

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Chief Executive Office - Risk Management BOARD AGENDA #: B-4

AGENDA DATE: October 18, 2016

SUBJECT:

Approval of the 2017 Employee Health Insurance Rates

BOARD ACTION AS FOLLOWS:

No. 2016-521

On motion of Supervisor Withrow , Seconded by Supervisor O'Brien
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST: 
PAM VILLARREAL, Assistant Clerk

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Chief Executive Office - Risk Management
Urgent Routine

BOARD AGENDA #: B-4

AGENDA DATE: October 18, 2016

CEO CONCURRENCE: 

4/5 Vote Required: Yes No

SUBJECT:

Approval of the 2017 Employee Health Insurance Rates

STAFF RECOMMENDATIONS:

1. Approve recommended health insurance rates as provided in Attachment A to be charged in the employee medical, dental, and vision self-insurance programs for calendar year 2017.

DISCUSSION:

Background

On January 1, 2012, the County transitioned its medical benefits program from a fully-insured program to a partially self-insured program and implemented a new non-profit health plan (Stanislaus County Partners in Health) as part of a new strategy for providing medical insurance benefits to all enrolled participants on County-sponsored health plans. Benefit plan changes and contributions to employee health insurance premiums are established through a negotiated health insurance agreement with all County labor groups and approved by the Board of Supervisors. The current health insurance agreement with all County labor groups was implemented effective January 1, 2015 and expires December 31, 2017. Consistent with the recommendations and conclusions initially developed for the self-insured health insurance program, the County continues to maintain a partially self-insured medical funding strategy, which includes using the Stanislaus County Partners in Health (SCPH) and Anthem Blue Cross insurance programs.

Plan year 2017 will mark the third year of a three-year health insurance agreement that continues to focus on improving the financial health of the program based on participant plan changes that became effective in 2015. As such, there are no changes in health program benefits planned for 2017, other than potential exceptions for changes in State and Federal law. During calendar year 2017, County staff and benefits consultants will re-evaluate the local medical insurance market to consider future strategies for supporting access to high-quality and cost-effective health care. Once the market evaluation is complete, the information will be shared with all County labor groups during negotiations for a new health insurance agreement that will become effective in 2018.

Approval of the 2017 Employee Health Insurance Rates

Program Census

The County's medical benefits program includes participation from current County employees, retirees from the StanCERA retirement system (up to age 65), and non-active or former employees electing coverage under COBRA. The following is a summary of the current plan enrollment:

	# Enrolled	% Enrolled
Current Active County Employees	3,224	94%
StanCERA Retirees (up to age 65)	179	5%
COBRA Employees	41	1%
Total	3,444	100%

Premium Cost Sharing

The County currently funds 95% of High Deductible Health Plan (HDHP) premiums and 80% of the Exclusive Provider Organization (EPO) plan premiums. County employees pay the balance through a pre-tax payroll deduction. The County does not contribute to the cost of insurance premiums for retired employees and COBRA participants, so individuals enrolled in each of these categories pay 100% of their monthly premiums.

It is anticipated that enrollment will change during the County's upcoming open enrollment period as plan participants consider their options and make individual plan selections. Changes in enrollment, along with the new rates, may require budget adjustments in the Medical Self-Insurance Fund. The Risk Management Division plans to include budget adjustments to the Medical Self-Insurance Fund in the 2016-2017 Mid-Year Financial Report, if necessary, once open enrollment is complete.

Financial Performance

The primary reason the County transitioned its Medical Insurance Program to a partially self-insured model in 2012 was due to high premium increases that averaged 11.4% each year from 2005 to 2011. In 2012, the County was facing an additional 12% premium increase to the overall cost of providing fully-insured medical benefits to participants with an estimated additional cost to the program of approximately \$5.5 million. With the implementation of the new self-insured financial strategy in 2012, the County began to pay for employee medical expenses on a fee-for-service basis, similar to the funding process historically used to pay for employee dental and vision costs. The following chart illustrates the difference in annual costs between projected fully-insured rates (what we expect it would have cost to remain fully-insured over time) and actual incurred costs that were paid for the self-insured program from 2012 to 2015:

Approval of the 2017 Employee Health Insurance Rates

Annual Cost Per Employee	2012	2013	2014	2015
Self-Insured (actual cost)	\$13,488	\$14,502	\$13,819	\$13,395
Fully-Insured (projected cost)*	\$15,096	\$16,818	\$18,740	\$20,882
Annual Cost Savings Per Employee	\$1,608	\$2,316	\$4,921	\$7,487
Average # of Employees Enrolled	3,465	3,487	3,437	3,359
Estimated Annual Savings	\$5,571,720	\$8,075,892	\$16,913,477	\$25,148,833

**Projected fully-insured rates are increased 11.4% per year, consistent with average increases paid by the County from 2005 through 2011*

The total value and savings (or cost avoidance) realized from the implementation of the self-insured plan continues to grow each year as the overall costs of the program remain far below the cumulative 11.4% average annual cost increases the County experienced in the prior fully-insured model. It should be noted that other variables have also impacted overall program performance, including an increase in the number of members enrolled in high deductible health plans and a decrease in the number of early retirees enrolled in the program.

Recommended 2017 Medical Insurance Rates

To ensure that health insurance premium rates are adequately set each year, the County uses an actuary to complete a comprehensive financial analysis of the program and develop recommended annual rate adjustments. Once this evaluation is complete, the information is shared with all County labor groups and is provided to the Board for approval. For plan year 2017, it is recommended that medical rates increase by 4.9% based on recent actuarial projections, which includes adjustments necessary to cover projected claims and fixed costs for 2017 and to fund a claim fluctuation reserve.

By the end of plan year 2017, it is estimated that the program will have a fully-funded claim fluctuation reserve of approximately \$4.6 million. This amount reflects the actuarial recommendation for funding claims within an 80% confidence level and represents approximately 9% of the annual budget. If the program performs as expected, the County will have met its goals for financial stability set at the inception of the program in 2012, while averaging overall annual increases significantly below those experienced under the fully-insured program.

Dental Self-Insurance Program

After considering the retained earnings balance in the dental program and the underwriting for the program for calendar year 2017, it is recommended that "core" dental plan rates increase 2.06% to fund projected claims and fixed costs. In addition, based on underwriting analysis, it is recommended that "buy-up" dental plan rates increase 19.46% to fund projected claims and fixed costs in 2017. The dental "buy-up" plan was added in 2015 as a new option for employees who elect to pay higher premiums in exchange for increased benefits. County costs are based on the "core" dental plan, and therefore all cost increases above that amount in the "buy-up" plan are funded entirely by County employees.

Vision Self-Insurance Program

After considering the retained earnings balance in the vision program and the underwriting for the program for calendar year 2017, it is recommended that vision rates increase 3% to fund projected claims and fixed costs.

POLICY ISSUE:

The Board of Supervisors has sole authority and corresponding fiduciary responsibility for setting health insurance rates charged through the County's self-insured medical, dental and vision programs. County staff utilize actuarial evaluations and underwriting analysis provided by vendors and consultants on an annual basis to establish recommended rate adjustments in support of this responsibility.

FISCAL IMPACT:

The fiscal impact of the proposed 2017 rates for the medical, dental, and vision programs is detailed in each section below.

Medical

The proposed rate increase for the Medical Self-Insurance Program is 4.9%. This increase will result in a cost increase to departments of approximately \$2.3 million annually, or \$1.15 million for this fiscal year, and will cost plan participants approximately \$380,000 annually, or \$190,000 for this fiscal year. Approximately 33% of County department medical costs are funded by General Fund departments, which will result in a General Fund impact of approximately \$760,000 annually, or \$380,000 this fiscal year.

The Medical Self-Insurance Fund had a cash balance of \$11,887,861 as of June 30, 2016. This balance is necessary in order to maintain reserves available to pay for claims that have been incurred but not reported (IBNR) for payment. The County's actuary establishes the minimum level of IBNR reserve necessary to pay for these outstanding claims. The most recent actuarial report has established an IBNR of \$8.6 million for the Medical Self-Insurance Program. The difference between the cash balance and the IBNR represents the fund's retained earnings balance, or claim fluctuation reserve. By increasing the rates 4.9% in 2017, the County's actuary projects that the fund will accumulate a \$4.6 million claim fluctuation reserve at the end of calendar year 2017, which represents approximately 9% of its annual budget. This claim fluctuation reserve will provide a baseline of financial support necessary to support the County's goal of providing departments and employees with stable healthcare rates in future years.

Dental

The proposed rate increase for the Dental Self-Insurance Program is 2.06% for the "core" program and 19.46% for the "buy-up" program. County Departments will only pay 80% of the "core" program's rate increase, per the current agreement with labor groups. This will result in a cost increase to departments of approximately \$60,000 annually, or \$30,000 for this fiscal year. Of this amount, approximately 33% is funded by General Fund Departments, which will result in a General Fund impact of approximately \$20,000 annually, or \$10,000 this fiscal year.

Approval of the 2017 Employee Health Insurance Rates

The Dental Self-Insurance Fund had a cash balance of \$927,846 as of June 30, 2016, and a retained earnings balance (claim reserve) of \$633,820. This means that the fund has sufficient cash to cover its liability for claims that have been incurred but not reported or paid and maintain a reserve for claim fluctuation equal to 15% of its annual budget.

Vision

The proposed rate increase for the Vision Self-Insurance Program is 3%. This increase will result in a cost increase to departments of approximately \$22,000 annually, or \$11,000 for this fiscal year. Of this amount, approximately 33% is funded by General Fund Departments, which will result in a General Fund impact of approximately \$7,300 annually, or \$3,700 this fiscal year.

The Vision Self-Insurance Fund had a cash balance of \$248,208 as of June 30, 2016, and a retained earnings balance (claim reserve) of \$166,874. This means that the fund has sufficient cash to cover its liability for claims that have been incurred but not reported or paid and maintain a reserve for claim fluctuation equal to 22% of its annual budget.

Health Savings Accounts

There are no recommended adjustments to the current High Deductible Health Plan (HDHP) deductible amounts of \$1,300 individual and \$2,600 family. The County currently contributes \$1,250 toward individual deductibles and \$2,100 toward employee+1 and family deductibles, which are also not recommended to change. It is estimated that 2017 County-provided Health Savings Account (HSA) contributions will total approximately \$4 million.

The 2016-2017 Proposed Budget instructions advised departments to include a 3-5% increase in health insurance costs for 2017, which included medical, dental, and vision costs. Consistent with past practice, General Fund department budgets were not augmented to include an increase for 2017 and were advised to present funding needs related to health insurance increases, if necessary, during the Mid-Year Budget process.

A summary of the proposed 2017 medical insurance rates is included in Attachment A.

BOARD OF SUPERVISORS' PRIORITY:

Approval of the 2017 Employee Health Insurance Rates meets the Board of Supervisors' priority of A Healthy Community and the Efficient Delivery of Public Services by promoting ways to maintain and improve employee health in a cost-effective manner.

STAFFING IMPACT:

There is no staffing impact associated with this report. Staff from the Chief Executive Office, Risk Management Division, continues to work closely with contracted health insurance consultants and associated vendors to provide ongoing management and oversight of the County's health insurance programs.

CONTACT PERSON:

Jody Hayes, Assistant Executive Officer, (209) 525-6333

ATTACHMENT(S):

- A. Stanislaus County Health Insurance Program Recommended 2017 Monthly Health Insurance Rates

Attachment A

**Stanislaus County Health Insurance Program
Recommended 2017 Monthly Health Insurance Rates**

		SCPH	Anthem	Dental - Core	Dental - Buy-Up	Vision
EPO	Employee	\$ 767.04	\$ 767.04	\$ 36.50	\$ 65.78	\$ 8.56
	Employee + 1	\$ 1,534.06	\$ 1,534.06	\$ 73.00	\$ 131.58	\$ 16.54
	Family	\$ 2,071.00	\$ 2,071.00	\$ 125.06	\$ 225.40	\$ 23.34
HDHP	Employee	\$ 641.48	\$ 641.48	\$ 36.50	\$ 65.78	\$ 8.56
	Employee + 1	\$ 1,282.96	\$ 1,282.96	\$ 73.00	\$ 131.58	\$ 16.54
	Family	\$ 1,732.04	\$ 1,732.04	\$ 125.06	\$ 225.40	\$ 23.34



County Health Insurance

2017 Rate Recommendations

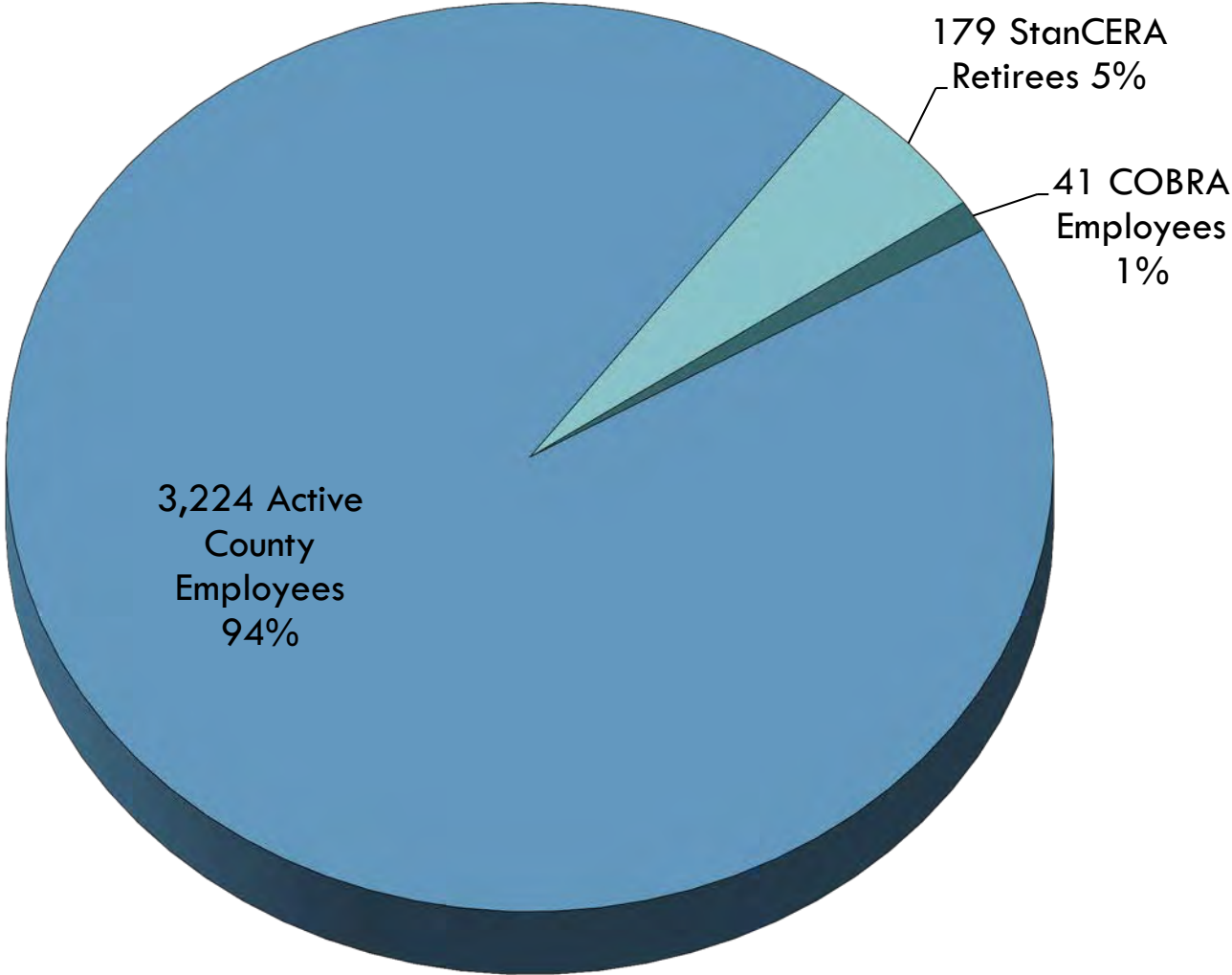
October 18, 2016

Stanislaus County Medical Insurance Program

3,444 Current
Total Enrollment

Approximately
5,051 Dependents
Covered

Total Approximate
Lives = 8,495

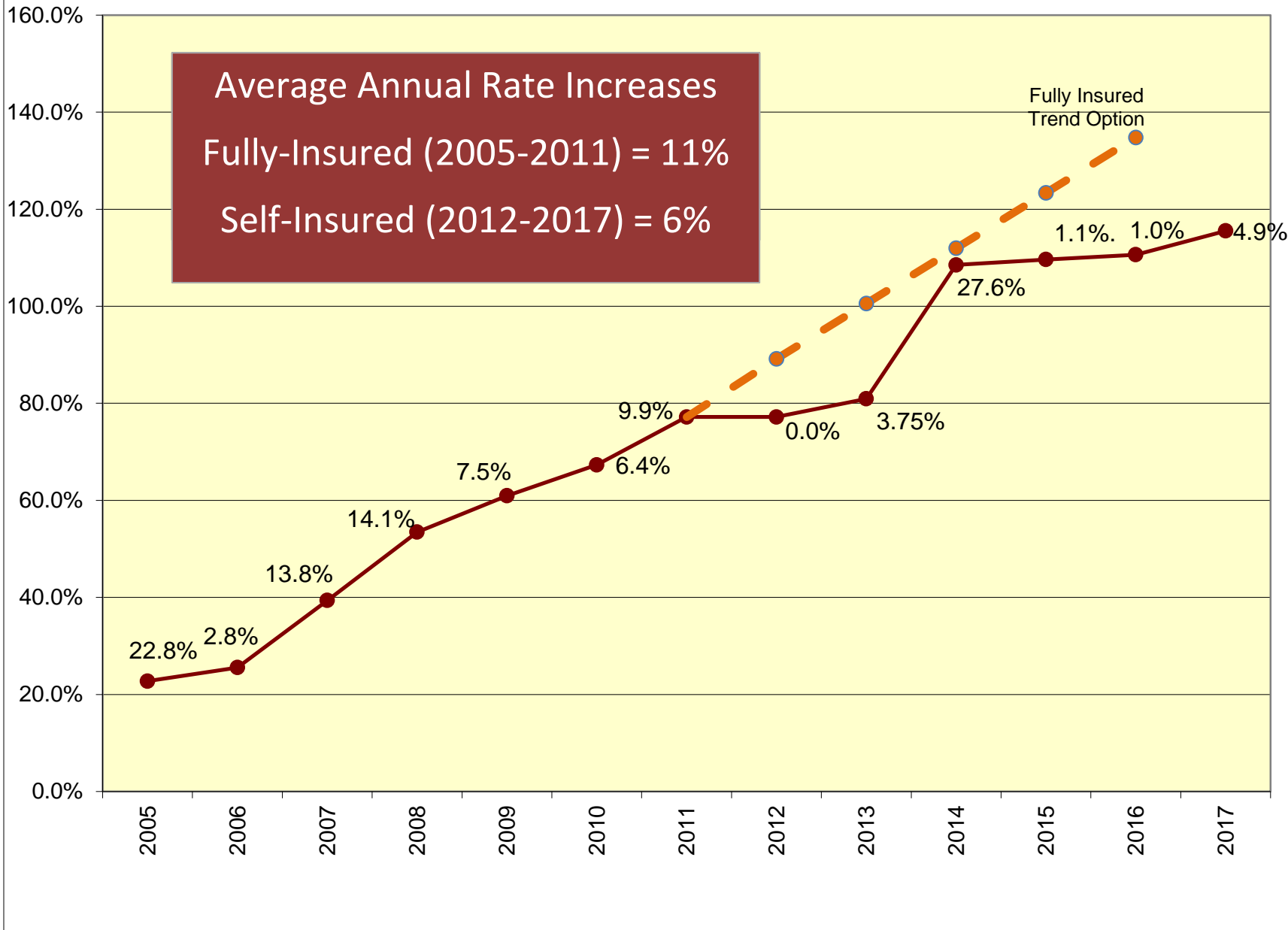


Recommended 2017 Rate Increases

3

- Medical 4.90%
- Dental 2.06% “Core” plan
19.46% “Buy-up” plan
- Vision 3.00%

Cummulative Annual Medical Insurance Rate Inflation 2005 to 2017



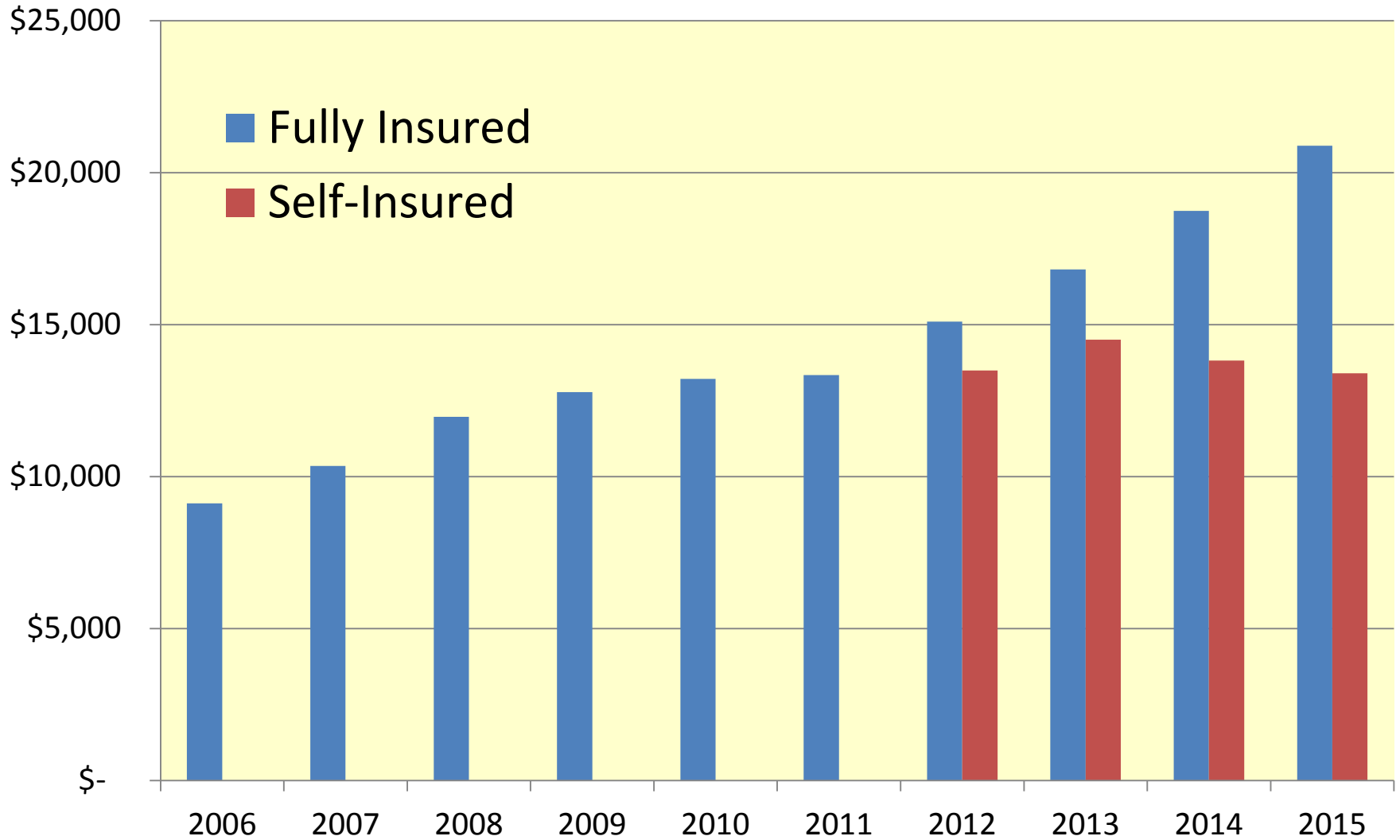
Comparing Self-Insured (actual cost) to Fully-Insured (projected cost)

5

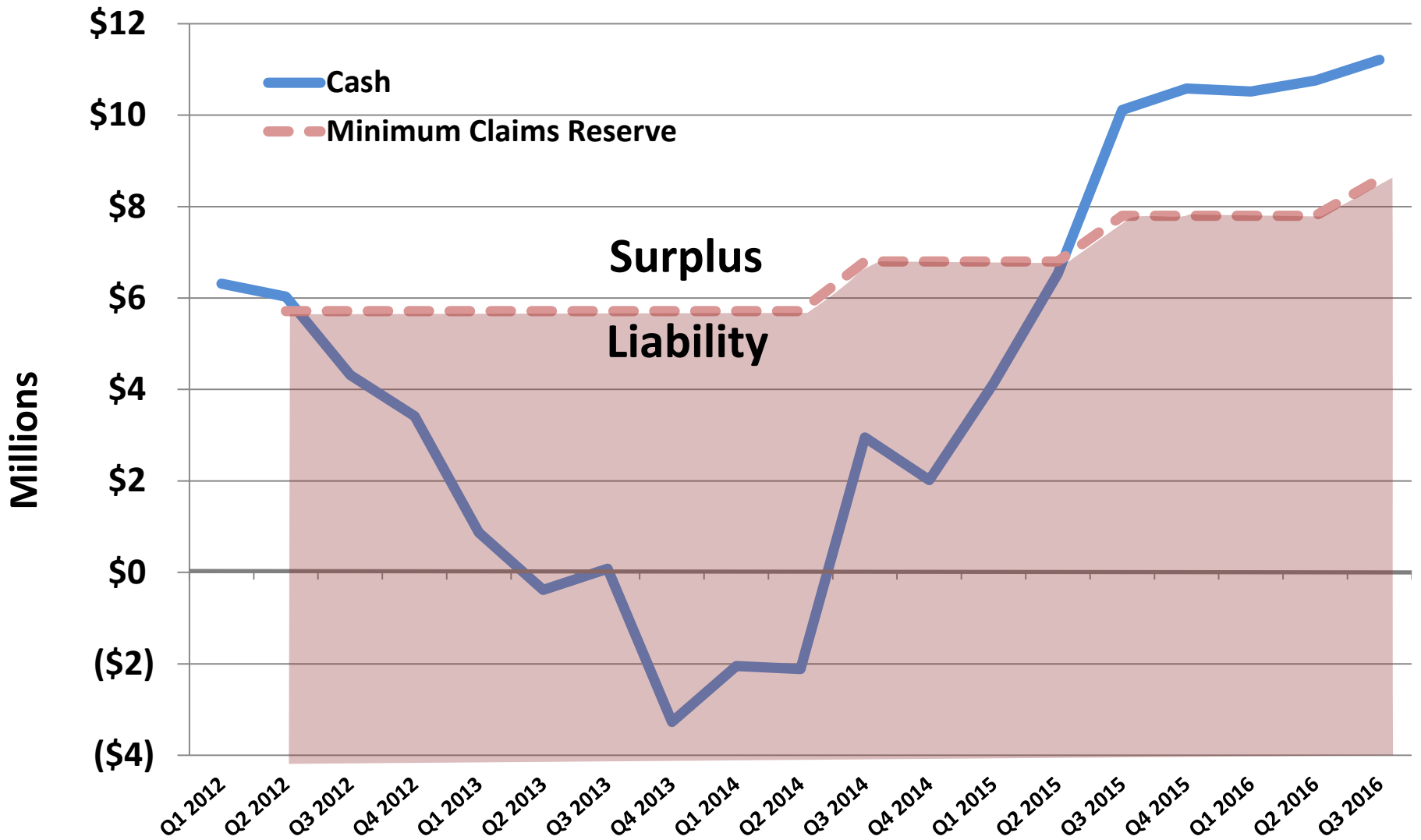
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Estimated Annual Savings	\$5,571,318	\$8,073,699	\$16,912,790	\$25,149,748

**Projected fully-insured rates are increased 11.4% per year, consistent with average increases paid by the County from 2005 through 2011*

Average Annual Cost Per Employee 2006-2015



*Fully-insured Costs are actuals 2006-2011; projected 2012-2015
Self-insured rates are actuals 2012-2015*



Medical Self-Insurance Program
Cumulative Financial Performance 2012 to 2016

Program Enhancements

8

- Ongoing monitoring of health plan performance
 - Quarterly Health Strategy Team monitors financial and clinical performance, and provides strategic direction on program initiatives
- Telemedicine program launched July 1, 2016 with Amwell
 - High deductible health plan members pay \$39 per visit
 - Over 1,000 members are registered users

Program Enhancements

- Health Bridges of Northern California
 - Managing diseases and closing care gaps for chronic conditions (Diabetes, Hypertension, Coronary Artery Disease, Hyperlipidemia)
 - Assisting members with the following:
 - Securing appointments with specialists
 - Following up post-discharge from hospital
 - Securing durable medical equipment
 - Finding alternatives to Emergency Room visits

Program Enhancements

10

- Ceuticare Medication Management
 - Engaging physician offices in the community to create better outcomes based on clinical measures (HbA1c levels, blood pressure, cholesterol, etc.)



clubwellness



CRUSH IT!



About

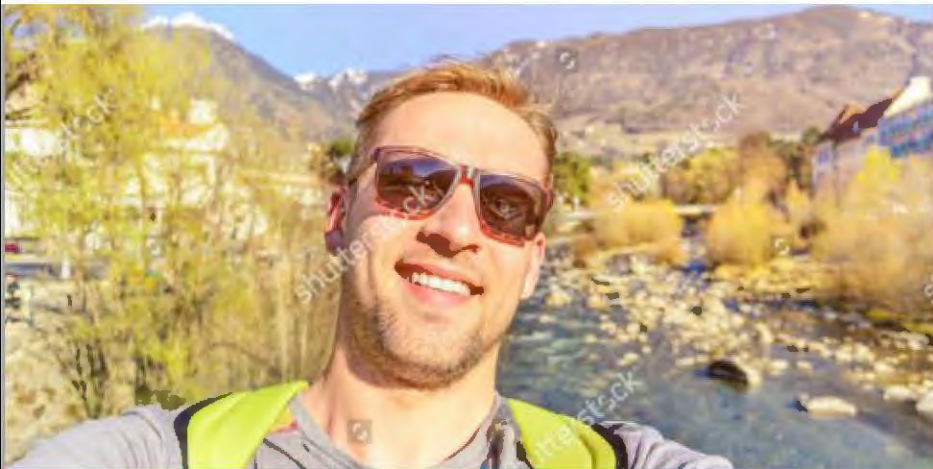
Getting Started

Wellness Benefits

Testimonials

Crush It!

MyClubWellness.org



Featured Employee Our Crush of the Quarter

John Doe from Stanislaus County Animal Services is Crushing It by hiking every weekend. By taking almost 40K steps each weekend, John is dedicated to his wellness journey.

[Learn More](#)

Walk Across America Your Steps to Healthy

Forge a path across America without ever leaving the county. Just keep track of all the miles you walk each day and add them up. It takes nearly 3,400 miles to walk across America—can you do it?

[Learn More](#)





The Bridge

Life is better shared.

Life is better when you share it! That's why we've created "Bridge," a cool way to connect with other County employees who share similar interests. Check us out.

[Learn More](#)

Bridge ▲



Workout Music



The Kitchen



Stanislaus Outdoors

The Future of Benefits has **ARRIVED!**

**WELLNESS
CONNECT
2016**

COME TO LIFE!

**Come To Life at
These Locations:**

OCT. 26

Tenth Street Place
9 a.m. - 3 p.m.

OCT. 27

HSA/BHRS Facility on
Scenic Drive
9 a.m. - 3 p.m.

OCT. 28

CSA Facility on
Hackett Road
9 a.m. - 3 p.m.

OCT. 31

Harvest Hall on
Cornucopia Way
9 a.m. - 3 p.m.

Recommendations

1. Approve recommended health insurance rates as provided in Attachment A to be charged in the employee medical, dental, and vision self-insurance programs for calendar year 2017.



County Health Insurance

2017 Rate Recommendations

October 18, 2016