

INDIAN RIVER COUNTY  
MEMORANDUM

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To: Jason Brown  
County Administrator

From: Suzanne Boyll *SB*  
Human Resources Director

Date: May 25, 2018

Subject: Health Insurance – Recommendations for Plan Year 2018/19

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**Background**

Indian River County utilizes a self-insured group health insurance plan. Health insurance is available to full-time 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 plan administration expenses are paid from contributions made by employer and employee/retiree contributions. Under our plan, stop loss insurance for extraordinary and aggregates claims experience is purchased to protect against high cost claims.

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

The plan's performance is evaluated throughout the year and staff makes recommendations to ensure the plan is:

- ✓ Affordable
- ✓ Competitive
- ✓ Sustainable

Effective October 1, 2017, the Board of County Commissioners transitioned consultant/broker/actuary services to Lockton Companies. Since the transition, staff has been working with Lockton to review plan performance and make recommendations to maintain an affordable, competitive and sustainable plan. Based on an analysis of claims, the pharmacy spend was the first priority, since it comprised over 30% of the total claims expenses for the plan.

Lockton presented the opportunity to achieve pharmacy plan savings and deliver a higher level of customer service to our covered members by carving out the pharmacy benefit from the Florida Blue Options Plan. The recommendation to carve out the pharmacy benefit was presented to and approved by the Board of County Commissioners on January 23, 2018.

Effective May 1, 2018, the pharmacy benefit manager (PBM) for the health plan transitioned from Florida Blue's PBM to Express Scripts and the pharmacy benefit is now administered through RX Benefits. RX Benefits will provide ongoing reporting and spend analysis of the pharmacy benefit in addition to providing concierge customer service to our members. As a result of negotiated discounted rates for prescriptions and increased pharmacy rebates, the pharmacy transition is expected to have a positive impact on managing future pharmacy expenses. We will continue to monitor the pharmacy spend and negotiate discounts with the pharmacy benefit manager.

As we review the plan's overall performance, several factors are evaluated and we continue to look for opportunities to improve the financial impact to the plan and deliver high quality, affordable and competitive benefits to members:

- Inflation and rising costs of medical services pharmacy benefit provided under the plan
- High costs claimants (>\$50K annually)
- Stop loss premiums
- Administrative service fees
- Costs associated with chronic conditions
- Preventive care and early detection
- Healthy lifestyle

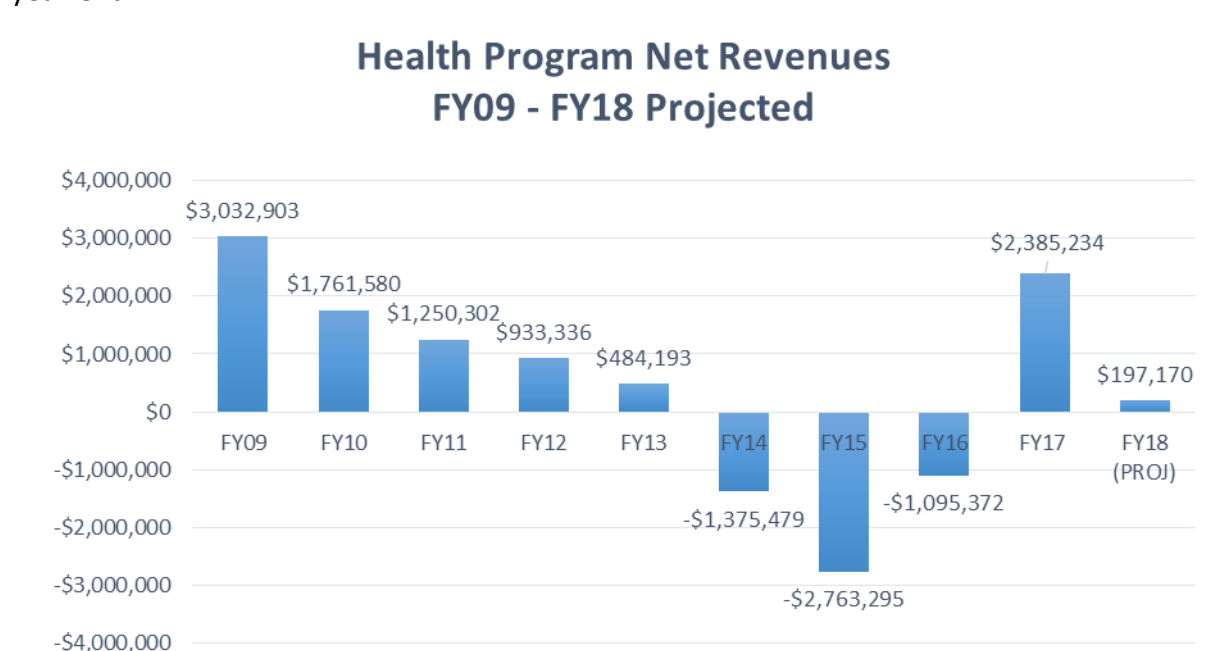
Lockton has provided the County with a review of plan performance and provided the following information:

- Medical trend increase of 8%
- High cost claimants account for \$5.8M of plan spend
- Pharmacy spend for the 12 month period ending February 2018 accounts for 27.9% of total claims
- Stop loss premiums are projected to increase by 20% in FY18/19
- 16.7% of members are not receiving any care including preventive care under the plan
- Top 10 Chronic Conditions are
  - Hyperlipidemia (high cholesterol)
  - Hypertension
  - Back Pain
  - Neck Pain
  - Osteoarthritis
  - Diabetes
  - Coronary Artery Disease
  - Asthma
  - Depression
  - Rheumatoid Arthritis

### **History of Plan Performance**

The plan's performance since 2009 is reflected below. The positive plan experience in FY17, has moderated due to high cost claimants in FY18. It is expected that plan experience and funding

will be on target for the remainder of the plan year and that we may have a small surplus at fiscal year-end.



#### **RECENT PLAN CHANGES**

In order to manage increased cost, the following changes have been made since FY2016 as outlined below:

- Benefit cap placed on acupuncture benefit
- Increased funding through employer and employee paid premiums moving towards an employer/employee cost share of 90%/10% for single coverage and 75%/25% for family coverage
- Modified the plan design to provide 100% wellness/preventive benefit and include all employee out of pocket costs in the out of pocket maximum.
- Increased the cost share for advanced imaging from \$25 to \$100.
- Increased 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.
- Eliminated the prepayment of insurance premiums one month in advance and provided employees a premium free month in September 2017.
- Selected a pharmacy benefit manager offering higher rebates and deeper discounts.
- Change in the effective date for health coverage to first of the month following 60 days of full time employment.

The changes have had a positive impact in managing rising costs and we will continue to work with Lockton to evaluate plan performance and make ongoing recommendations. Although, it is understood that costs will continue to increase due to trends, no additional changes are recommended at this time for the upcoming plan year FY18/19. The ongoing strategy will be to encourage and provide wellness incentives, educate employees on health and wellness topics, and monitor plan performance to evaluate opportunities to manage rising costs.

### How Does Our Health Plan Compare?

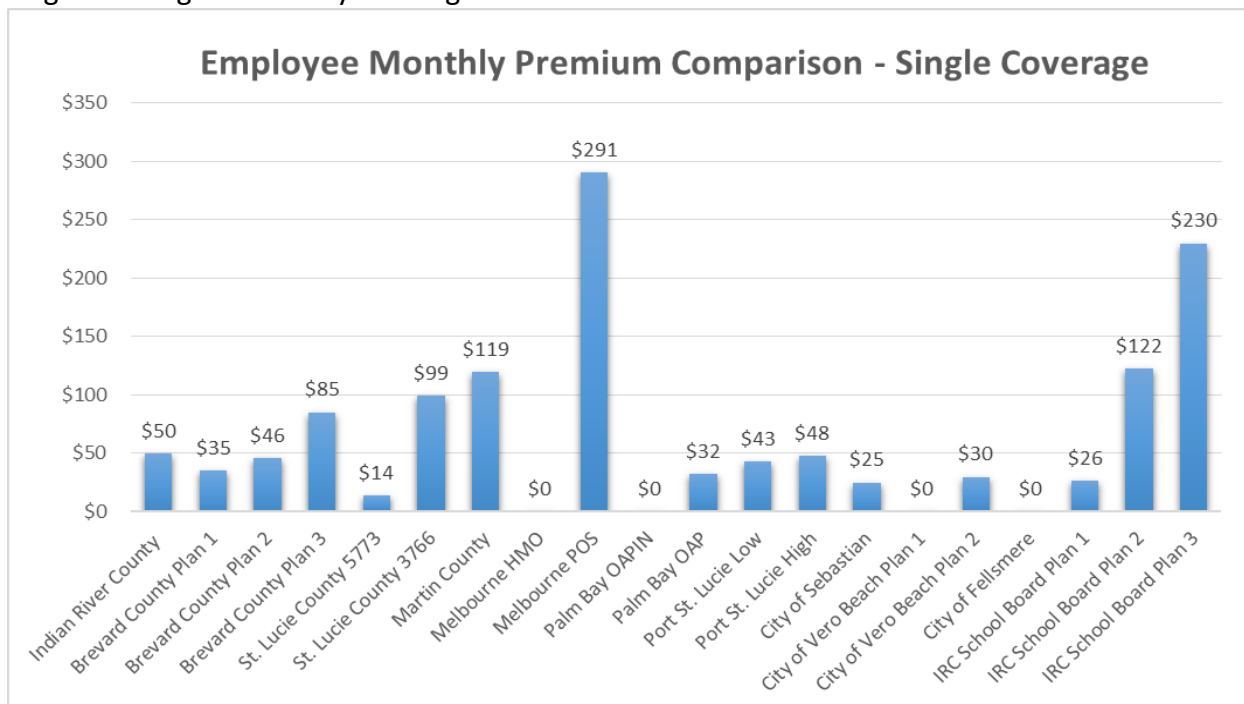
Maintaining a competitive plan design is critical to recruitment and retention. Health plans vary significantly between employers. Some employers offer multiple plans with employees paying premiums based on the level of benefit provided. Plans offering lower benefit levels, typically have lower monthly premiums and the employee pays a higher cost share when obtaining benefits under the plan. Some employers are self-insured and some employers are fully insured.

Our plan is considered a gold plan under the Affordable Care Act providing a competitive 80%/20% benefit. The plan provides the following benefits:

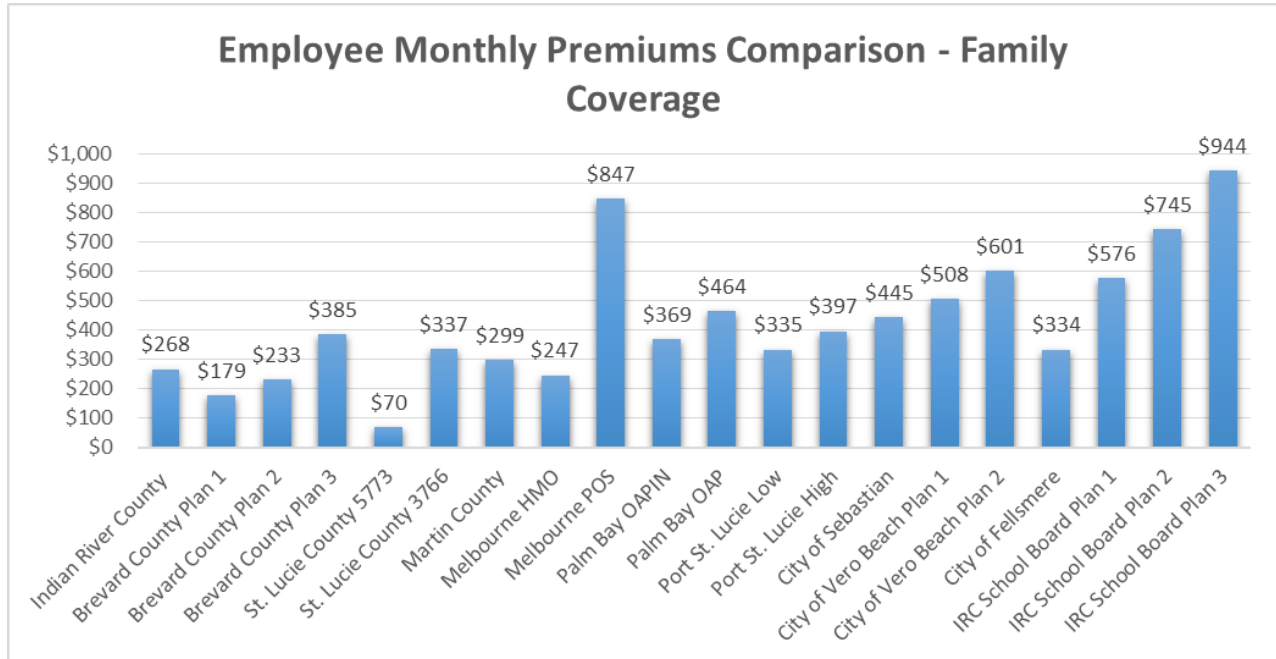
- Preventive care covered at 100%
- In-network coverage of 80% and employee coinsurance of 20%
- In-network deductible of \$400/\$800
- Copays for services ranging from \$5 to \$100 in-network
- Office visits and urgent care \$25 copay
- Specialist visits \$45 copay
- Emergency care \$100 + Deductible + 20% coinsurance
- In-network Inpatient hospitalization \$200 PAD + Deductible + 20% coinsurance
- Prescription copays of \$10/\$35/\$50
- Out-of-pocket maximum of \$3,000/\$6,000 (including all deductibles, copays and coinsurance) in-network
- Out-of-network service are provided with increased deductibles, out-of-pocket maximum, and higher cost sharing

### How Do Our Premiums Compare?

Keeping the plan affordable for employees is also essential to recruitment and retention. The following two charts reflect the employee paid premiums for surrounding local governments for single coverage and family coverage.



As illustrated above, many 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, these plans may have higher deductibles and higher out of pockets costs than our plan. Employee premiums for family coverage for most local government employers surveyed are higher than the County's as shown in the table below.



Indian River County Current Employer & Employee Paid 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%

Our current premium relationship is close to the target employer/employee split for single coverage of 90%/10% and 75%/25% for family coverage. Our premiums are competitive and no changes are recommended for the upcoming FY18/19.

**Incentive for Wellness**

Lockton's review of our plan, revealed that 16.7% of our members are not obtaining annual preventive care even though the cost is covered at 100% by the health plan. Additionally, the majority of our top ten (10) chronic conditions are preventable or can be managed by lifestyle choices so they do not progress to high cost claims. Because preventive visits can lead to early detection of medical conditions, provide members with key information regarding their overall health (blood pressure, cholesterol, blood glucose, and weight), and may encourage a healthy lifestyle, we are recommending a \$25 gift card be provided to members who obtain their annual preventive care as an incentive to encourage wellness. The gift card would be provided through Florida Blue's CaféWell Rewards program. The gift card would be generated when a member's preventive claim is processed through the health plan. Members will be able to select gift cards

from various retailers and the gift card would not be taxed. Additionally, we will work with Lockton to implement an ongoing health and wellness strategy to positively impact the health and wellbeing of our covered members.

**Funding**

Funding for the health plan is provided by employer, employee, and retiree contributions to the plan as well as OPEB funding. It is projected that plan expenses for the upcoming FY18/19 will be approximately \$18.6M. It is expected that sufficient funding will be available from these funding sources to meet plan expenses and that additional funding is not required at this time.

**Recommendations:**

Staff recommends and respectfully requests the Board of County Commissioners approve to retain the current health plan benefits and premium relationship without additional changes and authorize the \$25 gift card wellness incentive effective the plan year beginning October 1, 2018.