

FY 2013 Employee Benefits Update

Employee Benefits Board of Trustees
November 1, 2011

Issues for FY 2013

- ▶ Baseline cost increases for medical and pharmacy plans projected higher than recent experience
 - ▶ Medical: 9.4% increase (updated)
 - ▶ Pharmacy: 13.3% increase (driven by specialty medications)
- ▶ Significant differences in employer premium contributions between plans for the same coverage tiers; no clear incentive to steer employees to preferred plans
- ▶ 11 different options for medical/pharmacy plans –
 - ▶ 6 medical plans
 - ▶ 2 pharmacy plans
- ▶ Growing employee dissatisfaction with plan complexity; complexity in plan options discourages employees from making informed choices
- ▶ Future direction of incentives



Medical Plans – Current Enrollment

	Subscribers:				Members:			
	Emp.	Ret.	Total	%	Dep. / Sub.	Total Mbrs	%	
CMG HIGH OPTION	4,670	26	4,696	42.4%	6,697	1.43	11,393	44.6%
CMG LOW OPTION	242	19	261	2.4%	231	0.89	492	1.9%
OAP IN	1,782	14	1,796	16.2%	2,339	1.30	4,135	16.2%
OAP HIGH OPTION	2,939	46	2,985	27.0%	3,264	1.09	6,249	24.5%
OAP LOW OPTION	435	21	456	4.1%	614	1.35	1,070	4.2%
CHOICE FUND H.S.A.	875	3	878	7.9%	1,303	1.48	2,181	8.5%
	10,943	129	11,072	100.0%	14,448	1.30	25,520	100.0%
CMG Plans	4,912	45	4,957	44.8%	6,928	1.40	11,885	46.6%
OAP Plans	5,156	81	5,237	47.3%	6,217	1.19	11,454	44.9%
CHOICE FUND H.S.A.	875	3	878	7.9%	1,303	1.48	2,181	8.5%
	10,943	129	11,072	100.0%	14,448	1.30	25,520	100.0%



Medical Plans – Current Enrollment (Continued)

	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family	Total
CMG HIGH OPTION	1,678	713	952	1,353	4,696
CMG LOW OPTION	147	31	36	47	261
OAP IN	747	283	280	486	1,796
OAP HIGH OPTION	1,369	530	415	671	2,985
OAP LOW OPTION	171	72	87	126	456
CHOICE FUND H.S.A.	313	141	96	328	878
	4,425	1,770	1,866	3,011	11,072
CMG Plans	1,825	744	988	1,400	4,957
OAP Plans	2,287	885	782	1,283	5,237
CHOICE FUND H.S.A.	313	141	96	328	878
	4,425	1,770	1,866	3,011	11,072



Pharmacy Plans – Current Enrollment

	Subscribers:				Members:			
	Emp.	Ret.	Total	%	Dep. / Sub.	Total Mbrs	%	
COINSURANCE	6,920	88	7,008	68.7%	9,332	1.33	16,340	70.0%
CONSUMER CHOICE	3,149	38	3,187	31.3%	3,815	1.20	7,002	30.0%
	10,069	126	10,195	100.0%	13,147	1.29	23,342	100.0%

	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family	Total
COINSURANCE	1,457	385	563	782	3,187
CONSUMER CHOICE	2,655	1,244	1,208	1,901	7,008
	4,112	1,629	1,771	2,683	10,195



Medical Plans – Employer Premiums

FY 2012 Annual Employer Premiums - Full-Time, Active Employees

	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family
<u>Medical + Behavioral Health + Weighted Average Pharmacy</u>				
OAP HIGH OPTION	\$ 5,865.00	\$ 11,122.84	\$ 9,404.06	\$ 14,582.40
OAP IN	5,661.72	10,569.64	8,817.02	13,678.56
CMG HIGH OPTION	5,227.32	10,256.44	8,551.10	13,281.84
CMG LOW OPTION	3,565.32	7,057.96	5,862.86	9,130.56
OAP LOW OPTION	3,450.84	6,995.08	5,882.30	9,141.84
CHOICE FUND H.S.A.	5,268.48	10,818.96	9,014.16	14,595.36
Maximum	5,865.00	11,122.84	9,404.06	14,595.36
Minimum	3,450.84	6,995.08	5,862.86	9,130.56
Var. - Min to Max	2,414.16	4,127.76	3,541.20	5,464.80
% Variance	70.0%	59.0%	60.4%	59.9%



Medical Plans – Employee Premium

(exc. incentives)

FY 2012 Annual Employee Premiums - Full-Time, Active Employees (Exc. Incentives)

	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family
<u>Medical + Behavioral Health + Weighted Average Pharmacy</u>				
OAP HIGH OPTION	\$ 1,353.51	\$ 3,020.96	\$ 2,408.99	\$ 4,114.16
OAP IN	1,331.91	3,008.00	2,371.07	4,052.48
CMG HIGH OPTION	1,109.67	1,808.96	1,410.83	2,432.48
CMG LOW OPTION	1,046.55	1,600.40	1,295.15	2,061.68
OAP LOW OPTION	1,047.99	1,603.52	1,299.71	2,083.76
CHOICE FUND H.S.A.	720.00	720.00	720.00	720.00
Maximum	1,353.51	3,020.96	2,408.99	4,114.16
Minimum	720.00	720.00	720.00	720.00
Var. - Min to Max	633.51	2,300.96	1,688.99	3,394.16
% Variance	88.0%	319.6%	234.6%	471.4%

CHOICE FUND H.S.A. employee premiums are \$0 if employee qualifies for all incentives.

Medical Plans - Total Premium

(exc. incentives)

FY 2012 Annual Total Premiums - Full-Time, Active Employees (exc. Incentives)

	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family
<u>Medical + Behavioral Health + Weighted Average Pharmacy</u>				
OAP HIGH OPTION	\$ 7,218.51	\$ 14,143.79	\$ 11,813.05	\$ 18,696.56
OAP IN	6,993.63	13,577.63	11,188.09	17,731.04
CMG HIGH OPTION	6,336.99	12,065.39	9,961.93	15,714.32
CMG LOW OPTION	4,611.87	8,658.35	7,158.01	11,192.24
OAP LOW OPTION	4,498.83	8,598.59	7,182.01	11,225.60
CHOICE FUND H.S.A.	5,988.48	11,538.96	9,734.16	15,315.36
Maximum	7,218.51	14,143.79	11,813.05	18,696.56
Minimum	4,498.83	8,598.59	7,158.01	11,192.24
Var. - Min to Max	2,719.68	5,545.20	4,655.04	7,504.32
% Variance	60.5%	64.5%	65.0%	67.0%



Consolidate Medical Plans Clearer Choices for Employees

Total Subscribers						
Current FY 2012:				Projected FY 2013:		
		%				%
CMG HIGH OPTION	4,696	42.4%	→	CIGNA MED. GROUP (HMO)	4,696	42.4%
OAP IN	1,796	16.2%	→	OPEN ACCESS PLUS (PPO)	4,781	43.2%
OAP HIGH OPTION	2,985	27.0%	→			
CMG LOW OPTION	261	2.4%	→	CHOICE FUND H.S.A.	1,595	14.4%
OAP LOW OPTION	456	4.1%	→			
CHOICE FUND H.S.A.	878	7.9%	→			



Medical Plan Design Issues

- ▶ Obesity Coverage – \$900k additional cost in FY 2013, 3-year ROI; considering initial funding from reserves.
- ▶ Free lab and imaging diagnostic as well as preventive uses (in network) – \$71k; significant source of employee confusion and dissatisfaction
- ▶ Increase co-pays for ER; lowers plan cost, encourages “steerable” utilization to more appropriate lower level of care (urgent care, PCP, web doctor)
- ▶ Increase primary care physician, specialist co-pays
- ▶ 10% coinsurance for in-network in OAP plan
- ▶ **Plan design changes reduce increase to about 6.5%**



Current Wellness Premium Reduction Incentives

	Monthly	Annual
Non-Tobacco User (employee or covered family member)	\$ 40	\$ 480
Health Risk Assessment	10	120
Biometric Screening	10	120
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	\$ 60	\$ 720



New Directions for Incentives

- ▶ Non-Tobacco Use – more emphasis on actually changing behavior along with financial incentive
- ▶ Add Passport to Wellness incentive
- ▶ Consider tying incentives to completion of action plan to address health risks identified through the Biometric Screening and Health Assessments



Other Benefits

- ▶ Behavioral Health: Baseline decrease 7%
- ▶ Dental: Baseline decrease of 2.5%
- ▶ Vision:: Baseline increase of 7.8%
- ▶ Life Insurance: FY 2013 premiums reduced 60%; re-bid using “reverse auction” process. Savings of \$600k for Basic Life.
- ▶ Short-term Disability: Coverage beginning after three-week waiting period or first day of hospitalization; \$217k employee funded



Renewal Process and Timeline

- Sep – Nov: Finalize Plan Design Recommendations
This week: Pharmacy
- Week of Nov 21: Review Recommendations with Deputy County Manager, budget staff
- Week of Dec 5: Brief Board of Trustees (Dec 6th BOT Meeting) and Board of Supervisors
- Dec 14: Approval by Board of Supervisors
- Jan 25: Deadline to begin planning changes with ADP and other vendors





Business Strategies and Health Care Programs

