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Memorandum

Date : September 17, 2013
To : Hidalgo County Commissioner's Court
From : Gary Looney REBC
RE : Plan Premium Cost and Plan Design Recommendations for Plan Year 2014

County Judge	Ramon Garcia		
Precinct 1	A C Cuellar	Precinct 2	Hector "Tito" Palacios
Precinct 3	Joe M. Flores	Precinct 4	Joseph Palacios

Dear Sirs,

The 2014 mandatory coverage elements of PPACA include affordability and coverage for minimum essential benefit plan designs. The following recommendations meet PPACA legislative requirements.

There are two primary elements of the County's self-funded medical insurance plans. The two elements are fixed cost and variable claim costs. Based on a recent actuarial evaluation, the total plan cost for 2014 is estimated to be \$24,500,000. The plan is funded by County contributions and premiums charged to Employees. There have been no significant changes in employee contributions for three (3) years. There have been no negative benefit changes in the last three (3) years. There have been benefit enhancements.

As a result of the increased cost projections for 2014, please consider the following recommendations for funding and plan benefit designs.

Plan Design options are attached with approximate cost shift. Please note that these changes are a cost shifting change not a cost savings. My recommendations are:

<u>Base Plan:</u>	<u>Current</u>	<u>Change</u>	<u>Cost Shift</u>
Deductible	\$1,000	\$1,250	\$150,000
Office Co-Pay (All)	\$ 25		
Office Co- Pay (Primary/Specialist)		\$35/\$45	\$190,000
In Hospital Co-Pay	\$ 250	\$ 350	\$ 16,000

High Plan:

Deductible	\$ 500	\$ 750	\$137,000
Office Co-Pay (All)	\$ 20		
Office Co- Pay (Primary/Specialist)		\$30/\$40	\$207,000
In Hospital Co-Pay	\$ 250	\$ 350	\$ 15,000

The estimated cost differential is \$715,000 in claims. These estimates are based on claims incurred over the past 24 months.

In addition to the changes in plan design I recommend an increase in the employee's contribution for dependent insurance.

Attached is a chart showing the various contribution increases and additional premium required on a monthly basis for various percentage increases.. Here is my recommendation:

Plan 1 (Base Plan) + 20%

	Current Rate	New Rate	Difference
EE	\$ 0.00	\$ 0.00	\$ 0.00
EE/Child(ren)	\$ 85.00	\$ 102.00	\$ 17.00
EE Spouse	\$ 193.00	\$ 231.00	\$ 38.60
Family	\$ 277.00	\$ 332.40	\$ 55.40

Plan 2 (Buy Up) + 40%

	Current Rate	New Rate	Difference
EE	\$ 31.00	\$ 43.40	\$ 12.40
EE/Child(ren)	\$ 123.00	\$ 172.20	\$ 49.20
EE Spouse	\$ 236.00	\$ 330.40	\$ 94.40
Family	\$ 359.00	\$ 502.60	\$ 143.60

The differential in the cost increases is based on the claims incurred by Plan 2 (the buy up high plan). 38% of the employees are insured by Plan 2 and they incurred 56% of the claims on an average of \$659.87 per employee per month. On Plan 1 (the base plan). 44% of the claims were incurred by 62% of the employees at an average of \$319.69 per claim.

Based on these premium changes the fixed premium cost would require the County to fund the plan at \$469 per ee/per month. The total estimated cost \$21,014,952 or 86% of the total plan cost. Employees would fund \$3,480,302 or 14% of the total plan cost of \$24,500,000.

I sincerely thank you for your confidence in our efforts on your behalf.



Gary Looney
Sr VP Alamo Insurance Group

Hidalgo County Employee Rates 2014

	# of Employees	2013										
		Current EE Contributions	15%	Difference	20%	Difference	25%	Difference	30%	Difference	40%	Difference
Base PPO Plan - Plan I												
Employee Only (County Pays)	1735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EE + 1 Child (EE Pays)	0	\$ 85.00	\$ 97.75	\$ 12.75	\$ 102.00	\$ 17.00	\$ 106.25	\$ 21.25	\$ 110.50	\$ 25.50	\$ 119.00	\$ 34.00
Child/Children (EE Pays)	386	\$ 85.00	\$ 97.75	\$ 12.75	\$ 102.00	\$ 17.00	\$ 106.25	\$ 21.25	\$ 110.50	\$ 25.50	\$ 119.00	\$ 34.00
Spouse (EE Pays)	76	\$ 193.00	\$ 221.95	\$ 28.95	\$ 231.60	\$ 38.60	\$ 241.25	\$ 48.25	\$ 250.90	\$ 57.90	\$ 270.20	\$ 77.20
Family (EE Pays)	106	\$ 277.00	\$ 318.55	\$ 41.55	\$ 332.40	\$ 55.40	\$ 346.25	\$ 69.25	\$ 360.10	\$ 83.10	\$ 387.80	\$ 110.80
	2303											
	61.7%											
Total Monthly Premium		\$ 76,840	\$ 88,366		\$ 92,208		\$ 96,050		\$ 99,892			
Total Annual Premium		\$ 922,080	\$ 1,060,392	\$ 138,312	\$ 1,106,496	\$ 184,416	\$ 1,152,600	\$ 230,520	\$ 1,198,704	\$ 276,624		
Base PPO Plan - Plan II												
Employee Only (EE Pays)	729	\$ 31.00	\$ 35.65	\$ 4.65	\$ 37.20	\$ 6.20	\$ 38.75	\$ 7.75	\$ 40.30	\$ 9.30	\$ 43.40	\$ 12.40
EE + 1 Child (EE Pays)	0	\$ 123.00	\$ 141.45	\$ 18.45	\$ 147.60	\$ 24.60	\$ 153.75	\$ 30.75	\$ 159.90	\$ 36.90	\$ 172.20	\$ 49.20
Child/Children (EE Pays)	484	\$ 123.00	\$ 141.45	\$ 18.45	\$ 147.60	\$ 24.60	\$ 153.75	\$ 30.75	\$ 159.90	\$ 36.90	\$ 172.20	\$ 49.20
Spouse (EE Pays)	125	\$ 236.00	\$ 271.40	\$ 35.40	\$ 283.20	\$ 47.20	\$ 295.00	\$ 59.00	\$ 306.80	\$ 70.80	\$ 330.40	\$ 94.40
Family (EE Pays)	93	\$ 359.00	\$ 412.85	\$ 53.85	\$ 430.80	\$ 71.80	\$ 448.75	\$ 89.75	\$ 466.70	\$ 107.70	\$ 502.60	\$ 143.60
	1431											
	38.3%											
Total Monthly Premium		\$ 145,018	\$ 166,771		\$ 174,022		\$ 181,273		\$ 188,523		\$ 203,025	
Total Annual Premium		\$ 1,740,216	\$ 2,001,248	\$ 261,032	\$ 2,088,259	\$ 348,043	\$ 2,175,270	\$ 435,054	\$ 2,262,281	\$ 522,065	\$ 2,436,302	\$ 696,086
	2303											
	1431											
	3734											

Filename: Employee premium increase for 2014
September 17, 2014

Hidalgo County Employer and Employee Rates 2014

	# of Employees	2014 ER Premium	2014 ER Monthly Premium	2014 Plan 1 +20% Plan 2 +40%	2014 EE Monthly Premium	2014 ER Annual Premium	2014 EE Annual Premium	2014 Total	
Base PPO Plan - Plan I									County Contribution \$ 469.00
Employee Only (County Pays)	1735	\$ 469.00	\$ 813,715.00	\$ -	\$ -	\$ 9,764,580	\$ -	\$ 9,764,580	Increase Dependent Enrollment
EE + 1 Child	0	\$ 469.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Increase ER Contribution
Child/Children (EE Pays)	386	\$ 469.00	\$ 181,034.00	\$ 102.00	\$ 39,372	\$ 2,172,408	\$ 472,464	\$ 2,644,872	Percent Increase
Spouse (EE Pays)	76	\$ 469.00	\$ 35,644.00	\$ 231.60	\$ 17,602	\$ 427,728	\$ 211,219	\$ 638,947	Decrease EE Contribution
Family (EE Pays)	106	\$ 469.00	\$ 49,714.00	\$ 332.40	\$ 35,234	\$ 596,568	\$ 422,813	\$ 1,019,381	Percent Decrease
	2303					\$ 12,961,284	\$ 1,106,496	\$ 14,067,780	
	61.7%								Estimated Claim Cost
Base PPO Plan - Plan II									Current \$ 445.00
Employee Only (EE Pays)	729	\$ 469.00	\$ 341,901.00	\$ 43.40	\$ 26,431	\$ 4,102,812	\$ 317,167	\$ 4,419,979	Trend 1.09
EE + 1 Child	0	\$ 469.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Child/Children (EE Pays)	484	\$ 469.00	\$ 226,996.00	\$ 172.20	\$ 83,345	\$ 2,723,952	\$ 1,000,138	\$ 3,724,090	Total Claims \$ 485.05
Spouse (EE Pays)	125	\$ 469.00	\$ 58,625.00	\$ 330.40	\$ 41,300	\$ 703,500	\$ 495,600	\$ 1,199,100	Admin \$ 61.14
Family (EE Pays)	93	\$ 469.00	\$ 43,617.00	\$ 502.60	\$ 46,742	\$ 523,404	\$ 560,902	\$ 1,084,306	Increase 1
	1431					\$ 8,053,668	\$ 2,373,806	\$ 10,427,474	Total Admin \$ 61.14
	38.3%								
Total Annual Premium								\$ 24,495,254	Monthly Cost/EE \$ 546.19
Employer Contribution EE Plan I	2303	\$ 469.00	\$ 1,080,107.00			\$ 12,961,284	\$ 1,106,496		Employee Count 3734
Employer Contribution EE Plan II	1431	\$ 469.00	\$ 671,139.00			\$ 8,053,668	\$ 2,373,806		Estimated Annual Cost \$ 24,473,681.52
	3734					\$ 21,014,952	\$ 3,480,302	\$ 24,495,254	
				Employer Contrib as a % of total premium 86%					Employee Contrib as a % of total premium 14%