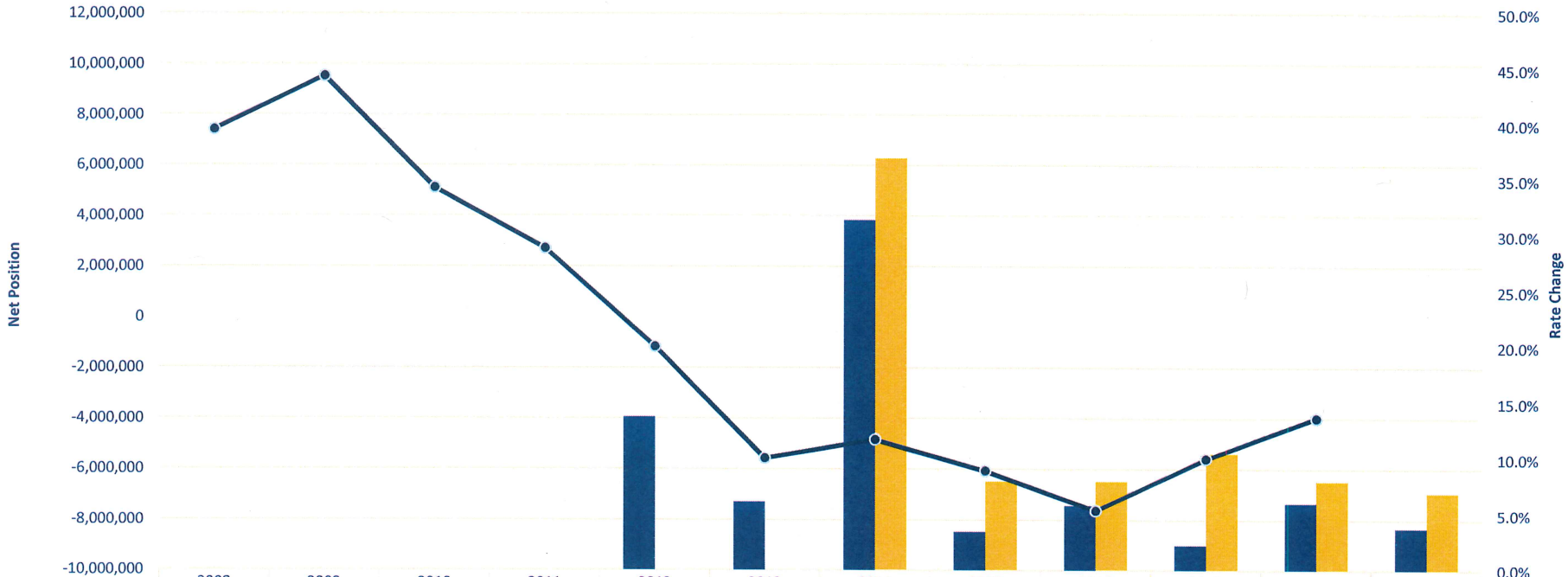
LEWIS & ELLIS

Health Benefit Plan Premium Analysis

HIDALGO COUNTY

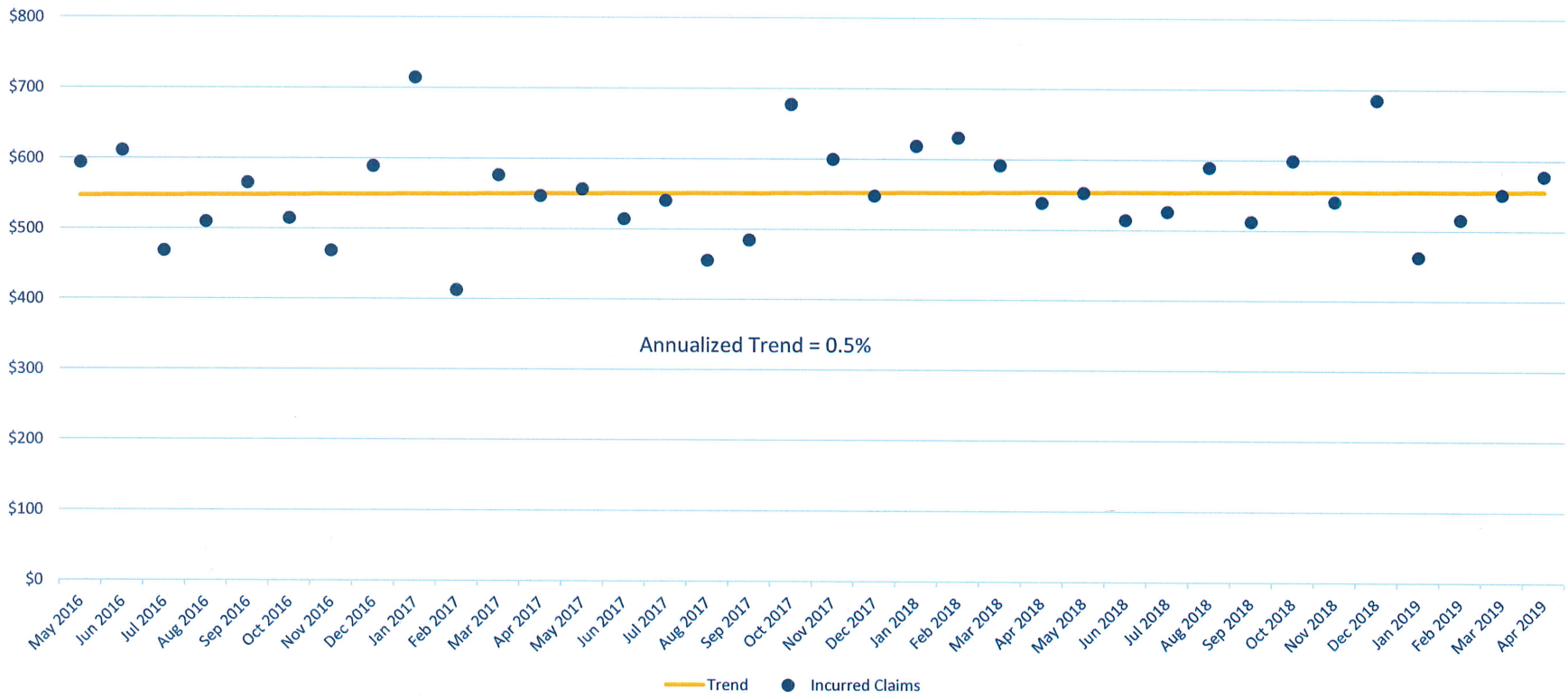
Bonnie Albritton, FSA, MAAA

Hidalgo County
Health Benefit Fund Net Position



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average Increase					13.8%	6.20%	31.50%	3.50%	5.90%	2.30%	6.10%	3.80%
Recommended Increase							37.00%	8.00%	8.00%	10.50%	8.00%	7.00%
Net Position	7,427,000	9,555,000	5,121,000	2,735,000	(1,148,000)	(5,556,000)	(4,822,000)	(6,050,000)	(7,612,000)	(5,581,000)	(3,972,000)	

Hidalgo County Medical Cost Trend



Hidalgo County
Recommended Rate Increase

Development of Increase	Average Per Employee per Month
Projected Claims	$651.93
Projected Administrative Expenses	$65.33
Total Projected Claims & Expenses	$717.26
Current Average Premium	$686.95
Necessary Rate Increase	4%
Recommended Rate Increase	6%

Hidalgo County
Projected Fund Balance

	CY18	CY19	CY20	CY21
Rate Increase	6.1%	3.8%	6%	5%
Net Cash Flow	$1,609,239	$1,626,658	$1,412,947	$1,434,839
Fund Balance	($3,972,044)	($2,345,386)	($932,439)	$502,400

2019 Health Benefit Plan Premium Analysis

Hidalgo County

AUGUST 13, 2019

LEWIS & ELLIS
BONNIE S. ALBRITTON, FSA, MAAA

LEWIS & ELLIS
Actuaries and Consultants
700 Central Expressway South
Suite 550
Allen, TX 75013
972-850-0850
lewisellis.com

August 13, 2019

Mr. Sergio Cruz
Budget Officer
Hidalgo County
2818 S. Business Hwy 281
Edinburg, Texas 78539

Re: Health Benefit Plan Premium Analysis

Dear Sergio:

We are pleased to present our report that details our premium rate analysis and recommendations for Hidalgo County's self-funded medical plan.

We appreciate the opportunity to be of service. If you have any questions, please call.

Sincerely,

Bonnie Albritton

Bonnie S. Albritton, FSA, MAAA
Vice President & Principal

Enclosures

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EXECUTIVE SUMMARY

Hidalgo County ("the County") provides self-insured medical and prescription drug coverage to its employees, retirees, eligible dependents, and COBRA participants. The benefits are administered by Aetna.

The County selected Lewis & Ellis, Inc. to analyze the adequacy of the current rates, project future claims and expenses and recommend premium rates for 2020. As part of our review, we projected the income and disbursements for the remainder of the calendar year as well as calendar years 2020 and 2021. Please note that our analysis only includes the self-funded medical and prescription drug benefits and does not include any other benefits for employees.

Projected Cash Flows and Recommended Rate Increase

For the calendar years ending in 2019, 2020, and 2021, we have projected the revenue and expenses of the Plan. Based on our projections, the premiums are expected to be sufficient to cover expected claims and expenses for the 2019 plan year.

The County had several years of premiums not being adequate to cover the claims. As a result, the medical fund developed a deficit. The fund balance has improved over the past couple of years and at the end of 2018 was -$3.96 million. Based on the experience through April 30, 2019, we recommend an increase in rates of at least 6.0% in 2020 to (1) cover the expected claims and expenses and (2) continue moving the fund towards a positive position.

The table below summarizes the key results of our analysis.

Calendar Year	Recommended Increase	Projected Net Cash Flow
2019	0.0%	$1,626,658
2020	6.0%	$1,412,947
2021	5.0%	$1,434,839

Without any changes in benefits for 2020, the recommended premium rates are as follows.

With 6.0% Increase	Basic	Buy-up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$652.96	$835.28	$595.72	$301.04
Employee + Spouse	$1,087.56	$1,454.32	$1,032.44	$737.76
Employee + Child(ren)	$775.92	$1,023.96	$718.68	$426.12
Employee + Family	$1,212.64	$1,700.24	$1,155.40	$860.72

Review of Current Benefit Options

As part of our analysis, we also reviewed the relative levels of the Basic and Buy-Up options that are offered to employees and retirees. We looked at the actual average claims and expenses of the benefit options compared to the premiums being charged.

Based on our analysis, the premiums for the Buy-Up option are 35% higher than the Basic option. However, the claims are approximately 194% higher than the claims under the Basic option.

A 0.2% decrease on the Basic and a 117.8% increase on the Buy-Up would be necessary to increase the aggregate premium income in 2020 by 6.0% and eliminate the subsidization between the plans (assuming employees would remain in their currently chosen plan). The premiums would be as follows.

With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$614.70	$1,716.15	$594.47	$283.40
Employee + Spouse	$1,023.84	$2,988.01	$1,030.27	$694.54
Employee + Child(ren)	$730.46	$2,103.81	$717.17	$401.15
Employee + Family	$1,141.59	$3,493.28	$1,152.97	$810.29

The County may want to consider allowing some subsidization because the claim gap will likely continue to grow if the rate differential continues to grow. One option would be to adjust the benefits in the Buy-Up plan to reduce the future claims.

Review of Current Benefit Rating Levels

We also reviewed the relative levels of the benefit rating levels that are offered to employees and retirees (e.g., Employee Only, Employee & Spouse, Employee & Child(ren), Family).

To analyze the relative rate levels, we compared the actual average claims and expenses of the employee, spouse and children (per child) to the premiums being charged. The spouse and child premiums are still considerably lower than the average claims and expenses.

	Employee	Spouse	Child
Average Premium	$619.12	$412.05	$55.89
Average Claims & Expenses	$507.83	$692.36	$176.03
Relativity	0.82	1.68	3.15

The following rate changes would be necessary to increase the aggregate premium income in 2020 by 6.0% and eliminate the subsidization between the plans (assuming employees would remain in their currently chosen plan and coverage level).

Benefit Option	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	-11.5%	-11.5%	-11.5%	-11.5%
Employee + Spouse	25.5%	28.0%	27.7%	43.4%
Employee + Child(ren)	28.3%	34.8%	31.5%	62.2%
Employee + Family	47.6%	58.6%	50.3%	71.4%

If the County were to implement these increases, the premiums would be as follows.

With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$544.99	$697.17	$497.22	$251.26
Employee + Spouse	$1,288.07	$1,755.59	$1,243.92	$997.96
Employee + Child(ren)	$939.09	$1,301.90	$891.31	$652.15
Employee + Family	$1,688.96	$2,543.79	$1,638.01	$1,392.06

Recommended Rates with Benefit Option and Rating Level Changes

Our recommended rates combining the 6.0% increase, the benefit option rate changes and the rating level changes are as follows.

With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$513.06	$1,432.38	$496.17	$236.54
Employee + Spouse	$1,212.60	$3,607.01	$1,241.30	$939.49
Employee + Child(ren)	$884.07	$2,674.85	$889.44	$613.95
Employee + Family	$1,590.01	$5,226.41	$1,634.57	$1,310.50

Alternative Rating Structures

We were asked to recommend rates for two additional rating structures which vary based on the number of children covered.

Alternate Rating Structure #1

The first alternative rating structure differentiates between one child and two or more. Including the 6.0% increase, developed the following rates.

Alternative #1 With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$544.99	$697.17	$497.22	$251.26
Employee + Spouse	$1,288.07	$1,755.59	$1,243.92	$997.96
Employee with 1 Child	$731.85	$982.55	$684.07	$441.52
Employee with 2+ Children	$1,034.21	$1,447.99	$986.44	$750.68
Family with 1 Child	$1,474.92	$2,040.97	$1,430.77	$1,188.22
Family with 2+ Children	$1,777.29	$2,506.42	$1,733.14	$1,497.38

Alternate Rating Structure #2

The second alternative rating structure differentiates between one to two children and three or more. Including the 6.0% increase, we developed the following rates.

Alternative #2 With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$544.99	$697.17	$497.22	$251.26
Employee + Spouse	$1,288.07	$1,755.59	$1,243.92	$997.96
Employee with 1-2 Children	$833.77	$1,138.82	$785.99	$543.44
Employee with 3+ Children	$1,180.30	$1,668.82	$1,132.53	$896.76
Family with 1-2 Children	$1,576.84	$2,197.25	$1,532.69	$1,290.14
Family with 3+ Children	$1,923.38	$2,727.25	$1,879.23	$1,643.47

Option to Eliminate the Buy-Up Plan

We were asked to recommend rates under the scenario that the County eliminates the Buy-Up plan. With total claim savings of 1.5% to 2.0%, we recommend a rate increase of 4.5%.

Elimination of Buy-Up With 4.5% Increase	Basic	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$643.72	$587.29	296.78
Employee + Spouse	$1,072.17	$1,017.83	$727.32
Employee + Child(ren)	$764.94	$708.51	$420.09
Employee + Family	$1,195.48	$1,139.05	$848.54

BACKGROUND

Hidalgo County ("the County") provides self-insured medical and prescription drug coverage to its employees, retirees, eligible dependents, and COBRA participants.

The County began to self-insure the benefits on February 1, 2005. Beginning January 1, 2017, the County changed claims administrators from Blue Cross Blue Shield ("BCBS") to Aetna. The only benefit changes in 2019 were some small increases in deductibles and out-of-pocket maximums. The stop-loss deductible was increased from $275,000 to $300,000.

We have not included any benefit changes for 2020. If changes are implemented, they may impact the recommended rates.

SCOPE OF SERVICES

The County selected Lewis & Ellis, Inc. to analyze the adequacy of the current rates, project future claims and expenses and recommend premium rates for 2020. As part of our review, we projected the income and disbursements for the remainder of the year ending 12/31/2019 and for the years 2020 and 2021.

The scope of our analysis only includes the medical and prescription drug claims. Our estimate does not include any other employee benefits, such as life, dental, vision, and disability insurance or accrued sick leave.

CASH FLOW PROJECTION

We have projected the self-insured medical and prescription drug plan contributions, claims, expenses, and amounts reserved (including the premium cost for stop loss coverage) for the rest of the calendar year ending December 31, 2019 and the years ending in 2020 and 2021, assuming no change in membership. See Projection of Claim and Expenses below for a description of our methodology and assumptions. Please note that our projections do not include any benefits other than the medical and prescription drug benefits.

The projection of income and disbursements is included in Appendix A at the end of the report. The exhibit also includes the historical experience for the plan for the 2018 calendar year and for January 1, 2019 through April 30, 2019 to allow for comparison. The bottom of the exhibit details the assumptions used.

Projection of Revenue

The projected premiums were based on the coverage, as detailed in the census provided by the County. We assumed that coverage will remain the same through the projection period. The current monthly premiums are as follows.

Current Monthly Premiums	Basic	Buy-up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$616.00	$788.00	$562.00	$284.00
Employee + Spouse	$1,026.00	$1,372.00	$974.00	$696.00
Employee + Child(ren)	$732.00	$966.00	$678.00	$402.00
Employee + Family	$1,144.00	$1,604.00	$1,090.00	$812.00

Our projections assume the rates will remain the same through December 31, 2019, with an 6.0% increase effective January 1, 2020 and an 5% increase effective January 1, 2021.

Projection of Claims

In order to project the claims, the actual incurred claims for the medical and prescription drug benefits were measured over the period January 1, 2018 through April 30, 2019. The 2018 claims were adjusted to reflect the 2019 benefit changes that were outlined in the Background section of the report. In addition, we modeled the impact of the change in the stop-loss deductible.

Total claims were reduced by refunds and stop loss reimbursements, and converted to a PEPM (per employee per month) basis by dividing by the total employee-months of coverage for the same period. The net average PEPM was adjusted for trend at 7% per annum and the 2018 claims were adjusted to the 2019 benefit levels. The projected claims for the remaining eight months of 2019 were calculated by multiplying the adjusted PEPM by eight and the current enrollment count.

We lowered the assumed annual claim trend increases to 5.0% for 2020 and 2021. This is based on recent County trends and industry data.

Projection of Expenses

The projection of expenses was developed from the current expenses, as provided to us. The stop-loss premiums for the rest of the current fiscal year are based on the current contracted PEPM rates with no changes in rates. The stop-loss rates are assumed to increase 8% in 2020 and 9% in 2021. The fees for the County's health consultant are $60,000 per year and assumed to remain at that level in 2020 and 2021. We assumed that the administrative expenses will increase 2.5% per annum.

In addition, additional fees and taxes are expected under the Affordable Care Act. The Patient-Centered Outcomes Research Institute ("PCORI") Fee was effective beginning with the 2012 plan year and was first payable in July 2013. The fees are as follows but are no longer required beginning with the 2019 plan year.

Plan Year	Fee	Payment Due
2012	$1.00	7/31/2013
2013	$2.00	7/31/2014
2014	$2.08	7/31/2015
2015	$2.17	7/31/2016
2016	$2.26	7/31/2017
2017	$2.39	7/31/2018
2018	$2.45	7/31/2019
2019	$0.00	Expired

The following table outlines the current and projected expenses, based on the year the fee is payable.

	2019	2020	2021	
Specific Stop Loss	$38.70	$41.80	$45.56	PEPM
Claims Administration	$42.26	$43.32	$44.40	PEPM
Prescription Drug Credit	($26.71)	($27.38)	($28.06)	PEPM
PCORI*	$2.45	$0.00	$0.00	PMPY
Health Consultant	$5,000	$5,000	$5,000	per month
Other Admin*	$292,125	$292,125	$299,428	annually

**PCORI is based on year payable. Other Admin includes salaries, supplies, postage, etc.*

ANALYSIS OF RESULTS

For the years ending in 2019, 2020, and 2021, we have projected the revenue and expenses of the Plan. Based on our projections, the premiums at the current rate level are sufficient to cover expected claims and expenses for the rest of the current fiscal year.

The County had several years of premiums not being adequate to cover the claims and developed a deficit in the fund. The medical fund balance deficit at the end of 2018 was $3.96 million. This is an improvement over the $7.6 million deficit at the end of 2016 and $5.6 at the end of 2017. Based on the experience through April 30, 2019, we recommend an increase in rates of at least 6.0% in 2019 to (1) cover the expected claims and expenses and (2) continue moving the fund towards a positive position.

Note that this does not include any possible changes in benefits for 2020.

The table below summarizes the key results of our analysis. The detailed projection is included in the attached Exhibit.

Calendar Year	Recommended Increase	Projected Revenue	Projected Expenses	Projected Net Cash Flow
2019	0.0%	$31,480,747	$29,854,089	$1,626,658
2020	6.0%	$33,772,440	$32,359,492	$1,412,947
2021	5.0%	$35,461,061	$34,026,222	$1,434,839

CLAIMS INCURRED BUT NOT PAID

Using a development method, we have calculated a reserve as of April 30, 2019, to cover incurred but not reported claims and claims in course of settlement, of $1.8 million. This is the best estimate reserve and does not include a margin for safety or a provision for loss adjustment expenses.

STOP-LOSS COVERAGE

The Plan maintains specific stop loss coverage. The specific attachment point was increased in 2019 to $300,000 from $275,000. The projected claims are assumed to be net of stop-loss reimbursements.

There is one lasered individual with an individual deductible of $450,000.

REVIEW OF CURRENT BENEFIT OPTIONS

As part of our analysis, we also reviewed the relative levels of the Basic and Buy-Up options that are offered to employees and retirees. We looked at the actual average claims and expenses of the benefit options compared to the premiums being charged.

Based on our analysis, the Buy-Up option's premiums are considerably lower than the average claims and expenses.

Based on our analysis, the premiums for the Buy-Up option are 35% higher than the Basic option. However, the claims are approximately 194% higher than the claims under the Basic option.

	Basic	Buy-Up	Relativity
Average Premium*	$677.62	$913.33	1.348
Average Claims & Expenses	$608.98	$1,791.40	2.942

**The average premium is calculated by taking the rates for each current employee, summing them up and dividing by the number of employees*

We calculated the rate adjustments that would be necessary to bring the premiums in line with the claims under two scenarios. First, we assumed no change to the overall aggregate premium income. Second, we calculated the rate adjustment assuming an 6.0% increase in the aggregate medical funding, which is consistent with our funding projections.

Benefit Option	Maintain Current Revenue	6.0% Increase in Revenue
Basic	-5.9%	-0.2%
Buy-Up	105.5%	117.8%
Overall Average	0.0%	6.0%

The County may want to consider allowing some subsidization because the claim gap will likely continue to grow if the rate differential continues to grow. One option would be to adjust the benefits in the Buy-Up plan to reduce the future claims.

REVIEW OF CURRENT BENEFIT RATING LEVELS

We also reviewed the relative levels of the benefit rating levels that are offered to employees and retirees (e.g., Employee Only, Employee & Spouse, Employee & Child(ren), Family).

We reviewed the actual average claims and expenses of the employee, spouse and children (per child) compared to the premiums being charged. Based on our analysis, both the spouse and the children's premiums are considerably lower than the average claims and expenses.

	Employee	Spouse	Child
Average Premium*	$619.12	$412.05	$55.89
Average Claims & Expenses	$507.83	$692.36	$176.03
Relativity	0.82	1.68	3.15

**The average premium is calculated by taking the rates for each current employee, summing them up and dividing by the number of members. For example, for a spouse, the average premium is the difference between the total Employee & Spouse rate and the Employee Only rate, summed up and divided by the number of spouses.*

The following rate increases would be necessary to increase the aggregate premium income in 2020 by 6.0% and eliminate the subsidization between the plans (assuming employees would remain in their currently chosen plan and coverage level).

Benefit Option	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	-11.5%	-11.5%	-11.5%	-11.5%
Employee + Spouse	25.5%	28.0%	27.7%	43.4%
Employee + Child(ren)	28.3%	34.8%	31.5%	62.2%
Employee + Family	47.6%	58.6%	50.3%	71.4%

If the County were to implement these increases, the premiums would be as follows.

With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$544.99	$697.17	$497.22	$251.26
Employee + Spouse	$1,288.07	$1,755.59	$1,243.92	$997.96
Employee + Child(ren)	$939.09	$1,301.90	$891.31	$652.15
Employee + Family	$1,688.96	$2,543.79	$1,638.01	$1,392.06

ALTERNATIVE RATING STRUCTURES

We were asked to recommend rates for two additional rating structures which vary based on the number of children covered.

We developed the rates based on the average number of children currently covered. The distribution of the number of children per employee in the 2019 census is as follows.

Number of Children Covered	Employee Count	Percent of Employees
1	379	31.6%
2	451	37.6%
3	260	21.7%
4	82	6.8%
5	15	1.3%
6	8	0.7%
7	3	0.3%
8	0	0.0%
Total	1,198	

Alternate Rating Structure #1

The first alternative rating structure differentiates between one child and two or more. The average number of children for an employee that has at least two children is 2.64.

Including the 6.0% increase, we have developed the following rates.

Alternative #1 With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$544.99	$697.17	$497.22	$251.26
Employee + Spouse	$1,288.07	$1,755.59	$1,243.92	$997.96
Employee with 1 Child	$731.85	$982.55	$684.07	$441.52
Employee with 2+ Children	$1,034.21	$1,447.99	$986.44	$750.68
Family with 1 Child	$1,474.92	$2,040.97	$1,430.77	$1,188.22
Family with 2+ Children	$1,777.29	$2,506.42	$1,733.14	$1,497.38

Alternate Rating Structure #2

The second alternative rating structure differentiates between one to two children and three or more. The average number of children for an employee that has one or two is 1.54 and with three or more is 3.40.

Including the 6.0% increase, we have developed the following rates.

Alternative #2 With 6.0% Increase	Basic	Buy-Up	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$544.99	$697.17	$497.22	$251.26
Employee + Spouse	$1,288.07	$1,755.59	$1,243.92	$997.96
Employee with 1-2 Children	$833.77	$1,138.82	$785.99	$543.44
Employee with 3+ Children	$1,180.30	$1,668.82	$1,132.53	$896.76
Family with 1-2 Children	$1,576.84	$2,197.25	$1,532.69	$1,290.14
Family with 3+ Children	$1,923.38	$2,727.25	$1,879.23	$1,643.47

OPTION TO ELIMINATE OF BUY-UP PLAN

We were asked to consider a scenario where the County eliminates the Buy-up Plan and only offers the Basic plan. Based on our projections, we expect total claims savings of approximately 1.5% to 2.0%.

We developed the following rates with a 4.5% increase in premiums.

Elimination of Buy-Up With 4.5% Increase	Basic	Basic Retiree Pre-65	Basic Retiree 65+
Employee Only	$643.72	$587.29	296.78
Employee + Spouse	$1,072.17	$1,017.83	$727.32
Employee + Child(ren)	$764.94	$708.51	$420.09
Employee + Family	$1,195.48	$1,139.05	$848.54

DATA RELIANCE

The data upon which our premium analysis was estimated was provided to us by the County. We have relied on all data and information provided, including benefit information, claims, enrollment counts, stop-loss recoveries, and large claim reports, as being complete and accurate. We have reviewed the data for reasonableness, but have not audited it. To the extent that there are material inaccuracies in the data, our results may be affected accordingly.

LIMITATIONS

See attached Appendix.

APPENDIX A
HEALTH FUND PROJECTION ON CASH BASIS
FROM MAY 1, 2019 TO DECEMBER 31, 2021
USING CLAIMS DEVELOPED FROM MOST RECENT 16 MONTHS OF CLAIMS

			Projected	Projected		
	2018	1/1/2019 4/30/2019	5/1/2019 12/31/2019	CY 2019	CY 2020	CY 2021
Plan Revenues						
Premiums	$29,925,045	$10,061,394	$21,240,528	$31,301,922	$33,772,440	$35,461,061
Stop-Loss Reimbursements	908,438	178,824	0	178,824	0	0
Miscellaneous	100,520	1	0	1	0	0
Total revenue	$30,934,003	$10,240,219	$21,240,528	$31,480,747	$33,772,440	$35,461,061
Plan Expenses						
Medical & Rx Claims	26,161,487	8,735,741	18,247,161	26,982,902	29,329,629	30,796,111
Stop-Loss Premiums	1,558,473	593,929	1,196,604	1,790,533	1,938,498	2,112,963
Claims Administration	1,855,653	648,564	1,306,679	1,955,243	2,009,019	2,059,245
Prescription Drug Credit	(1,071,594)	(409,918)	(825,873)	(1,235,792)	(1,269,780)	(1,301,525)
PCORI Fee*	16,082	16,202	0	16,202	0	0
Health Consultant	60,000	20,000	40,000	60,000	60,000	60,000
Other Expenses	275,282	155,775	129,225	285,000	292,125	299,428
Total expenses	$28,855,383	$9,760,292	$20,093,797	$29,854,089	$32,359,492	$34,026,222
Net Cash Flow	$2,078,620	$479,927	$1,146,731	$1,626,658	$1,412,947	$1,434,839
Incurred but Not Paid Claim Reserve	2,075,000	1,788,482	$1,874,717	$1,874,717	$2,037,763	$2,139,651

* PCORI fee is shown in the year it is payable

Assumptions

Average Enrollment	3,828	3,837	3,865	3,856	3,865	3,865
Average Members	6,673	6,662	6,670	6,667	6,670	6,670
Months in Period	12	4	8	12	12	12
Premiums PEPM	$651.51	$655.59	$686.95	$676.55	$728.17	$764.58
Medical + Rx Claims Incurred PEPM	$515.19	$605.73	$608.39	$617.86	$651.93	$684.53
Medical + Rx Claims Paid PEPM	$569.57	$569.21	$590.14	$583.20	$632.38	$664.00
Expenses PEPM						
Stop-Loss Premiums	$33.93	$38.70	$38.70	$38.70	$41.80	$45.56
Claims Administration	$40.40	$42.26	$42.26	$42.26	$43.32	$44.40
Prescription Drug Credit	($23.33)	($26.71)	($26.71)	($26.71)	($27.38)	($28.06)
Expenses PMPY (based on year payable)						
PCORI	$2.39	$2.45	$0.00	$2.45	$0.00	$0.00
Monthly Expenses						
Health Consultant	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Other Expenses	$22,940	$38,944	$16,153	$23,750	$24,344	$24,952
Contribution Increase	6.1%	0.6%	0.0%	3.8%	6.0%	5.0%
Medical Claim Trend	5.7%	17.6%		2.4%	5.0%	5.0%
Stop-Loss Premium Trend	19.4%	14.1%		14.1%	8.0%	9.0%
PCORI Fee Increase					-100.0%	
Health Consultant Increase					0.0%	0.0%
Expense Inflation					2.5%	2.5%

APPENDIX B
ASOP 41 DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations, promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States. Each of these organizations requires its members, through its Code of Professional Conduct, to observe the ASOPs of the ASB when practicing in the United States.

The ASOPs are not narrowly prescriptive and neither dictate a single approach nor mandate a particular outcome. ASOPs are intended to provide actuaries with a framework for performing professional assignments and to offer guidance on relevant issues, recommended practices, documentation, and disclosure. Each ASOP articulates a process of analysis, documentation, and disclosure that, in the ASB's judgment, constitutes appropriate practice within the scope and purpose of the ASOP.

ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in this Appendix.

Identification of the Responsible Actuary

The responsible actuary is Bonnie S. Albritton, FSA, MAAA, Vice President and Principal of Lewis & Ellis, Inc. This actuary is available to provide supplementary information and explanation.

Identification of Actuarial Documents

The date of this document is August 13, 2019. The subject is the analysis of the adequacy of the current rates, a projection of future claims and expenses and a recommendation of premium rates for 2020 for Hidalgo County's self-insured medical and prescription drug plan. The document version identification is Version #2 (8/13/2019 10:38 AM).

Disclosures in Actuarial Reports

- The contents of this report are intended for Hidalgo County.
- The purpose of this engagement is to provide Hidalgo County with analysis of the adequacy of the current rates, a projection of future claims and expenses and a recommendation of premium rates for 2020.
- The responsible actuary identified above is qualified as specified in the *Qualification Standards* of the American Academy of Actuaries.
- The projections included in this report involve estimates of future premiums and claims. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The results are not to be used for any purpose other than to estimate the claims incurred, but not paid. These communications should not be relied upon for any other purpose.

- Hidalgo County has agreed to pay Lewis & Ellis, Inc. a fee for preparing this report. Other than with regard to that contract, we are financially and organizationally independent from Hidalgo County. There is nothing in our relationship with the County that would impair or seem to impair the objectivity of our work.

- Hidalgo County provided the claims data, enrollment and other information used to prepare our report. We have reviewed the data for reasonableness, but have not audited it. To the extent that there are material inaccuracies in the data, our results may be accordingly affected.

- The date through which data or other information has been considered in developing the findings included in this report is April 30, 2019.

- We are not aware of any subsequent events that may have a material effect on the actuarial findings.

- The various documents comprising this actuarial report are contained within the document to which these disclosures are attached.

Actuarial Findings

The actuarial findings of the report can be found in this report.

Methods, Procedures, Assumptions, and Data

The methods, procedures, assumptions and data used by the actuary can be found in this report.

Assumptions or Methods Prescribed by Law

This actuarial memorandum was prepared in accordance with generally accepted actuarial principles.

Responsibility for Assumptions and Methods

The actuary does not disclaim responsibility for material assumptions or methods.

Deviation from the Guidance of an ASOP

The actuary has not deviated materially from the guidance set forth in an applicable ASOP.