



2013-14 Employee Benefits Plans

Business Strategies and Health Care Programs

November 2012

Guiding Principles for FY 2014 Benefits Plan Design

Objectives:

- Maintain or improve the quality of benefits (as much as possible) as part of the County's competitive total compensation strategy
- Minimize cost increases to BOTH employees and employer

Contribution Strategy:

Employer pays base premium amount by tier; employees "buy up" for more expensive plans

Self-Insured Benefits

- Self-Insured: County keeps benefit premiums in a trust fund; uses proceeds to pay claims costs. County at risk if costs exceed revenue.
- Plan design set by the County.
- Premiums based on the County's actual costs.
- Self-insured benefits include:
 - Medical (since 2007)
 - Pharmacy (since 2005)
 - Behavioral Health
 - Vision
 - Cigna Dental
 - Short-Term Disability

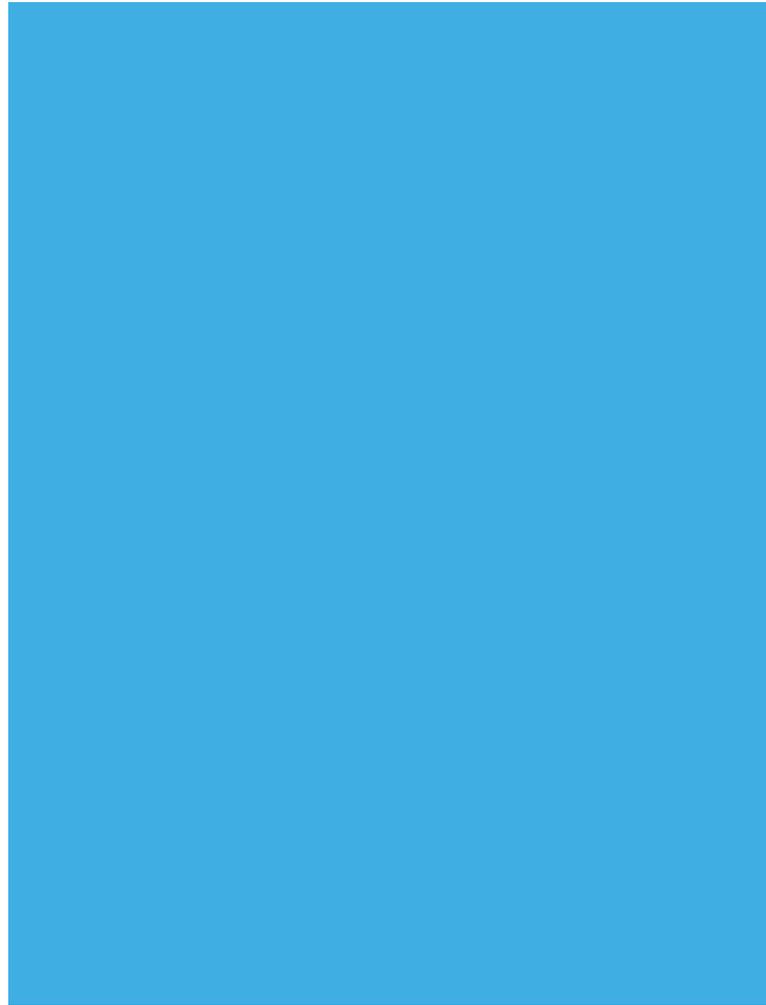
Fully-Insured

- Fully-Insured: County pays premiums to vendors for benefits; vendor assumes claims expenses and is financially at risk.
- Plan design set by vendors.
- Premiums established by vendors.
- Fully-insured benefits include:
 - Delta and Pre-paid Dental
 - Life and AD&D
 - Employee Assistance Program (EAP)

Sources of Benefit Plan Changes

- Consultant recommendations
- Benchmarking with other large employers
- Input from benefits vendors (Cigna, Catamaran, Magellan, etc.)
- Aggregate biometric screening and health assessment data suggests areas to target for Wellness
- Comments from Employee Benefits Satisfaction Survey
- Input from Benefits staff, based on issues addressed with employees
- Employee Benefits Advisory Council – increased meetings from annually to quarterly to provide greater opportunity for input
- Benefits Board of Trustees

Medical/
Pharmacy/
Behavioral
Health



Issues and Challenges

- Baseline increases of 3% for medical (excluding pharmacy)
- Major increases in pharmacy (28.5%), driven by specialty medications
- Key Changes due to Patient Protection and Affordable Care Act (PPACA)
 - Women's Preventive Health Services (eff. July 1, 2013; approx \$490,000 in additional costs)
 - Reinsurance Fee (eff. Jan. 1, 2014; approx \$786,000 in additional costs)

Cost Estimation Process

- Cost projections take moderate view of future increases at 50% between aggressive/conservative.
- Intended to have no impact on current benefit reserve levels.
- Analysis based on County's own experience; expected inflation; cost of new and improved procedures/drugs; estimated changes in utilization as covered population ages; and legislative impacts.
- Due to many plan changes in FY13, need to allow time for those changes to be reflected in the County's experience.
- Estimates based on information available at point in time and subject to unforeseen and random events. Interpreted as having likely range of variability from estimate.

Plan Changes - Medical

No changes in basic plan structure

- 3 plans - HMO, PPO, HDHP w/Health Savings Account

CMG/OAP:

- Increase copay for bariatric surgery from \$500 to \$1,000
 - Increase participants' commitment to program
 - More closely track with other benchmark employers

Choice Fund:

- Increase deductibles (required by IRS):
 - \$1,250/individual and \$2,500/family
- Increase HSA contribution limits (required by IRS):
 - \$3,250/individual and \$6,450/family

All Plans:

- Certain women's preventive services at zero cost share (required by PPACA)

Plan Changes – Pharmacy

Objectives:

- Steer participants to least-costly, yet effective and appropriate medications
- Achieve parity between both pharmacy plans (Catamaran and Cigna)

Coinsurance Pharmacy (Catamaran):

- Prior authorizations on certain medications (validate medical necessity; control costs)

Cigna Pharmacy (Choice Fund):

- Step therapy for certain medications (consistency; cost savings)
- Mandatory 90-day fills on maintenance medications (consistency, cost savings)
- Eliminate coverage for PPI's, non-sedating antihistamines, naproxen, and ibuprofen (available over-the-counter; consistency; cost savings)
- Other programs: enhanced clinical modules, specialty drugs in 30-day fills, *Dispense as Written* program

Both Plans:

- Women's preventive medications at zero cost share (required by PPACA)

Plan Changes – Behavioral Health

Objective:

- Follow other benchmark employers

Magellan:

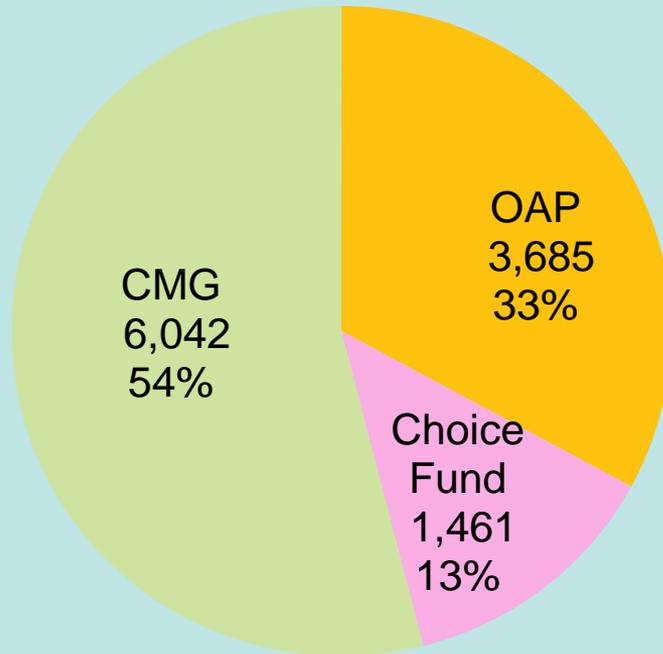
- Increase copay from \$20 to \$25 for outpatient therapy
- Increase copay from \$5 to \$10 for outpatient group psychotherapy

Both Plans:

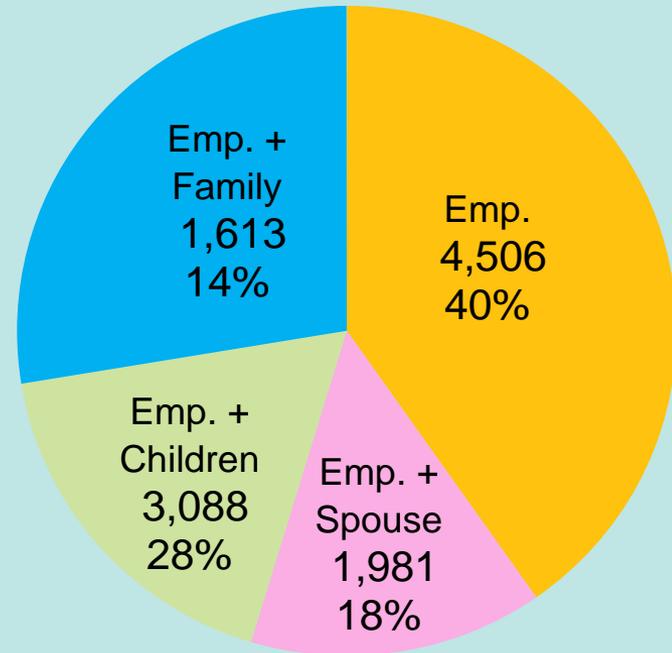
- Continue to “opt out” of Mental Health Parity

Current Medical Plan Enrollment

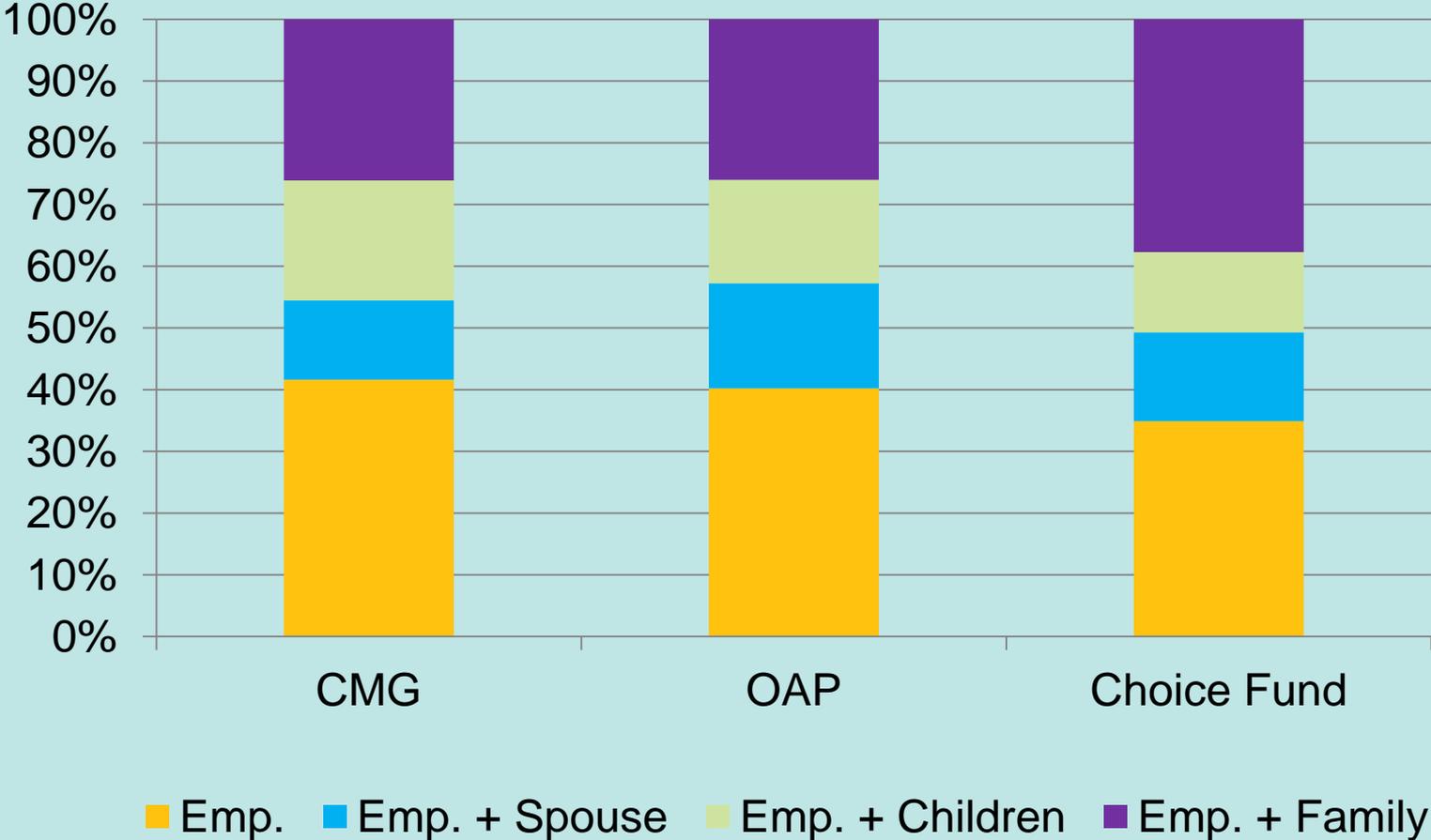
By Plan



By Tier Level



Current Medical Plan Enrollment

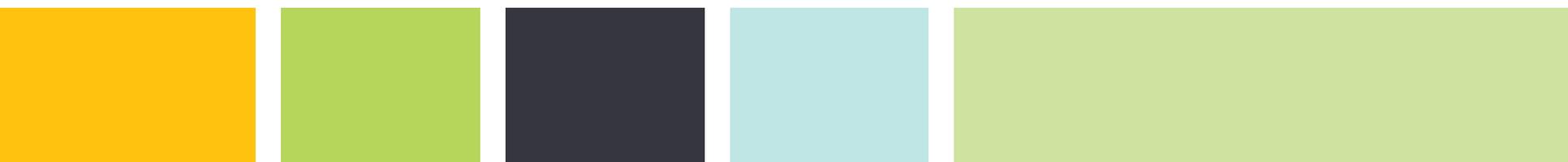


Medical/Pharmacy/Behavioral Health Rates

Full-time, Active Employees

Plan/Coverage	FY 2013 Monthly			FY 2014 Monthly			Change		
	Employer	Employee*	Total	Employer	Employee*	Total	Employer	Employee	Total
Open Access Plus/Coinsurance Pharmacy/Magellan									
Employee	\$ 471.58	\$ 46.28	\$ 517.86	\$ 495.20	\$ 48.72	\$ 543.92	\$ 23.62	\$ 2.44	\$ 26.06
Emp. + Spouse	\$ 912.28	\$ 156.00	\$ 1,068.28	\$ 958.48	\$ 163.60	\$ 1,122.08	\$ 46.20	\$ 7.60	\$ 53.80
Emp. + Children	\$ 753.94	\$ 122.72	\$ 876.66	\$ 791.92	\$ 128.88	\$ 920.80	\$ 37.98	\$ 6.16	\$ 44.14
Emp. + Family	\$ 1,182.66	\$ 238.30	\$ 1,420.96	\$ 1,242.40	\$ 250.10	\$ 1,492.50	\$ 59.74	\$ 11.80	\$ 71.54
Cigna Medical Group/Coinsurance Pharmacy/Magellan									
Employee	\$ 471.44	\$ 17.82	\$ 489.26	\$ 495.20	\$ 18.70	\$ 513.90	\$ 23.76	\$ 0.88	\$ 24.64
Emp. + Spouse	\$ 912.28	\$ 76.44	\$ 988.72	\$ 958.48	\$ 80.26	\$ 1,038.74	\$ 46.20	\$ 3.82	\$ 50.02
Emp. + Children	\$ 753.92	\$ 52.40	\$ 806.32	\$ 791.92	\$ 55.00	\$ 846.92	\$ 38.00	\$ 2.60	\$ 40.60
Emp. + Family	\$ 1,182.80	\$ 126.10	\$ 1,308.90	\$ 1,242.40	\$ 132.40	\$ 1,374.80	\$ 59.60	\$ 6.30	\$ 65.90
Choice Fund/H.S.A.									
Employee	\$ 434.92	\$ -	\$ 434.92	\$ 456.80	\$ -	\$ 456.80	\$ 21.88	\$ -	\$ 21.88
Emp. + Spouse	\$ 878.34	\$ 14.82	\$ 893.16	\$ 923.32	\$ 14.82	\$ 938.14	\$ 44.98	\$ -	\$ 44.98
Emp. + Children	\$ 735.98	\$ 8.20	\$ 744.18	\$ 773.44	\$ 8.20	\$ 781.64	\$ 37.46	\$ -	\$ 37.46
Emp. + Family	\$ 1,179.42	\$ 25.36	\$ 1,204.78	\$ 1,240.08	\$ 25.36	\$ 1,265.44	\$ 60.66	\$ -	\$ 60.66

*Net of all incentive reductions (Non-tobacco, biometric screening, health assessment)



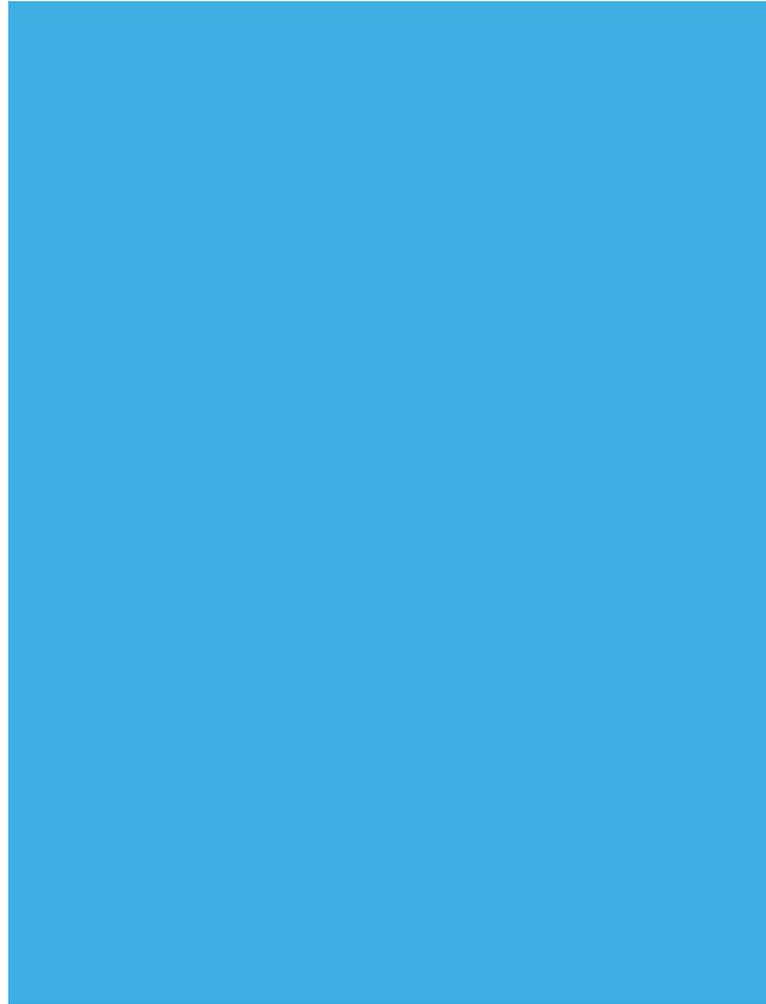
Medical/Pharmacy/Behavioral Health Increases

Full-time, Active Employees

Plan/Coverage	% Change - FY 2013 to FY 2014			Employer Share	
	Employer	Employee	Total	FY 2013	FY 2014
Open Access Plus/Coinsurance Pharmacy/Magellan					
Employee	5.0%	5.3%	5.0%	91.1%	91.0%
Emp. + Spouse	5.1%	4.9%	5.0%	85.4%	85.4%
Emp. + Children	5.0%	5.0%	5.0%	86.0%	86.0%
Emp. + Family	5.1%	5.0%	5.0%	83.2%	83.2%
Cigna Medical Group/Coinsurance Pharmacy/Magellan					
Employee	5.0%	4.9%	5.0%	96.4%	96.4%
Emp. + Spouse	5.1%	5.0%	5.1%	92.3%	92.3%
Emp. + Children	5.0%	5.0%	5.0%	93.5%	93.5%
Emp. + Family	5.0%	5.0%	5.0%	90.4%	90.4%
Choice Fund/H.S.A.					
Employee	5.0%	0.0%	5.0%	100.0%	100.0%
Emp. + Spouse	5.1%	0.0%	5.0%	98.3%	98.4%
Emp. + Children	5.1%	0.0%	5.0%	98.9%	99.0%
Emp. + Family	5.1%	0.0%	5.0%	97.9%	98.0%

*Net of all incentive reductions (Non-tobacco, biometric screening, health assessment)

Dental

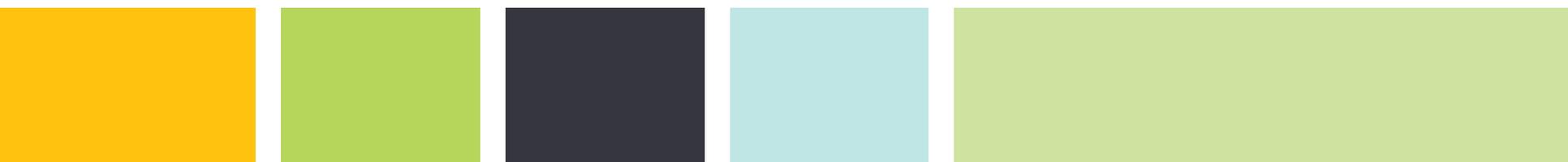


Dental Plans

Full-time, Active Employees

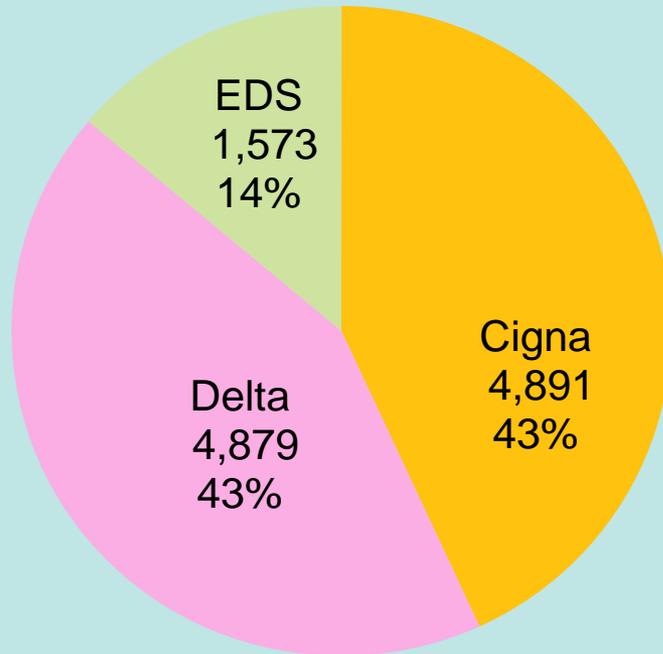
Plan/Coverage	FY 2013 Monthly			FY 2014 Monthly			Change		
	Employer	Employee	Total	Employer	Employee	Total	Employer	Employee	Total
Cigna Dental PPO									
Employee	\$ 16.78	\$ 14.30	\$ 31.08	\$ 19.04	\$ 16.02	\$ 35.06	\$ 2.26	\$ 1.72	\$ 3.98
Emp. + Spouse	\$ 37.06	\$ 31.46	\$ 68.52	\$ 42.00	\$ 35.24	\$ 77.24	\$ 4.94	\$ 3.78	\$ 8.72
Emp. + Children	\$ 40.04	\$ 34.06	\$ 74.10	\$ 45.40	\$ 38.16	\$ 83.56	\$ 5.36	\$ 4.10	\$ 9.46
Emp. + Family	\$ 51.34	\$ 43.82	\$ 95.16	\$ 58.20	\$ 49.08	\$ 107.28	\$ 6.86	\$ 5.26	\$ 12.12
Delta Dental PPO									
Employee	\$ 16.78	\$ 24.70	\$ 41.48	\$ 19.04	\$ 24.76	\$ 43.80	\$ 2.26	\$ 0.06	\$ 2.32
Emp. + Spouse	\$ 37.06	\$ 54.34	\$ 91.40	\$ 42.00	\$ 54.52	\$ 96.52	\$ 4.94	\$ 0.18	\$ 5.12
Emp. + Children	\$ 40.04	\$ 58.76	\$ 98.80	\$ 45.40	\$ 59.00	\$ 104.40	\$ 5.36	\$ 0.24	\$ 5.60
Emp. + Family	\$ 51.48	\$ 75.66	\$ 127.14	\$ 58.20	\$ 76.04	\$ 134.24	\$ 6.72	\$ 0.38	\$ 7.10
Pre-Paid Dental									
	Employers' Dental Service			Cigna					
Employee	\$ 6.10	\$ 4.56	\$ 10.66	\$ 3.44	\$ 4.56	\$ 8.00	\$ (2.66)	\$ -	\$ (2.66)
Emp. + Spouse	\$ 11.70	\$ 8.58	\$ 20.28	\$ 4.92	\$ 8.58	\$ 13.50	\$ (6.78)	\$ -	\$ (6.78)
Emp. + Children	\$ 15.48	\$ 11.18	\$ 26.66	\$ 7.56	\$ 11.18	\$ 18.74	\$ (7.92)	\$ -	\$ (7.92)
Emp. + Family	\$ 17.80	\$ 12.88	\$ 30.68	\$ 9.16	\$ 12.88	\$ 22.04	\$ (8.64)	\$ -	\$ (8.64)

Pre-paid dental contract moving from Employers Dental Services to Cigna effective July 1, 2013.

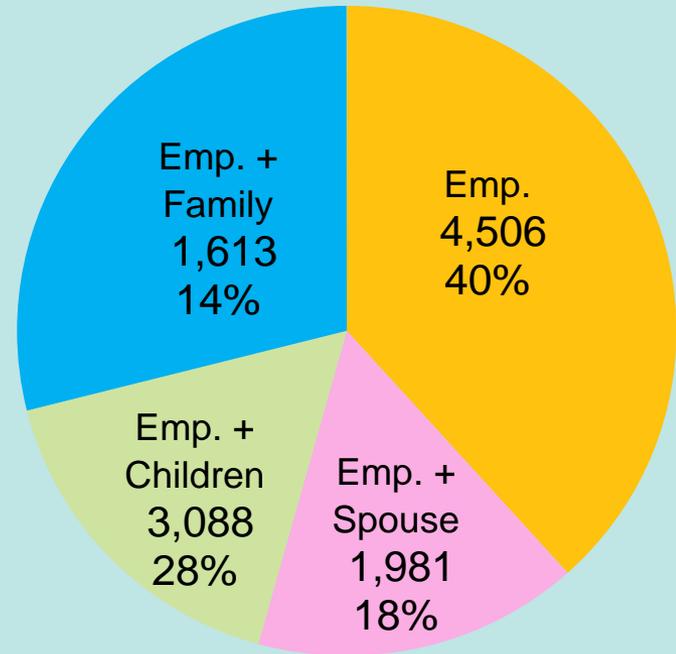


Current Dental Plan Enrollment

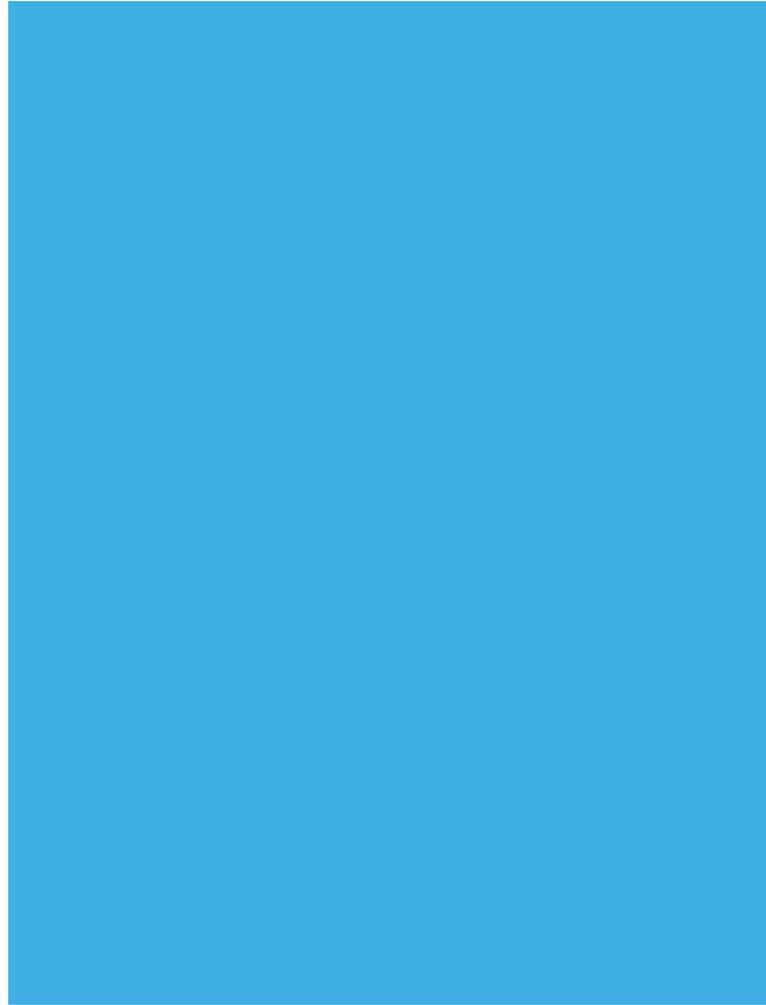
By Plan



By Coverage



Vision



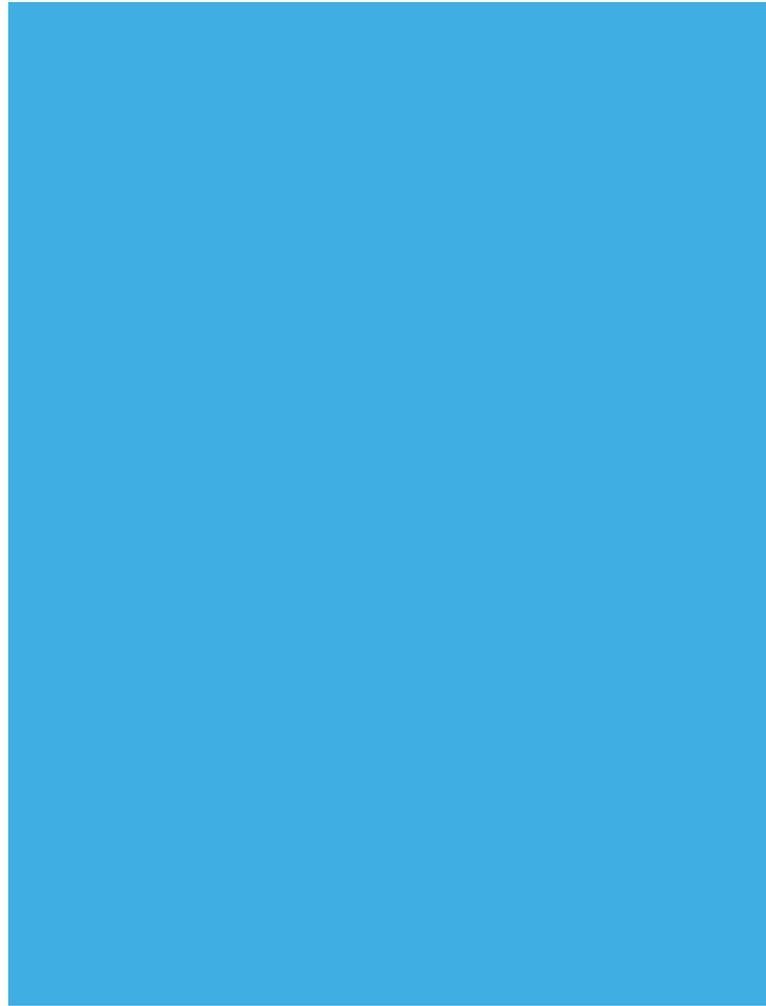
Vision Rates

Full-time, Active Employees

Plan/Coverage	FY 2013 Monthly			FY 2014 Monthly			Change		
	Employer	Employee	Total	Employer	Employee	Total	Employer	Employee	Total
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Employee	\$ 4.94	\$ 1.18	\$ 6.12	\$ 5.48	\$ 1.32	\$ 6.80	\$ 0.54	\$ 0.14	\$ 0.68
Emp. + Spouse	\$ 9.10	\$ 2.60	\$ 11.70	\$ 10.12	\$ 2.90	\$ 13.02	\$ 1.02	\$ 0.30	\$ 1.32
Emp. + Children	\$ 9.88	\$ 1.96	\$ 11.84	\$ 11.00	\$ 2.18	\$ 13.18	\$ 1.12	\$ 0.22	\$ 1.34
Emp. + Family	\$ 14.30	\$ 3.52	\$ 17.82	\$ 15.92	\$ 3.90	\$ 19.82	\$ 1.62	\$ 0.38	\$ 2.00

- Vision contract moving from EyeMed to Avesis
- In response to employee requests, Wal-Mart will be added to the provider network

Short-Term Disability, Life and AD&D



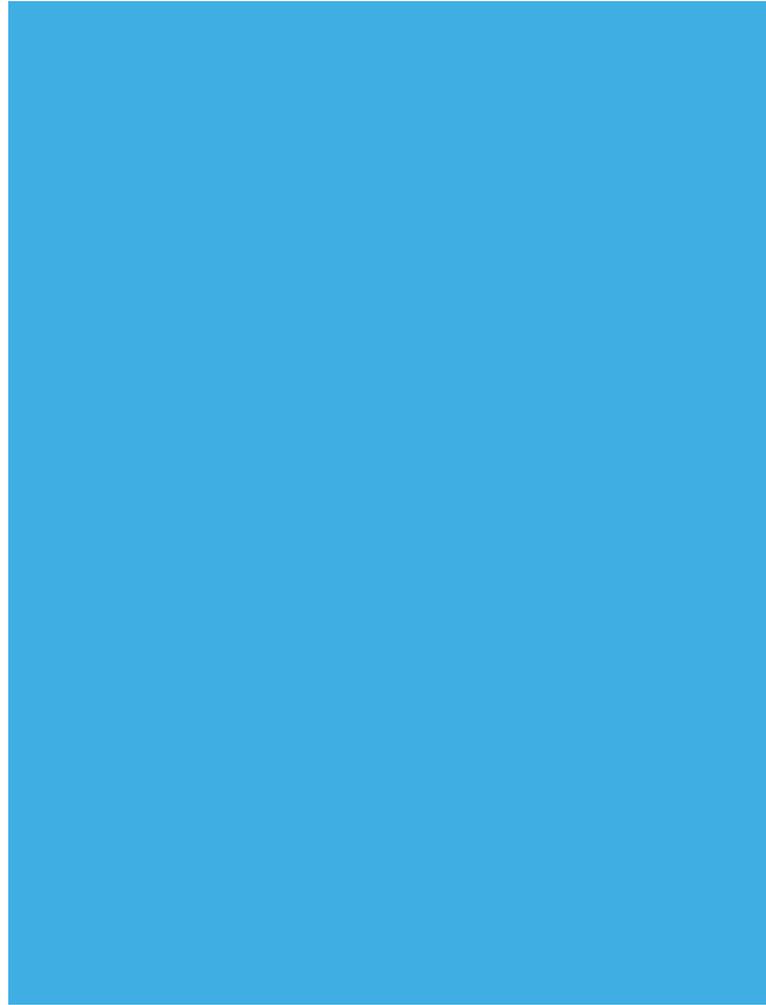
Short-Term Disability:

- No change in premiums
- Waiting period to receive benefits reduced from 3 to 2 weeks
 - Increase employee satisfaction
 - Follow other benchmark employers

Basic and Additional Life and AD&D:

- No change in premiums

Wellness



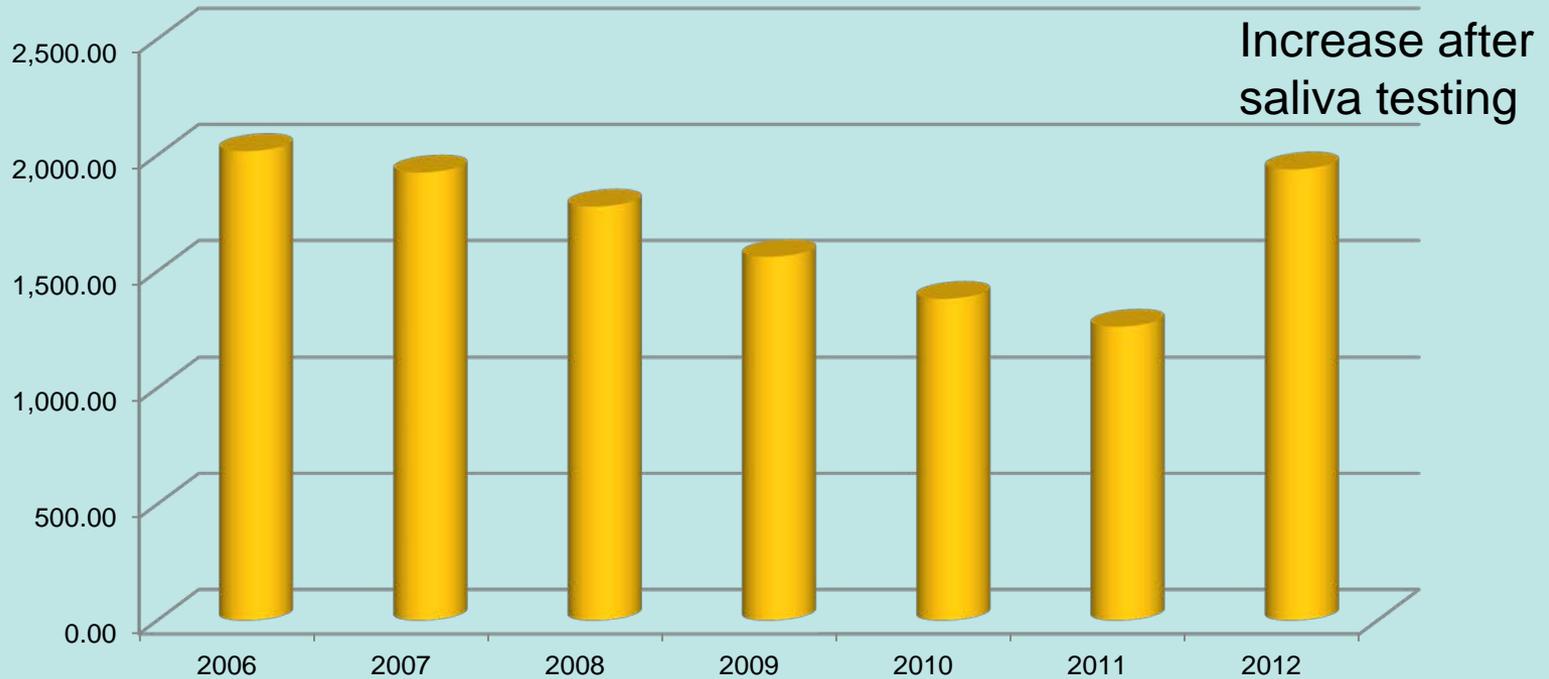
Wellness Programs

Objective:

- Change distribution of incentives to use Wellness funds more effectively to increase awareness about potential medical issues; lower claims costs
- Change Non-Tobacco User premium reduction to \$10 per paycheck
 - Financial cost of losing tobacco incentive is low compared to direct cost of smoking; estimated annual cost of cigarettes = \$2,190 (1 pack/day @ \$6.00/pack); annual tobacco incentive = \$480
 - Other employers do not offer incentive (e.g.; State of Arizona, City of Phoenix, etc)
 - Saliva test revealed ineffectiveness of tobacco incentive; the number of tobacco users was found to be higher than when information was only self-reported
 - Limited value – only 21 participants in Quit Tobacco Program since 7/1/2012; 14 stopped smoking for 6 weeks; no increase despite change to provide incentive up front

Wellness Programs

Employees Not Receiving Tobacco Incentive



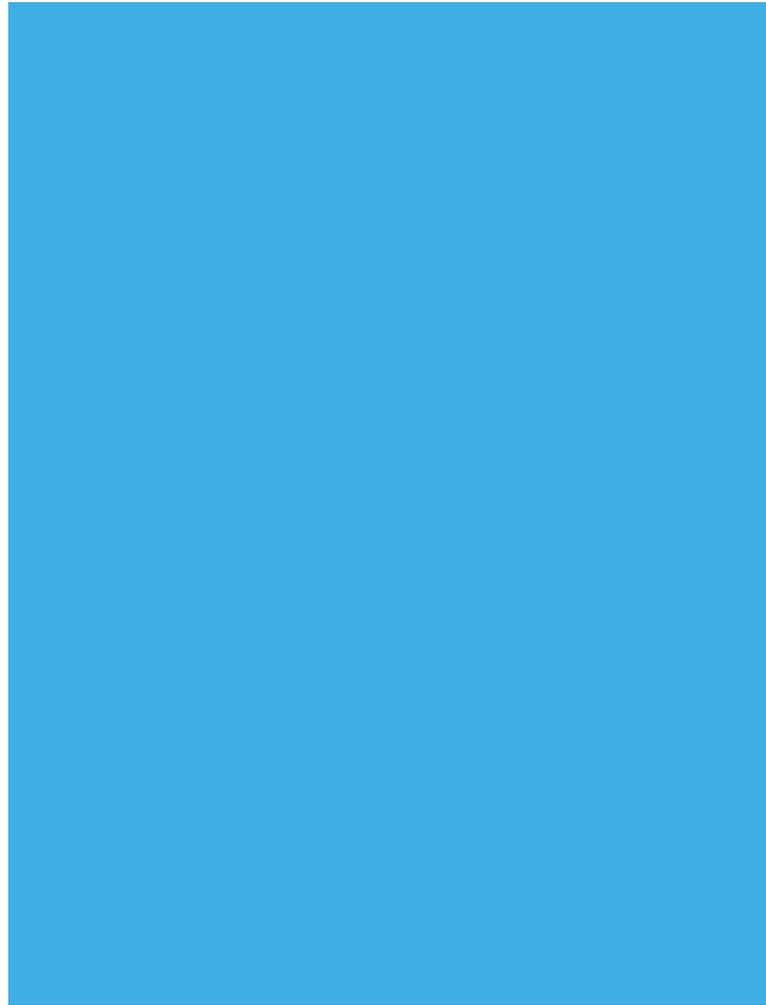
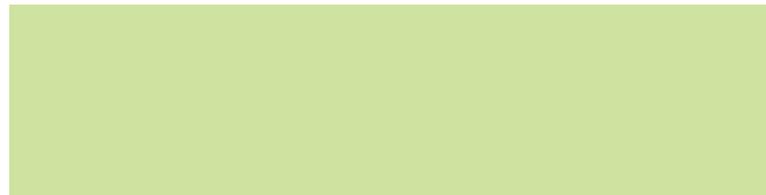
Wellness Programs

Incentive Premium Reductions

	FY 2013:		FY 2014:	
	Monthly	Annual	Monthly	Annual
Non-Tobacco User (employee and covered family member)	\$ 40	\$ 480	\$ 20	\$ 240
Health Risk Assessment	10	120	20	240
Biometric Screening	10	120	20	240
	\$ 60	\$ 720	\$ 60	\$ 720

- Discontinue Passport to Wellness; minimal participation

Summary



Other Issues

Open Enrollment:

- Four weeks: April 15th to May 10th
- Passive Open Enrollment: non-participants auto-enrolled in current plan; new hires or newly benefits-eligible auto-enrolled in CMG plan
- Independent one-on-one counseling

COBRA:

- Include EAP in COBRA coverage
- No plan changes during initial enrollment

Retirees

- Close the Cigna Medicare Select Plan to new members on July 1, 2013 and eliminate the plan in the next 12-18 months; premiums charged by Cigna to retirees for this plan have doubled in the last three years. Help educate current enrollees about other options, and assist in the transition process (affects 170 retirees).
- Close self-insured plans to new enrollments (affects 3 retirees); counsel them to move to much more affordable options.
- Close dental and vision coverage to new retirees.
- Consolidate benefit options for retirees
 - COBRA
 - Coverage through retirement systems
 - Medicare
 - Individual plan
 - Coverage through spouse

Fiscal Impacts

	Employer	Employees
Medical/Pharmacy/Beh. Health	\$ 5,335,474	\$ 501,382
Dental	601,333	52,914
Vision	157,898	9,132
Employee Assistance Program	162,208	NA
Short Term Disability	NA	-
Life and AD&D	-	-
Wellness	(174,962)	-
Benefits Administration	684,455	NA
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	\$ 6,766,405	\$ 563,428

Impact based on comparison with FY 2013 revenue forecast, no enrollment changes. Employer impact is to all County and District funds.

Renewal Process and Timeline

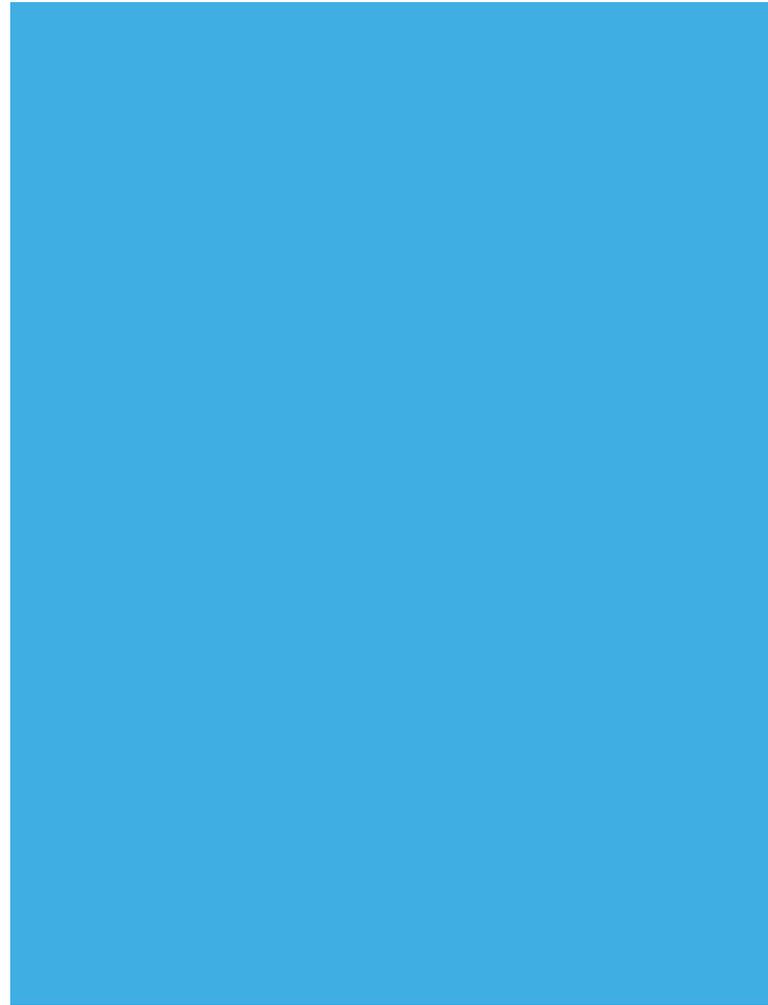
Month	What Happens
August-October	County and consultant analyze cost experience, as well as impact of any plan changes under consideration
November	Finalize plan design and premium recommendations; review with Benefits Board of Trustees
December	Review and approval by the Board of Supervisors
January	Start preparations for Open Enrollment
February	Launch communication outreach regarding Open Enrollment and benefit plan changes; begin on-site biometric screenings
April	Open Enrollment for active employees begins
May	Complete Open Enrollment; mail out Confirmation Statements.
July	New benefits plan year begins; start Dependent Verification process
August	Complete Dependent Verification process





Business Strategies and Health Care Programs

Patient Protection and Affordable Care Act



PPACA

Provision Implemented January 1, 2011

- Only prescribed medications reimbursable from a Health Care Flexible Spending Account

Provisions Implemented July 1, 2011

- Coverage for young adults up to age 26
- Elimination of lifetime limits
- Elimination of pre-existing condition exclusion for children up to age 19
- No cost share on certain preventive medications and supplements

PPACA

Provision Implemented July 1, 2012

- Cap on Health Care FSA reduced to \$2,500
- Added comparative effectiveness fee of \$1 per member per year

Provisions to be Implemented January 1, 2013

- Value of benefits on W2 forms
 - Medical
 - Pharmacy
 - Behavioral Health
- Higher Medicare payroll tax on earnings >\$200,000 (individual), \$250,000 (couple)

PPACA

Provisions to be Implemented July 1, 2013

- Uniform Summary of Benefits (SBCs)
- Women's preventive services at zero cost share
- Add comparative effectiveness fee of \$2 per member per year
- Add estimated reinsurance fee of \$60 per member per year