

# DEPARTMENTAL MATTERS

## INDIAN RIVER COUNTY MEMORANDUM

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To: Jason Brown  
County Administrator

From: Suzanne Boyll  
Human Resources Director

Date: May 28, 2019

Subject: Medical and Pharmacy Benefit – Recommendations for Plan Year 2019/20

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### **Background**

Indian River County provides employee and retiree group health insurance through a partially self-insured plan. Health insurance is available to full-time employees (budgeted at 30 hours per week or more) and eligible 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) to include their eligible dependents. Medical and pharmacy claims and plan administration expenses are funded from contributions made by employer and employee/retiree contributions. The County purchases stop loss insurance for extraordinary and aggregate claims experience 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 County has engaged the services of a professional benefits consultant, Lockton Companies, to review plan experience and provide recommendations to maintain a benefits package that is:

- ✓ Affordable
- ✓ Competitive
- ✓ Sustainable

The current funding for the employee health insurance program is:

	Total Monthly	Employer Monthly	Employee Monthly
Employee Only	\$685.00	\$635.00	\$50.00
Family	\$1,142.50	\$875.00	\$267.50

County Retiree Group Insurance Benefits - Under Florida Statute 112.0801 *“retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. For retired employees and their eligible dependents, the cost of continued*

*participation may be paid by the employer or by the retirees...*" The County subsidizes retiree coverage for eligible retirees who elect to continue coverage under our group plan. The subsidized cost for retiree insurance ranges from \$254.00 per month for single coverage to \$700 per month for family coverage. Retirees who continue coverage and are not eligible for the County subsidy, pay the employer portion of \$635.00 for single coverage to \$875.00 for family coverage. This subsidy is in addition to Florida Retirement System health insurance subsidy that is provided through FRS (\$5 for each year of service up to a maximum of \$150.00 per month). The County does not receive any subsidy payment from the FRS. The FRS subsidy is paid directly to the retiree in the monthly retirement payment.

Currently, Indian River County retiree premiums are calculated based on a reduced monthly premium (employer only portion) rather than the full monthly premium. The County provides additional funding for the cost of providing retiree coverage through OPEB funding. Many County retirees remain on the County's insurance beyond Medicare eligibility due to the low cost, pharmacy benefits and the ability to continue insurance for dependents. For the plan year ending October 2018, retirees account for 18% of the group health insurance population and 23.6% of the medical plan spend.

As we review the plan's overall performance, we continue to look for opportunities to mitigate rising medical and pharmacy costs and deliver high quality, affordable and competitive benefits to members. Our plan reflects the following:

- Approximately 3,600 individuals are insured under the group medical plan.
- Full time employees and eligible dependents account for 82% of the group enrollment. The average age of employees = 49.8, Spouses = 50.1 and Dependents = 14.8 years
- Retirees and their dependents account for 18% of the group enrollment with covered members/dependents ranging in age from 2 years to 94 years.
- Top 5 diagnostic conditions by spend are Cancer, Circulatory, Rare Conditions, Gastrointestinal, and Musculoskeletal
- Diabetes and CAD (Coronary Artery Disease) account for 29.2% of the medical plan spend
- Core Chronic Conditions have increased over last year (Coronary Artery Disease, Congestive Heart Failure, Chronic Obstructive Pulmonary Disease and Diabetes)
- Obesity, smoking, and other lifestyle factors place individuals in higher risk of developing chronic health conditions.
- 48 high cost medical claimants represent 1.3% of the group population and account for \$5.2M spend for the plan year through 9/30/18 incurred (34.6% of the spend).
- Current medical and pharmacy claims experience combined is exceeding the budget allocation by \$667,419 as projected for the 18/19 plan year.
- It is expected that medical and pharmacy costs will increase by 8%.

Maintaining a competitive health benefit 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.

The current health insurance program has an actuarial value of 88% and is considered a gold plan under the Affordable Care Act. It would be appropriate to classify this plan as a Premier Gold Plan. The current 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 single/\$800 family
- Copays for services ranging from \$5 to \$100 in-network
- Office visits and urgent care \$25 copay
- Specialist visits \$45 copay
- Emergency care \$100 copay (waived if admitted) + deductible + 20% coinsurance
- Specialty imaging \$100 copay
- In-network Inpatient hospitalization \$200 per admission deductible + deductible + 20% coinsurance
- Prescription copays of \$10 generic/\$35 formulary brand/\$50 non-formulary brand
- Out-of-pocket maximum of \$3,000 single/\$6,000 family (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

### **Supporting Employee Wellness**

The County continues to emphasize wellness and provides a \$25 gift card wellness incentive for employees who complete their annual wellness exam and redeem points on the Florida Blue Café Well website. Human Resources also coordinates various training opportunities throughout the year, hosts on-site no cost mammograms, free health risk assessment, low cost ultra sound screening and offers an annual health fair, to support physical, financial, and emotional wellness.

### **Recent Plan Changes**

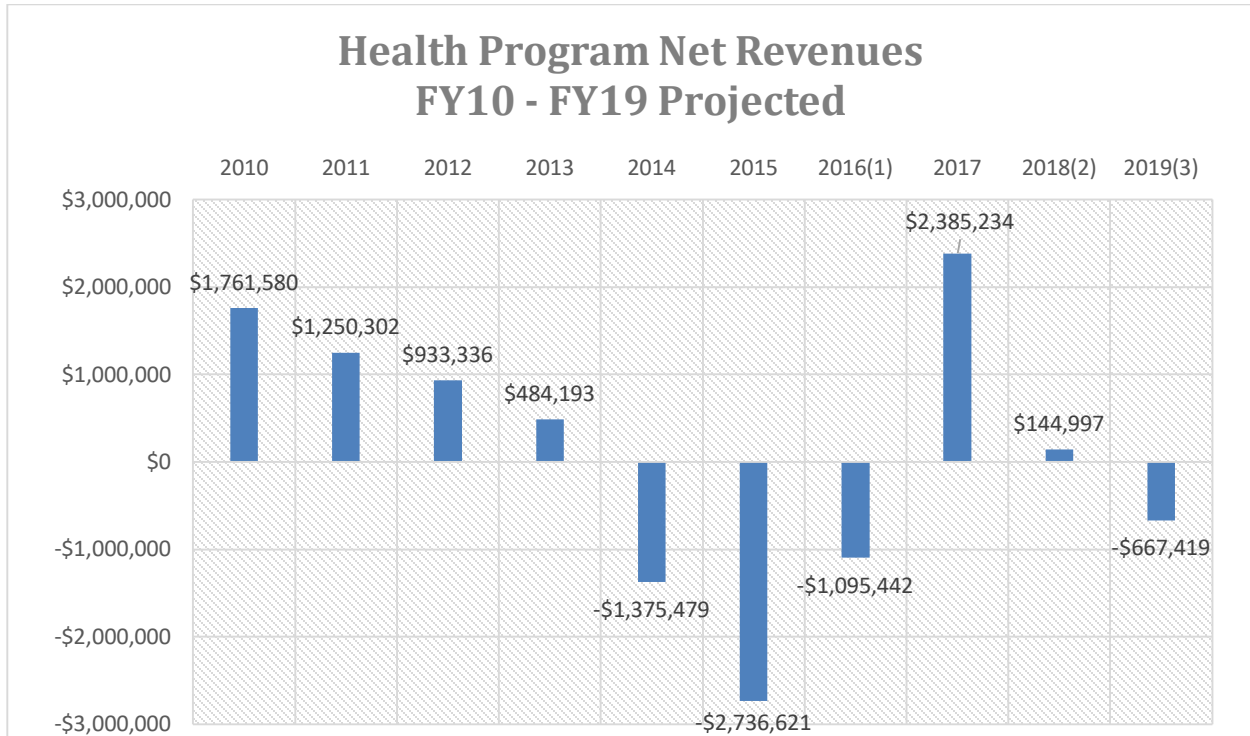
Over the last several years, the County has made minor plan changes and minimal changes to employee paid premiums. In order to address rising pharmacy costs, a midyear pharmacy change was made effective May 1, 2018 to carve out the pharmacy benefit from the medical plan. This resulted in changing the pharmacy benefit manager (PBM) from Florida Blue's PBM Prime Therapeutics to Express Scripts (ESI) and selecting RX Benefits to oversee and administer the pharmacy benefit. The change in the PBM was made to secure improved pricing and 100% rebates for the pharmacy benefit and to have improved transparency in pharmacy costs. Rx Benefits works for the County to provide independent expertise and service. They monitor trends and identify opportunities to implement cost saving (avoidance) measures. They evaluate our pharmacy claims experience and obtain negotiated pricing to secure the best pricing for the County.

Rx Benefits completed a reverse pricing analysis for the period May 1, 2018 through February 22, 2019 reflecting that pharmacy costs would have been \$1,029,872 higher under the prior PBM contract with Prime Therapeutics (\$1,349,551 annualized). The pharmacy spend for this period was \$4,944,077. The move to Express Scripts and RX Benefits administrative services has

generated a 20.8% overall pharmacy savings (cost avoidance) although overall pharmacy claims continue to rise year after year.

**Plan Financial Performance**

The plan’s financial performance since FY2010 is reflected below. Based on actuarial projections, current funding is not sufficient to maintain the status quo and changes will be needed. Increases in premiums and plan design modifications will be required for the upcoming FY2019/20 to fund the health plan and cover the cost of medical and pharmacy benefits to covered members in the upcoming plan year.



Funding for the health plan is provided by employer, employee, and retiree contributions to the plan as well as OPEB funding. As of March 2019, the current plan year is running at a deficit and this trend is expected to continue into next year. Therefore, additional funding and plan changes will be needed to continue to provide affordable, competitive, and sustainable benefits for covered members.

**Affordable**

Indian River County has maintained a two tier premium for single and family coverage and maintains affordable premiums for both tiers of coverage. There is a strong provider network and network discounts through Florida Blue are good. The pharmacy benefit is administered by RXBenefits and the current PBM is Express Scripts. Members have a large network of pharmacies nationwide to obtain medications.

Offering affordable and competitive benefits is an important part of our recruitment and retention strategy. Medical and pharmacy costs will continue to increase year after year, and it

is a challenge for an employer to provide a plan that is affordable for both the employer and employees as well as competitive.

The majority of public employers in the surrounding areas offer more than one plan for employees to choose between. Many employers have multiple premium tiers for employee only, employee + spouse, employee + children, employee + family. Each employer’s plan design, deductible, copays, coinsurance and out of pocket maximum vary from agency to agency. Plans with a higher deductible, copays, coinsurance, and out of pocket maximums, have lower monthly premiums. Buy up plans offer higher benefit levels and employees pay a higher premium.

**Cost Saving Options**

In order to reduce the financial impact to employees and the County and maintain a plan that offers affordable monthly premiums, it is recommended that a Premier Silver Plan be offered as the County’s core medical plan. The Premier Silver Plan would have an actuarial value of approximately 80% as an alternative to a Premier Gold Plan that would offer an actuarial value of approximately 88%. The provider network for medical and pharmacy would be the same under both plans. A comparison of the two plans is below:

In-Network Benefits	Core - Premier Silver Plan	Buy Up - Premier Gold Plan
Individual/Family Deductible	\$800/\$1,600	\$400/\$800
Individual/Family OOP Max (includes Deductible)	\$6,000/\$12,000	\$3,000/\$6,000
Coinsurance	30%	20%
Inpatient Hospital Copay (Per Admission) + Deductible & Co-insurance	\$500	\$200
ER Copay (Waived if Admitted) + Deductible & Co-insurance	\$500	\$250
PCP Office Visit/Urgent Care	\$35	\$25
Specialist Office Visit	\$60	\$45
Advancing Imaging (in any setting)	30%	\$200
R Deductible	\$100	\$0
Rx Retail Generic	\$5	\$10
Formulary Brand	\$50	\$35
Non-Formulary Brand	\$70	\$50
Do Rx Copays Accumulate to OOP Max?	Yes	Yes
Out of Network	40%	30%

The Premier Silver Plan would be an affordable option for employees and retirees and still provide a competitive benefit. This plan option is available for Individuals who do not wish to pay higher monthly premiums. The Premier Silver Plan would have lower monthly premiums and continue to cover preventive services at 100%. The plan has a higher deductible, higher out-of-pocket maximums, higher coinsurances, increased copays, and a \$100 pharmacy deductible. Generic medications under this plan would be available at a \$5 copay (reduction from the current copay of \$10 for generic medication).

Employee premiums under the Premier Silver Plan would reduce from today's current premiums, and the employer's cost would increase as reflected below:

	New Monthly Premium	Current Employee Premium	New Employee Premium	Current Employer Premium	New Employer Premium
Premier Silver Employee	\$725.00	\$50.00	\$40.00	\$635.00	\$685.00
Premier Silver Family	\$1332.50	\$267.50	\$257.50	\$875.00	\$1075.00

Under the Premier Silver Plan, retiree premiums would be based on the employer portion of \$685.00 for single coverage and \$1,075 for family coverage. Eligible retirees would continue to receive subsidy to assist with premium costs.

Offering two plan options, would allow employees and retirees the flexibility of choosing the right level of coverage based on their situation. A higher level of coverage would require higher employee/retiree premiums.

The Premier Gold Plan is very similar to the current plan benefits with the exception of the ER copay which would increase from \$100 to \$250 and specialty imaging which would increase from \$100 copay to \$200. Both employee and employer premiums would increase from today's current premiums as reflected below:

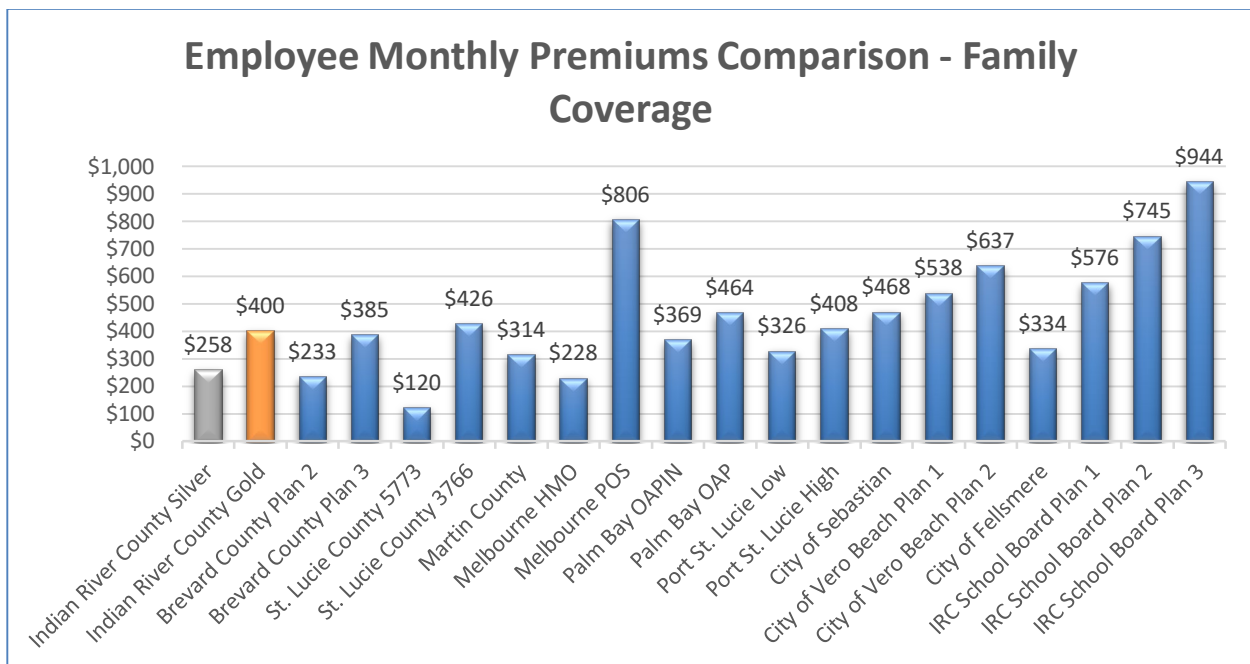
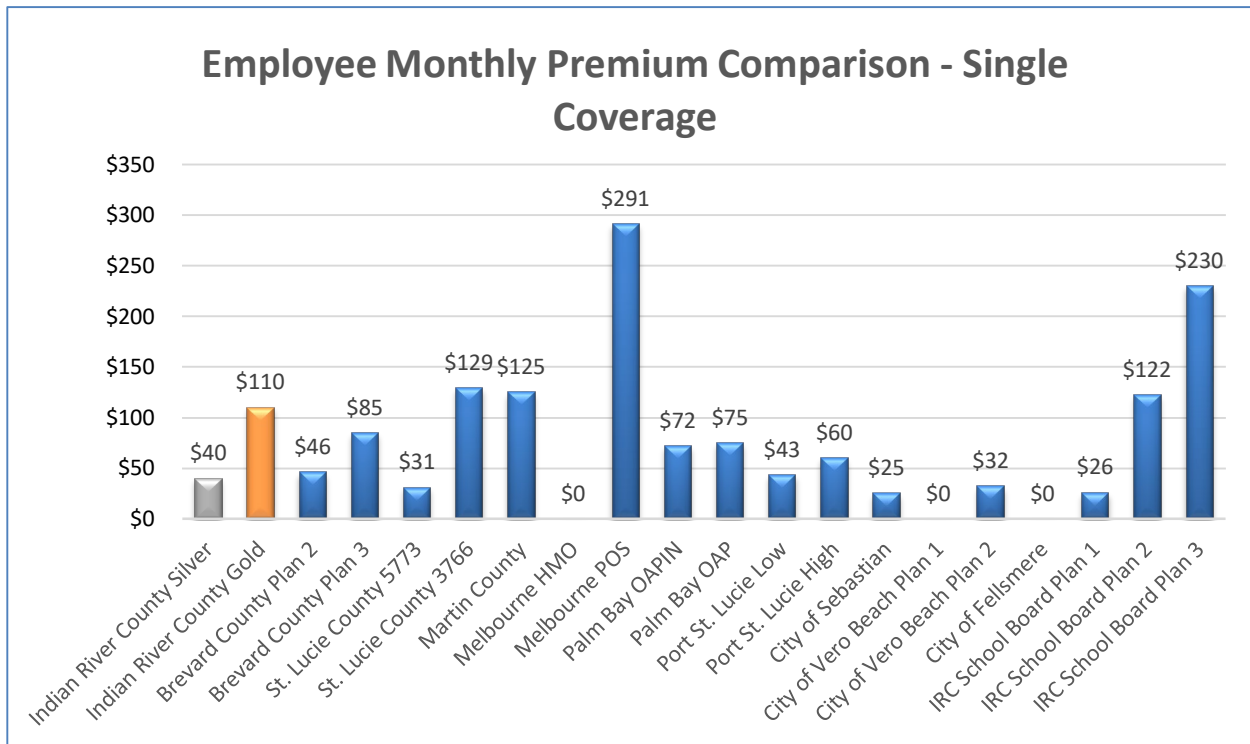
	New Monthly Premium	Current Employee Premium	New Employee Premium	Current Employer Premium	New Employer Premium
Premier Gold Employee	\$795.00	\$50.00	\$110.00	\$635.00	\$685.00
Premier Gold Family	\$1475.00	\$267.50	\$400.00	\$875.00	\$1075.00

Under the Premier Gold Plan, retiree premiums would be based on the total monthly premium of \$795.00 for single coverage and \$1,475 for family coverage (both employee and employer portion). Eligible retirees would also receive subsidy from the County to offset gold plan premium costs and retirees could enroll in the Premier Silver Plan to provide lower premium costs.

The County's share of premium for insurance would be the same regardless of which plan a member elected to enroll in. The increased cost to the County would be \$600 per year for single coverage and \$2,400 per year for family coverage which is approximately \$2.7M in additional premium based on current enrollment.

**Competitive Plans**

The below chart illustrates how the proposed Indian River County Premier Silver and Premier Gold employee premiums would compare with other public employers. The proposed plans would remain highly competitive and affordable.



**Additional RX Opportunity for Savings**

In addition to offering a core Premier Silver Plan and a buy up Premier Gold Plan, additional cost saving measures to control pharmacy costs are recommended. There are opportunities for additional cost savings (avoidance) by implementing:

- ✓ **Formulary Optimization** - A program that excludes low clinical value drugs from our formulary (gross projected savings of \$98,944 – 40 members)
- ✓ **RxB Utilization Management Review** - A high dollar claim review program for all pharmacy claims over \$1,000 to ensure that high costs medications are medically appropriate (gross projected savings of \$148,930 to \$208,502 – 120 members)
- ✓ **Manufacturer’s Assistance Program for Specialty Medications** - Redeem manufacturer assistance coupons on behalf of the plan (gross projected savings of \$231,632 – 34 members)
- ✓ **Out of Pocket Protection** - A program to ensure that only actual out of pocket costs paid by members are applied to the plan’s out-of-pocket maximums (credit coupons issued by manufacturers to reduce member costs would not apply towards out of pocket maximum).

This program is termed the Clinical Advantage Program (CAP) – Standard Program and the net savings is estimated to be \$413,456 based on a recent medication analysis after CAP fees of \$1.45 per claim.

It is important to note that these cost saving measures have a corresponding disruption or impact to approximately 194 of 3,597 covered members. For example if a medication does not meet the established criteria, it would no longer be covered under the pharmacy benefit. However, if no oversight of medications filled under the plan is implemented, the plan will continue to be vulnerable to paying for high costs medications that do not have supporting medical/clinical justification. Members who may be impacted will have access to concierge customer service through RXBenefits to assist them in medication transitions.

Upon the Board’s approval of recommended changes, staff would discuss the upcoming change with labor representatives and the constitutional HR representatives. In advance of annual open enrollment, meetings with employees would be held at various work sites to communicate the changes and answer questions.

**Funding**

Current funding for the health plan is provided by employer, employee and retiree contributions to the plan as well as OPEB funding. The recommended changes to the plan will provide necessary premiums to cover the current projected deficit and the projected costs for the 2019/2020 plan year.

Current Funding Based on Current Enrollment 699 Employee / 953 Family	\$18,811,410
Proposed Funding with Increased Contributions	<u>\$22,649,850</u>
<b>Increase over Current Year Funding</b>	<b>\$3,838,440</b>

Employer Increased Cost (will not vary based on enrollment)	\$2,706,600
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Employee Increased Cost (based on 40% Silver/60% Gold enrollment) \$1,131,840\*  
\*Employee contributions will be lower if enrollment in Premier Silver Plan is above 40%

<b>RX CAP Program</b>	<b>Savings/Cost Avoidance</b>
Formulary Optimization	\$98,944
RxB Utilization Management Review	\$148,930 to \$208,502
Manufacturer's Assistance Program for Specialty Medications	\$231,632
Gross anticipated savings/cost avoidance	\$479,506
CAP Fees	- \$66,049
<b>Total anticipated savings/cost avoidance after fees (\$1.45 per claim):</b>	<b>\$413,456</b>

**Recommendation**

Staff recommends and respectfully requests the Board of County Commissioners approve, effective with the plan year beginning October 1, 2019, the County offer a Premier Silver Plan and Premier Gold Plan at the premium amounts stated above to eligible employees and retirees, and implement the pharmacy Clinical Advantage Program - Standard Program to manage pharmacy costs.