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Memorandum

Date : October 2017
TO : Hidalgo County Commissioner's Court
From : Gary Looney REBC
RE : Group Medical and Life Insurance Plans 2018

We have received, reviewed, and negotiated with the Aetna Life Insurance company for the second year of their three year contract. The County's medical plan has two cost factors. The claim cost projection was prepared by the actuarial firm of Lewis & Ellis. The administration fees and stop loss insurance premiums have been negotiated with Aetna Life Insurance Company.

The result of the Lewis and Ellis evaluation was to recommend an increase in funding for the 2018 plan year. The report recommended a basic plan rate change of an 8% rate increase for those employees who insure their dependents on the basic plan and an 8% increase for all rates for the Buy Up option. The County would continue to provide the basic medical plan to all full time active employees at no cost to the employee. Based on Commissioner's Court decision the rate increase for employee and dependents was offset by increased County contributions. The result was no increase for the employee contributions for plan year 2018.

The following recommendations and plan change options do not impact the final budget requests that have been approved.

The Aetna is in the second year of a three year contract. The rate for the claims administration was fixed by contract and will reduce from \$19.68 per EE/Month to \$17.07 per EE/Month for plan year 2018.

The contract for stop loss insurance has an increase of 29%. The increase is due to the change from an immature contract to a mature contract. The change was anticipated at the initiation of the contract with Aetna and was factored into the long term cost of the stop loss insurance. The 2017 rate of \$28.41ee/month will increase to \$36.65 ee/month. The rate is significantly lower than all rate proposals received for the 2017 plan year.

The stop loss deductible is currently \$250,000. The deductible has not changed for three years. As a result the annual trend of 8% has not been used to adjust the specific stop loss level. To stay in concert with trend increases the stop loss deductible limit needs to be increased. The increase recommended is a moderate change from \$250,000 to \$275,000. The stop loss premium rate would be reduced to \$33.93 ee/month. The rate differential reduces the annual premium by approximately \$125,000.

In addition to the rate increase there are two outstanding large claims which require an additional deductible. The two claimants will have an additional claim liability of \$200,000 for the plan year 2018. The additional liability will only be applied, if in fact, the claimants exceed the stop loss limit.

In an effort to manage the health care costs for 2018 consider the following changes in your medical plans.

1. Bariatric Surgical benefits. The change would include very specific guidelines for employees to be eligible for the procedure. The addition of the benefits would not impact the budget or require additional funding for the medical plan. Please see backup material provided.
2. Prescription Benefit Plan Changes:
 - a. In order to provide a period of time for the evaluation of the current Aetna prescription drug plan, the most liberal prescription management plan was selected for plan year 2017. The Aetna was instructed to evaluate the utilization of the current prescription plan. In an effort to track prescription drug expenses and provide an analysis of the current plan with potential cost saving options. The summary of potential savings and drug interruption is attached. The projected prescription plan savings is estimated to be over \$650,000 per year.
 - b. The recommended change is from the Aetna Premier Plus plan to the Aetna Value plan. The change would impact 81 medications moving from a lower tier to the highest tier copay. From a \$10 or \$20 copay to a \$35 copay. There are 347 individuals impacted by the change.
 - c. There are 40 medications that would require a current member to select a therapeutic equivalent for their current medication. The member impacted will be notified of the change and directed to an alternate therapeutic medication.
3. Home Health Care benefits were designed to provide a step down in cost from an inpatient hospital stay, to a rehabilitation facility, and finally to a home setting. The purpose of the benefit was to reduce the cost while a patient was recovering from a serious illness or injury. The current home health care benefits cover a claimant after waiver of the deductible for 100% up to 120 visits per year. This coverage is consistent with the Low Plan and the Buy Up Plan. There is no requirement for the claimant to have been hospitalized prior to being eligible for the home health care benefit. It is recommended that a hospital stay be required prior to being eligible for the home health care benefits and that the standard office visit copayment of High Plan \$35 and the Low Plan \$40.
4. Speech Therapy, Physical Therapy, Occupational Therapy, Spinal Manipulation Therapy, Autism (Physical, Occupational, Speech Therapies)
 - a. The current plan design for the buy up plan requires a 20% copayment after the plan deductible has been satisfied with a limit of 30 visits for Speech Therapy, 60 visits for Physical and Occupational Therapy and 20 visits per year for Spinal Manipulation.
 - b. The current plan design for the Low Plan is a \$50 copay per visit with the deductible waived with the same day limits as the Buy Up Plan.

- c. The plan designs should be consistent with both plans having the same basic benefit structure. The plans should waive the deductible for the various therapies, retain the day limits for each, and be subject to a standard office visit copay of \$35 for the Buy Up Plan and a \$40 copay for the low plan. The summary of the Aetna Plan Design & Benefits indicating the changes is attached.
5. The benefit plan claim payments provided by the medical plan comprise the majority of the cost of the health care plan. Personalized Prevention a wellness plan provider and administrator has been engaged to create a wellness plan for all County Employees. The program has been initialized and will be presented to County employees as soon as possible.

The Basic Life and Accidental Death and Dismemberment policy with Dearborn National is in the second year of a three year rate guarantee. There are no changes necessary for the group term life program.

Thank you for your confidence in our services.



Gary Looney
Sr VP Alamo Insurance Group