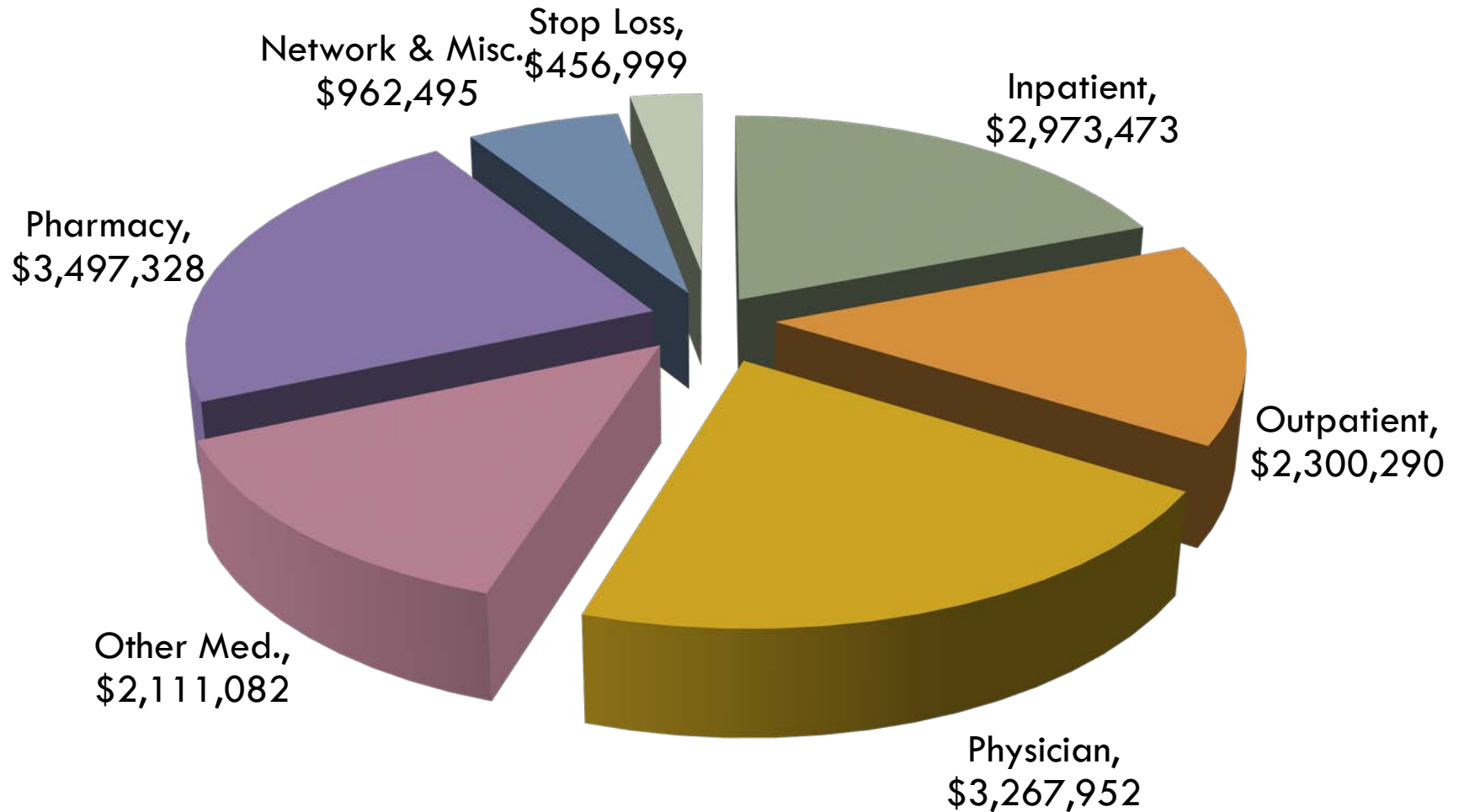


Summary of Revs. & Exps. - FY 14/15

Revenues:

| | |
|-------------------------------|----------------------------|
| Premium Income | \$12,415,944 |
| OPEB Trust Contribution | \$1,944,533 |
| Reimbursements | \$843,934 |
| Interest Earnings | \$65,733 |
| Other Revenues | \$37,516 |
| <i>Total Revenues:</i> | <i>\$15,307,660</i> |

IRC Healthcare Expenses by Type



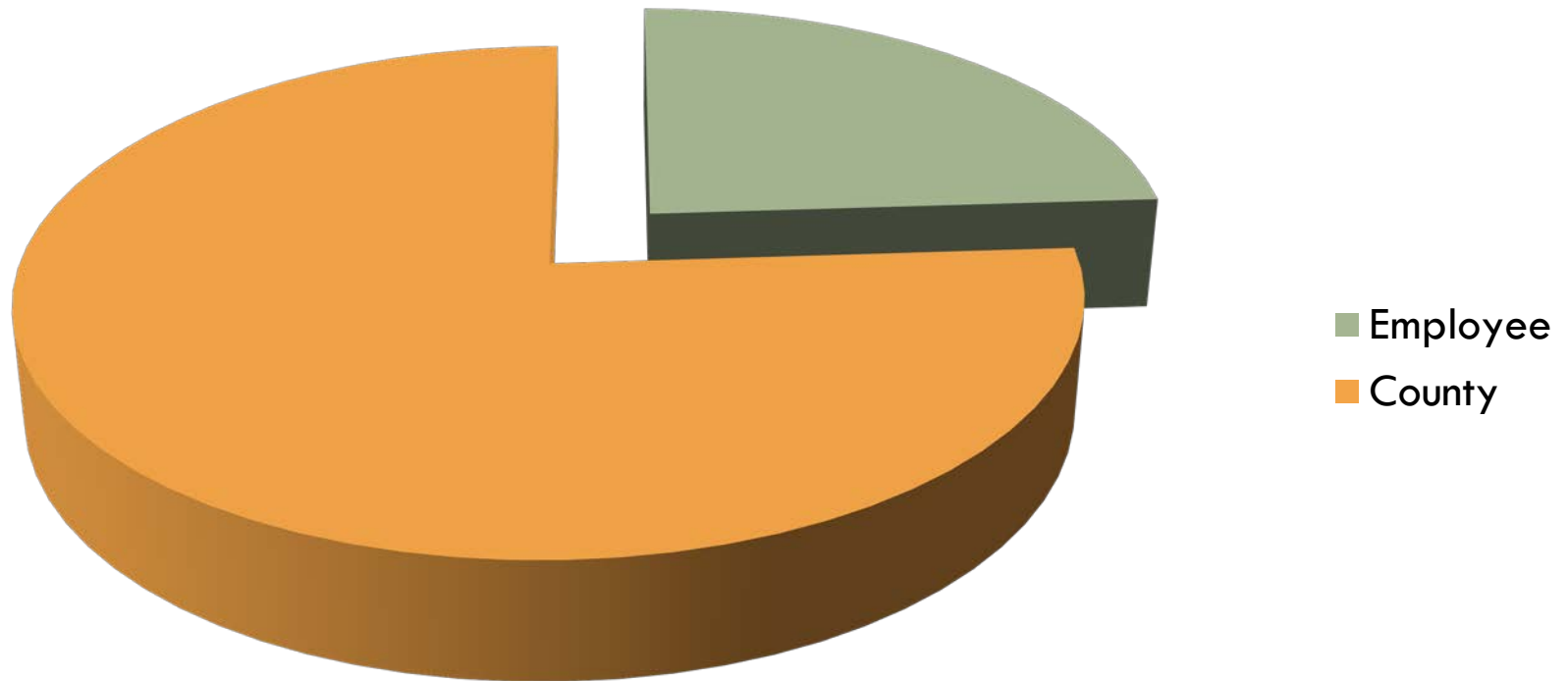
HEALTH INSURANCE PLAN

How to Address Loss:

- ❑ \$2.8 million for 14/15 – without other adjustments = \$150/month increase
- ❑ If claims increase by for 15/16 – need \$210/month increase (after budgeted increase)
- ❑ Split between employer & employee
- ❑ Or....potential cost savings measures to reduce loses

How do we reduce County (taxpayer funded) healthcare costs?

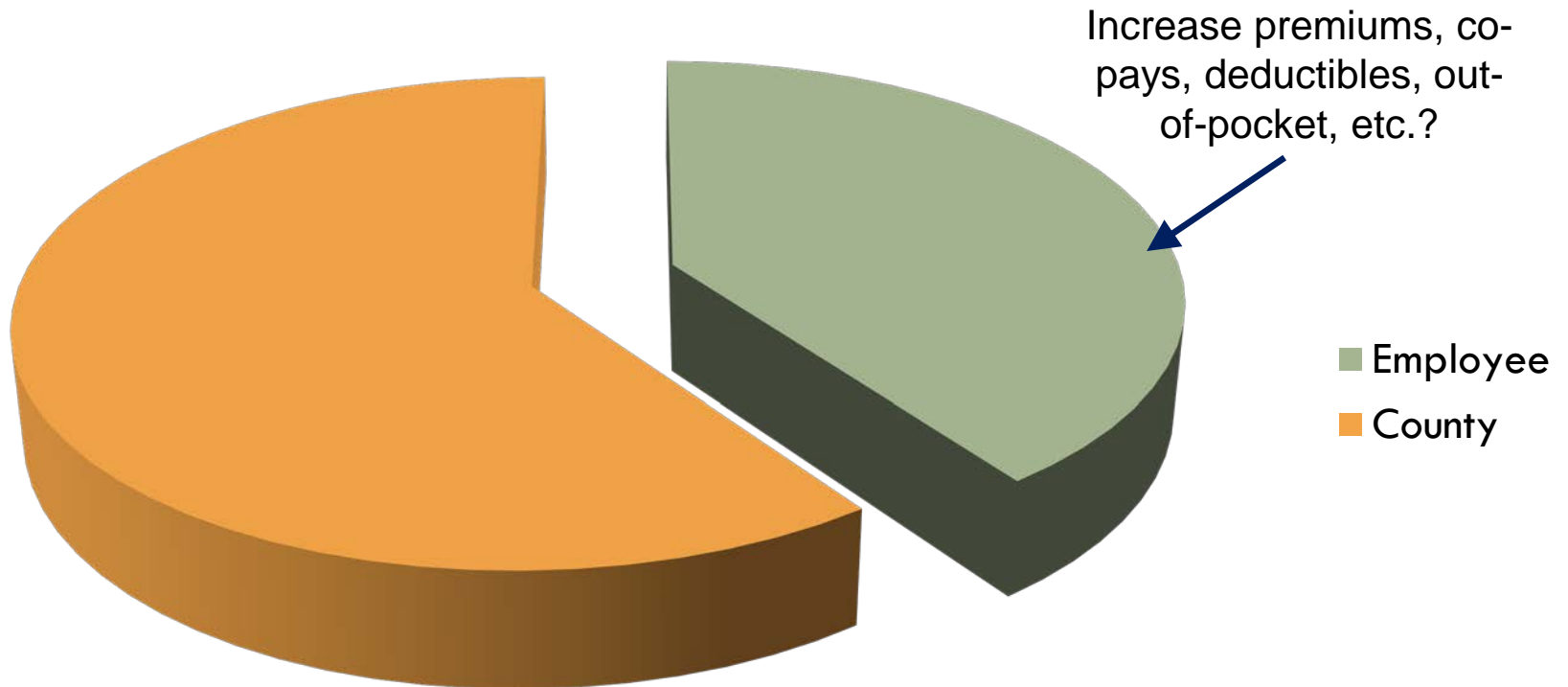
Portion of Healthcare Costs



2 Options Available

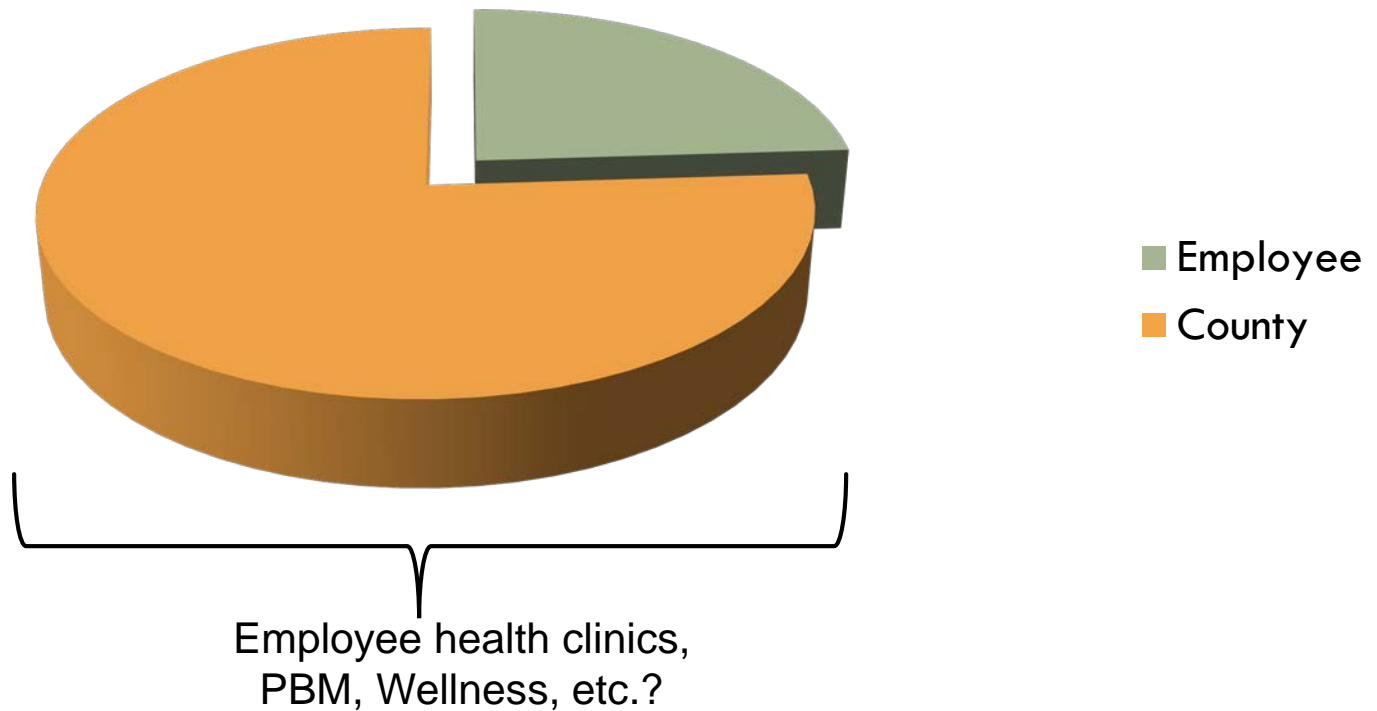
1. Assign more to employees?

Portion of Healthcare Costs



Or 2. Reduce total costs?

Portion of Healthcare Costs



HEALTH INSURANCE PLAN

Potential Cost Saving Measures

- ❑ ***First priority is reduce costs overall***
- ❑ **Then consider other options**
 - ❑ Consumer directed health plans –
 - ❑ Option 3 - combination of options 1 and 2
- ❑ **County cost increases impact taxpayer (and retirees)**
- ❑ **Due to magnitude of loss, both measures will be needed**

HEALTH INSURANCE PLAN

Potential Cost Saving Measures

- ❑ Consumer directed health plans
- ❑ Plan design changes
- ❑ Premium increases
- ❑ Employee Wellness Clinic
- ❑ Wellness Initiatives
- ❑ Optional Supplemental Products (PBM, CanaRX, PEHP, HRA, etc.)



Questions, Comments, etc.?