



CONSULTING. OUTSOURCING. INVESTMENTS.

CITY OF HOMER HEALTH PLAN REVIEW AND OUTLOOK

JUNE 27, 2013

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Principal & Senior Consultant





City of Homer Discussion Topics

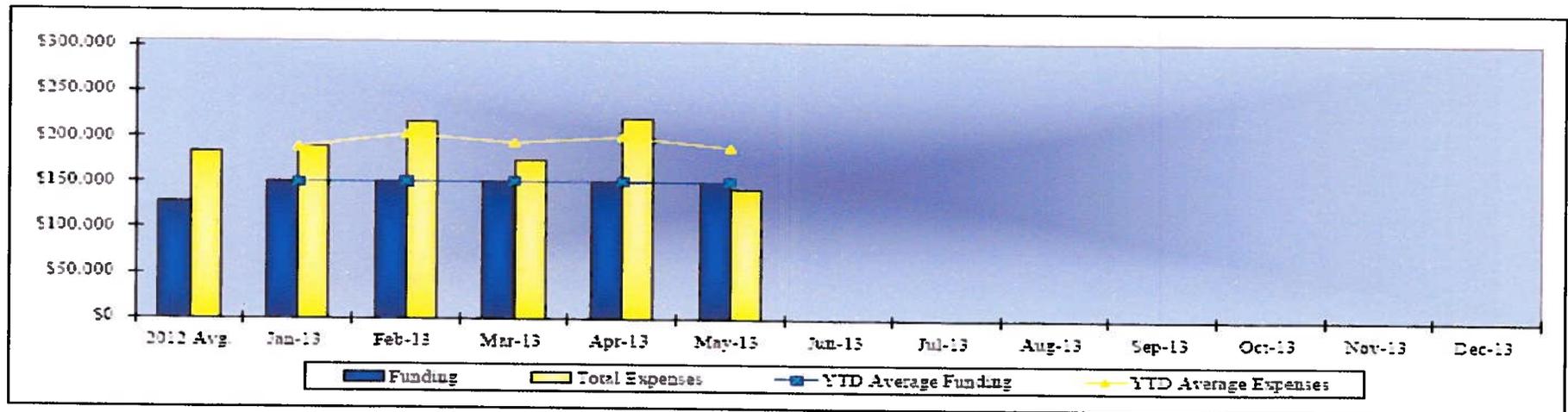
- Trends in Employer Health Plans
- Health Plan Financial Performance
- Early Financial Projection for 2013
- How Your Plan Compares
- Ideas to Consider
- Timeline



Health Plan Trends

- Individual Choice
- Consumerism
- Wellness
- Response to Health Care Reform
 - Penalty and Tax Mitigation
 - Compliance
- Private Exchanges

Health Plan Financial Performance



Health Plan Financial Performance

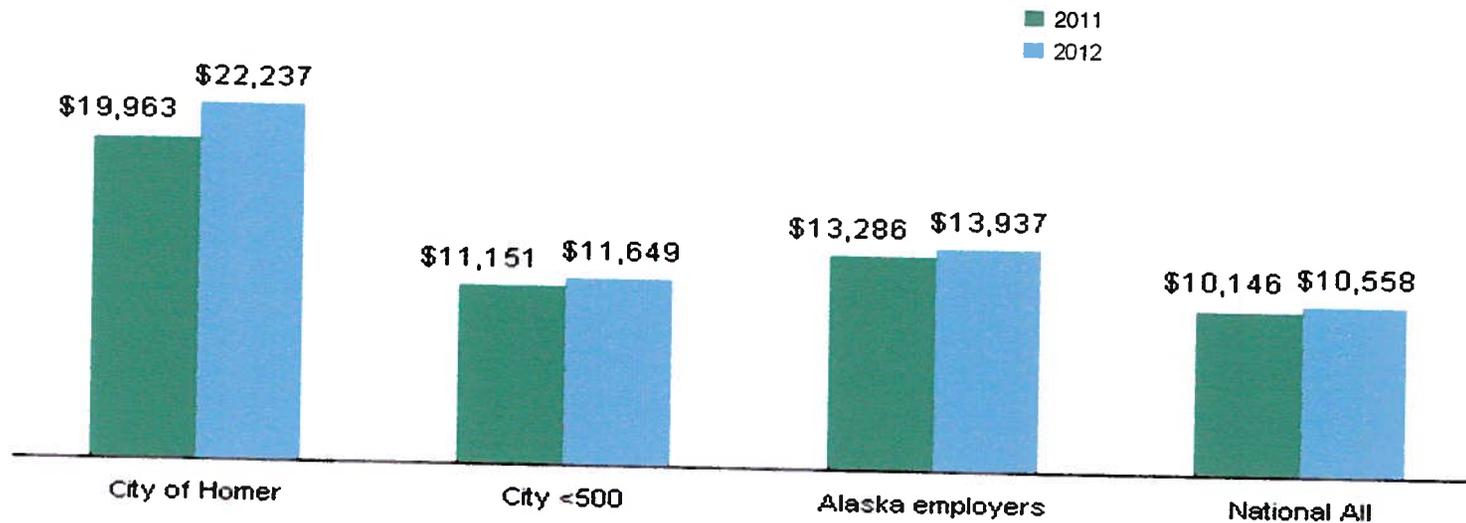
	A	B	C	D	E	F	G	H	I	J	K
	Funding Level	Stop Loss Charges	Admin. Fees	Gross Claims	Reinsured Claims (\$50,000)	Net Paid Claims D-E	Total Expenses B-C-F	Expense Loss Ratio G-A	Gain/(Loss) Monthly A-G	Emp Count	Cost Per Employee G J
2012											
Plan Yr.	\$1,543,100	\$399,521	\$51,302	\$1,833,647	\$84,820	\$1,748,827	\$2,199,651	142.5%	(\$656,551)	1,187	\$1,853.12
Mo. Avg	\$128,592	\$33,293	\$4,275	\$152,804	\$7,068	\$145,736	\$183,304	142.5%	(\$54,713)	99	\$1,853.12
PEPM	\$1,300.00	\$336.58	\$43.22	\$1,544.77	\$71.46	\$1,473.32	\$1,853.12	142.5%	(\$553.12)	99	\$1,853.12
Jan-13	150,000	33,107	3,513	152,074	0	152,074	188,694	126%	(38,594)	100	\$1,386.94
Feb-13	151,500	33,333	3,548	179,830	0	179,830	216,711	145%	(55,211)	101	\$2,145.65
Mar-13	151,500	33,491	3,548	152,247	14,581	137,266	174,305	115%	(21,305)	101	\$1,725.79
Apr-13	151,500	33,272	3,548	294,587	110,426	184,160	220,980	145%	(59,480)	101	\$2,187.92
May-13	151,500	33,465	3,548	185,545	80,116	105,428	142,441	94%	9,059	101	\$1,410.31
Jun-13											
Jul-13											
Aug-13											
Sep-13											
Oct-13											
Nov-13											
Dec-13											
2013											
Plan Yr.	\$756,000	\$166,669	\$17,706	\$964,282	\$205,525	\$758,757	\$943,131	124.8%	(\$187,131)	504	\$1,871.29
Mo. Avg	\$151,200	\$33,334	\$3,541	\$192,856	\$41,105	\$151,751	\$189,626	124.8%	(\$37,426)	101	\$1,871.29
PEPM	\$1,500.00	\$330.69	\$35.13	\$1,913.26	\$407.79	\$1,505.47	\$1,871.29	124.8%	(\$371.29)	101	\$1,871.29
PEPM Change	15%	-20%	-19%	24%	471%	2%	1%	-12%	-33%	2%	1%
% of Total Expenses:		14.5%	1.5%	83.9%							

Early Financial Projection

(1)	Adjusted Projected Claims per Capita per Month with Benefit Changes	\$1,654.16	\$81.83	\$19.06	\$1,755.05
(1a)	Projected Aggregate Incurred Claims	\$2,004,841	\$99,181	\$23,095	\$2,127,118
	Administrative Fees PEPM	\$31.13	\$2.40	\$1.60	
	Stop-Loss Premium - composite rate PEPM	\$496.26			
(2)	Total Administration / Retention per Capita per Month	\$527.39	\$2.40	\$1.60	\$531.39
(2a)	Projected Aggregate Administration / Retention	\$639,196	\$2,909	\$1,939	\$644,044
(3)	Projected Total Cost per Capita per Month for Projection Period	\$2,181.55	\$84.23	\$20.66	\$2,286.44
(3a)	Total Projected Aggregate	\$2,644,037	\$102,090	\$25,035	\$2,771,162
(4)	Current Funding ⁽⁴⁾ per Month for Projection Period with Current Rates	\$1,939.82	\$90.65	\$20.34	\$2,050.81
(4a)	Current Funding ⁽⁴⁾ Rates Aggregate	\$2,351,061	\$109,873	\$24,653	\$2,485,588
(5)	Needed % Increase over Current Funding ⁽⁴⁾	12.5%	-7.1%	1.5%	11.5%
(5a)	Needed \$ Increase over Current Funding ⁽⁴⁾	\$292,976	(\$7,783)	\$382	\$285,574
(6)	Expenses per Capita per Month for Current Period	\$1,770.42	\$79.69	\$21.19	\$1,871.29
(6a)	Current Projected Expenses	\$2,145,743	\$96,580	\$25,682	\$2,268,006
(7)	Needed % Increase over Current Expenses	23.2%	5.7%	-2.5%	22.2%
(7a)	Needed \$ Increase over Current Expenses	\$498,294	\$5,510	(\$648)	\$503,156

How Your Plans Compare

- Average total health benefit cost* per employee:



*Total health benefit cost includes medical, dental, Rx, vision and hearing benefits

How Your Plans Compare

- **Individual Deductible**

Median in-network deductible

City of Homer	City <500	Alaska employers	National All
\$100	\$750	\$300	\$1,000

- **Emergency Room Copayment**

Median copay amount

City of Homer	City <500	Alaska employers	National All
\$0	\$100	\$50	\$100

- **Individual Out of Pocket Maximum**

Median for in-network services

City of Homer	City <500	Alaska employers	National All
\$600	\$1,500	\$4,000	\$2,500

How Your Plans Compare

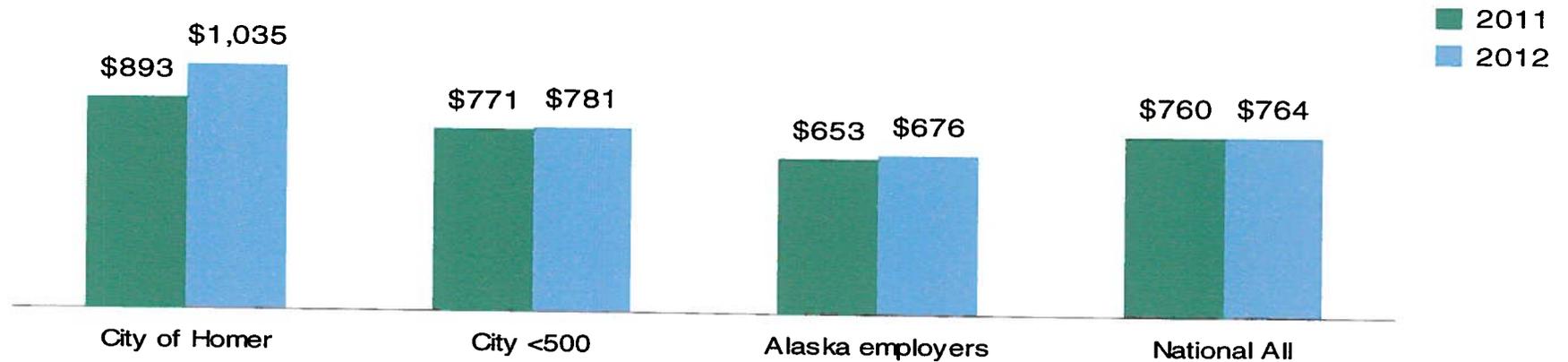
- **Pharmacy Prescription Copayments**

Generic
Brand-name formulary
Brand-name non-formulary

	City of Homer	City <500	Alaska employers	National All
Generic	\$5	\$9	\$9	\$12
Brand-name formulary	\$15	\$24	\$28	\$33
Brand-name non-formulary		\$44	\$48	\$54

How Your Plans Compare

- Average Cost of Dental Coverage, per employee



How Your Plans Compare

- **Dental Preventive care is subject to deductible**

City of Homer	City <500	Alaska employers	National All
Yes	17%	10%	13%

- **Median coinsurance amount paid by plan for:**

Preventive services (Type A)

Basic restorative services (Type B)

Major restorative services (Type C)

City of Homer	City <500	Alaska employers	National All
80%	100%	100%	100%
80%	80%	80%	80%
80%	50%	50%	50%

- **Median maximum annual benefit**

City of Homer	City <500	Alaska employers	National All
\$1,500	\$1,200	\$1,750	\$1,500

How Your Plans Compare

- **Employee Contributions**

Average monthly contribution for individual coverage (\$)

City of Homer	City <500	Alaska employers	National All
\$39	\$66	\$168	\$148
5%	13%	20%	32%

Average monthly contribution for family coverage (\$)

City of Homer	City <500	Alaska employers	National All
\$182	\$335	\$412	\$544
7%	34%	30%	57%

How Your Plans Compare

- **Dependent Coverage**

Average % of employees electing dependent coverage

City of Homer	City <500	Alaska employers	National All
73%	59%	52%	53%

Ideas to Consider

- Plan Adjustments for 2014:
 - Unbundle Medical, Dental and Vision plans
 - Introduce two Medical Plans from which employees choose

- Reasons for Adjustments – Affordable Care Act and Program Sustainability
 - Removal of annual limits
 - Mitigation of Excise Tax Liability

2018 Excise Tax Estimation

Threshold:

Single \$10,200

Family \$27,500

Current Single Plan

	Estimated Liability @ <u>8% Trend</u>	Estimated Liability @ <u>10% Trend</u>	Estimated Liability @ <u>12% Trend</u>
Current Plan Estimated Lives	\$639,726 101	\$823,348 101	\$1,024,444 101

Proposed Dual Plan Option

	Estimated Liability @ <u>8% Trend</u>	Estimated Liability @ <u>10% Trend</u>	Estimated Liability @ <u>12% Trend</u>
Core Plan Estimated Lives	\$200,361 52	\$265,930 52	\$336,445 52
Buy-Up Plan Estimated Lives	\$248,563 49	\$316,258 49	\$389,059 49
----- Total Estimated Liability	----- \$448,924	----- \$582,188	----- \$725,504
Total Estimated Lives	101	101	101

Health Plan Benefit Design

	CURRENT PLAN		CORE PLAN		BUY-UP PLAN	
	In Network	Out of Network	In Network	Out of Network	In Network	Out of Network
Lifetime Maximum	Unlimited		Unlimited		Unlimited	
Deductible (Single / Family)	\$100 / \$300		\$800 / \$2,400	\$1,600 / \$4,800	\$300 / \$900	\$600 / \$1,800
Coinsurance	90% / 10%	70% / 30%	70% / 30%	50% / 50%	80% / 20%	60% / 40%
Out of Pocket Max (Deductible Not Included)	\$500 single / \$1,500 family		\$2,000 / \$6,000	\$4,000 / \$12,000	\$1,000 / \$3,000	\$2,000 / \$6,000
Provider Network	First Choice	None	First Choice	None	First Choice	None
Office Visit • Primary Care Physician • Specialist	100% 10% after deductible	30% after deductible 30% after deductible	\$30 copay 30% after deductible	50% after deductible 50% after deductible	\$25 copay 20% after deductible	40% after deductible 40% after deductible
Diagnostic Lab & X-Ray • Complex • All Other • Preventive	10% after deductible 10% after deductible 100%	30% after deductible 30% after deductible 100%	30% (deductible waived) 30% after deductible 100%	50% after deductible 50% after deductible 100%	20% (deductible waived) 20% after deductible 100%	40% after deductible 40% after deductible 100%
Preventive Care	100%	100%	100%	100%	100%	100%
Hospital • Inpatient Facility • Outpatient Surgery • Emergency	10% after deductible 10% after deductible 10% after deductible	30% after deductible 30% after deductible 30% after deductible	30% after deductible 30% after deductible \$150 copay (waived if admitted), 30% after deductible	50% after deductible 50% after deductible 50% after deductible	20% after deductible 20% after deductible \$150 copay (waived if admitted), 20% after deductible	40% after deductible 40% after deductible 40% after deductible
Prescriptions • Retail (30-day supply) • Mail Order (90-day supply)	(generic/brand name formulary) \$5 / \$10 \$10 / \$30		\$100 Individual Deductible for Brand Name Rx (generic/brand name formulary/brand name non-formulary) \$15 / \$30 / \$40 \$30 / \$60 / \$80		(generic/brand name formulary/ brand name non-formulary) \$10 / \$20 / \$30 \$20 / \$40 / \$60	
Price Relativity	1.000		0.856		0.931	
Actuarial Value	94.2%		80.6%		87.7%	

Timeline

<ul style="list-style-type: none"> ▪ Develop Plan Designs and Price 	Week of April 22, 2013
<ul style="list-style-type: none"> ▪ Review Plan Designs and Pricing ▪ Develop Contribution Calculator ▪ Funding and Contribution Discussion ▪ Present to Council 	Week of June 24, 2013
<ul style="list-style-type: none"> ▪ Budget Discussion ▪ Decision to proceed with adjustments: <ul style="list-style-type: none"> – Separate Plans – Dual Option 	August
<ul style="list-style-type: none"> ▪ Determine Employee Contributions 	September
<ul style="list-style-type: none"> ▪ Notify TPA of plan changes ▪ Prepare SBC's 	October
<ul style="list-style-type: none"> ▪ Open Enrollment ▪ Healthcare Calculator to be available 	November through December
<ul style="list-style-type: none"> ▪ New Plan offered – Dual Program 	January 1, 2014

