

INDIAN RIVER COUNTY  
MEMORANDUM

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To: Jason Brown  
County Administrator

From: Suzanne Boyll *SB*  
Human Resources Director

Date: June 12, 2017

Subject: Health Insurance – Recommendations for Plan Year 2017/2018

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**Background**

Indian River County utilizes a self-insured group health insurance program. Health insurance is available to fulltime employees and retirees of the Board of County Commissioners and the respective Constitutional Officers (Sheriff, Property Appraiser, Tax Collector, Clerk of Courts, and the Supervisor of Elections) and their eligible dependents. Health insurance claims and program administration expenses are paid from contributions from employer and employee/retiree contributions. Under our program, stop loss insurance for extraordinary and aggregates claims experience is obtained to protect against high cost claims.

The health insurance program is an integral part of the employee benefit package and important to recruitment and retention efforts.

The health insurance program is evaluated throughout the year for plan performance and staff makes recommendations to ensure the plan is:

- ✓ Affordable
- ✓ Competitive
- ✓ Sustainable

At the June 21, 2016 Board of County Commissioners meeting, the Board approved the following cost saving measures to mitigate projected plan losses for FY2016/17 plan year:

- Transitioning from Blue Options to Blue Choice Health Plan
- Implementing Kannact Diabetes Management Program
- Offering a voluntary International Prescription Provider (CanaRx)
- Adjusting Employee Premiums towards a 90%/10% and 75%/25% target

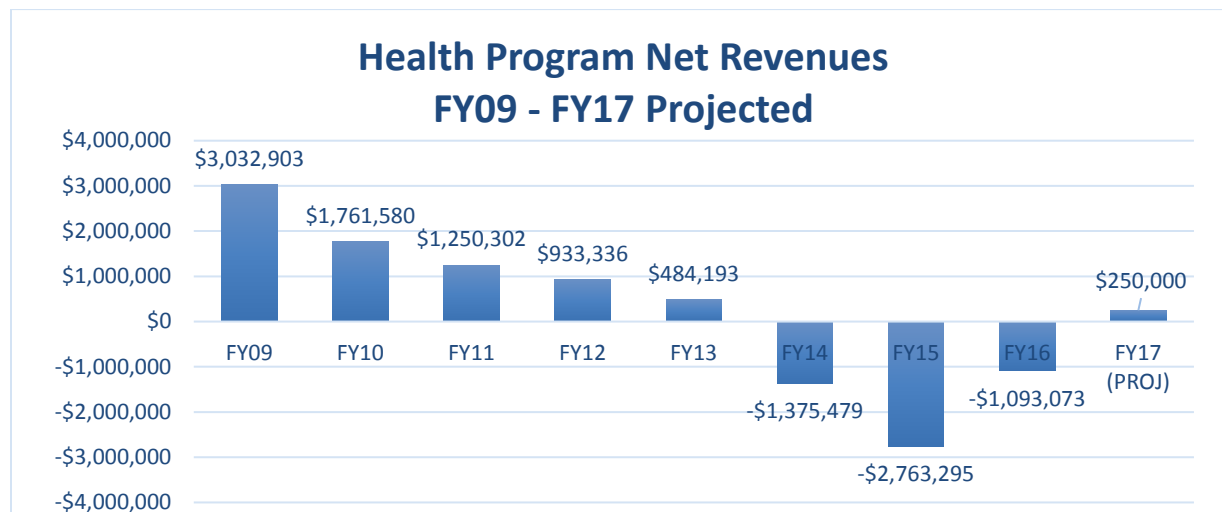
At the December 20, 2016 Board of County Commissioners meeting, the Board also approved a plan change to the acupuncture benefit in response to excessively high claims experience for this

benefit over prior years. This benefit was capped at 26 visits per year and a maximum annual benefit of \$1,500 per year.

The changes have had a positive impact on the plan’s performance for the current plan year.

**Analysis of Plan Performance**

The plan’s performance since 2009 is reflected below.



To continue to maintain an affordable, competitive and sustainable health plan, the following recommendations are made for the FY2017/18 plan year:

1. Increase the Employer contribution to the plan by \$30 per month per covered employee to provide a funding reserve. Current funding levels do not provide for a reserve. A reserve is recommended to fund for unexpected plan performance that may not reach our stop loss insurance levels and cover health cost increases above expected trends. The new employer paid monthly premium would be \$635 for single coverage and \$875 for family coverage. The \$30 increase per month in employer contributions will generate approximately \$507,600 in FY2017/18.
2. Increase the Employee contribution to the plan by \$20 per month for both single and family coverage. This recommendation is associated with the second phase of the premium increase approved by the Board in June 2016. The second phase was approved to be an additional \$30 per month. However, in order to maintain a competitive plan and affordable premiums for our employees, it is recommended the increase be limited to \$20 per month rather than \$30 per month. Under this increase, the plan would no longer qualify for “grandfather” plan status. This adjustment will continue moving towards the funding target of 90%/10% and 75%/25%. If a similar adjustment is made for the 2018/2019 plan year, these targets will be reached. The new employee paid monthly premium would be \$50 per month for single coverage and \$267.50 for family coverage. The \$20 increase per month in employee contributions will generate approximately \$338,400 in FY2017/18.

3. Modify the plan design to provide 100% wellness/preventive benefit and include all employee out of pocket costs in the out of pocket maximum. Due to the loss of “grandfather” status, these plan design changes will be required. The benefit of these changes is they will allow the County to promote employee wellness by removing financial barriers to seeking preventive screenings and to visit the doctor annually for routine health exam at no cost to the employee. This strategy promotes early detection of health issues so that chronic conditions can be prevented or managed before they become serious. A wellness strategy that supports the ongoing health of employees will have a positive impact on future plan performance. Additionally, the inclusion of all employee out of pockets costs in the out of pocket maximum will provide defined levels of protection to our employees if they experience a catastrophic medical event. Currently, out of pocket costs related to office visit co-pays, deductibles, and prescription co-pays are in addition to the out of pocket maximums under the plan. Only the coinsurance paid by an employee is included in the out of pocket maximum. Our current out of pocket maximums are \$3,000 for single coverage and \$6,000 for family coverage.
4. Increase the cost share for advanced imaging from \$25 to \$100. The cost to the plan for advanced imaging (MRI, CT, etc.) is high and the current cost share of \$25 is well below the typical employee cost share for this type of imaging.
5. Increase the out of network deductible from \$400/\$800 to \$800/\$1600 and the out of network out of pocket maximum from \$3,000/\$6,000 to \$4,000/\$8,000. The in network deductible and out of pocket maximum would remain unchanged. The plan would continue to offer out of network benefits that allow employees to choose medical care outside of the expansive Florida Blue network. However, because the cost of obtaining medical care outside of the network is typically more expensive for the plan, it is not uncommon to have a higher deductible and out of pocket maximum for out of network care.
6. Eliminate the prepayment of insurance premiums one month in advance. Currently, employees are required to prepay for their insurance one month in advance. This creates administrative difficulties and often premiums have to be doubled up to capture the month in advance. This is a negative experience for new hires or employees who add family coverage who experience a deduction from the pay check before their insurance is effective. Eliminating the prepayment a month in advance would improve the administration of the benefits and eliminate the negative experience for new hires and employees adding family coverage. September 2017 would be a premium free month for employee premiums that are currently deducted a month in advance.

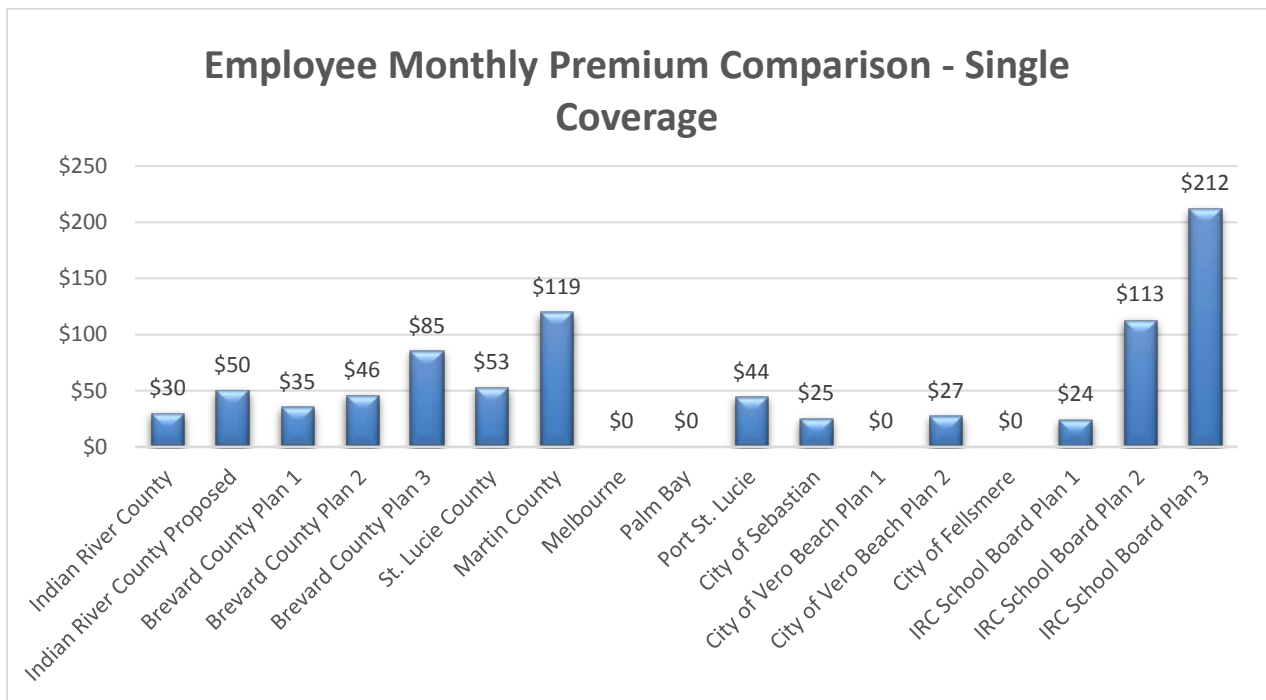
### **How Does Our Health Plan Compare?**

Plan design and benefits offered vary significantly. Some offer multiple plans with employees paying premiums based on the level of benefit provided. Deductibles range from \$300 to \$2,500; out of pocket maximums range from \$1,500 to \$20,000; copays, coinsurance, and prescriptions costs vary as well. Some employers offer financial incentives tied to wellness to assist with out of pocket expenses. Our current health plan, while still competitive, is one of the few remaining plans that does not provide 100% wellness and preventive screening benefits. In the long term,

this can have a negative impact because our ability to encourage and incentivize employee wellness is limited through plan design. Integrating a wellness strategy into our health plan will assist us in meeting our goals of long term health plan affordability, competitiveness, and sustainability. Additionally, we are one of the few health plans that does not include all out of pocket costs in the out of pocket maximum under the plan. By including all of the out of pocket costs in the out of pocket maximum, employees will have improved protection against financial hardship resulting from medical bills.

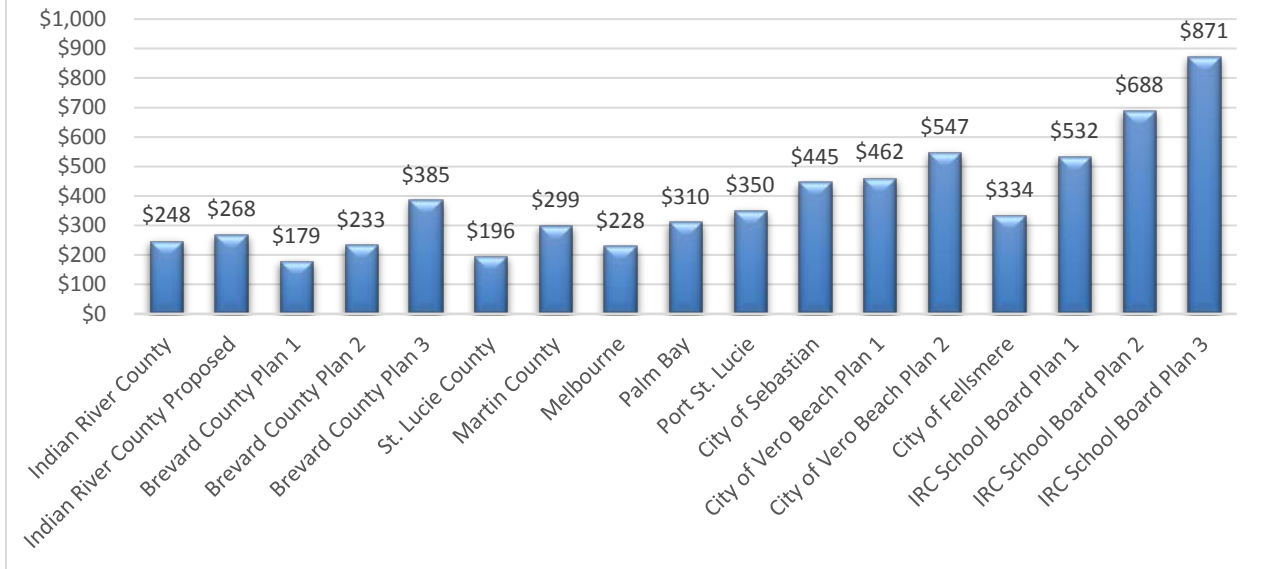
**How Do Our Premiums Compare?**

The following two charts reflect the employee paid premiums for surrounding local government employers for Single Coverage and Family Coverage. Indian River County’s proposed employee premium increase of \$20 per month is reflected as well. Our premiums will remain competitive. Single coverage will cost an employee \$50 per month and family coverage will cost an employee \$267.50 per month. Premiums payments are made on a pre-tax basis.



As illustrated above, most local government employers in the surrounding area charge an employee premium for single coverage. A few offer single coverage at no cost to the employee; however, several of these plans have higher deductibles and out of pockets costs than our plan.

## Employee Monthly Premiums Comparison - Family Coverage



Employee premiums for family coverage for most local government employers surveyed are higher than the County's as shown in the table above. The recommended \$20 increase per month maintains a competitive and affordable plan for employees and their families. The resulting monthly premiums are reflected below:

Fiscal Year 2017/18

### Proposed Employer & Employee Premiums

Tier of Coverage	Monthly Amount		Percentage Share	
	Employee	Employer	Employee	Employer
Single	\$50.00	\$635.00	7.3%	92.7%
Family	\$267.50	\$875.00	23.4%	76.6%

This premium relationship moves us closer to the target employer/employee split for single coverage of 90%/10% and 75%/25% for family coverage.

While the premiums are increasing for employees by \$240 per year, they are gaining an increased preventive and wellness benefit as well as increased out of pocket maximum protection as a result of the recommended changes. Additionally, employees would not pay insurance premiums in September 2017, if we eliminate the prepayment of insurance premiums.

### **Discussions with Constitutionals/Unions/Employees**

Human Resource representatives held meeting with the Constitutionals, union representatives and employees to explain the proposed changes and discuss any concerns. Representatives from the Constitutionals and the unions are supportive of the recommended changes.

### **Recommendations:**

Staff recommends and respectfully requests the Board of County Commissioners approve the proposed changes to the health plan as identified in Numbers 1 through 6 above and restated below:

- Increase the Employer contribution to the plan by \$30 per month for single and family coverage to provide a funding reserve.
- Increase the Employee contribution to the plan by \$20 per month for both single and family coverage.
- Modify the plan design to provide 100% wellness/preventive benefit and include all employee out of pocket costs in the out of pocket maximum.
- Increase the cost share for advanced imaging from \$25 to \$100.
- Increase the out of network deductible from \$400/\$800 to \$800/\$1600 and the out of network out of pocket maximum from \$3,000/\$6,000 to \$4,000/\$8,000.
- Eliminate the prepayment of insurance premiums one month in advance and provide employees a premium free month in September 2017.