



Travis County Commissioners Court Agenda Request

Meeting Date: June 19, 2012, Voting Session

Prepared By:

Elected/Appointed Official/Dept. Head:

John Rabb, HRMD, 854-2742 *AR*

Diane Poirot, HR Director 854-9165 *DP*

Leslie Browder, County Executive-PBO
854-8679 *LB*

Judge Biscoe

Sponsors:

AGENDA LANGUAGE:

Consider and take appropriate action on the following employee healthcare items for Fiscal Year 2013 plan year, effective October 1, 2012.

- A. Discuss and approve contribution levels for Travis County Employee Health Plan for FY 13
- B. Discuss and approve FY 13 Health Benefit plan design changes
- C. Discuss and approve defaulting of employees that do not complete entire open enrollment process to Employee Only CEPO coverage and Employee Basic Life

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

TRAVIS COUNTY EMPLOYEE BENEFIT PLAN FY 13 PLAN YEAR RENEWAL

On February 16, 2012, HRMD Benefits Staff as well as Management staff throughout the County were presented with the Plan Executive Report from United Healthcare. This Executive Report provided an analysis of the prior plan year costs, claim experience, plan trends and high dollar cost drivers. In March of 2012, Milliman, the plan actuary, provided HRMD Benefits Staff with the initial actuary report indicating a higher than expected trend, driven by the high claim cost on the Travis County EPO Health Plan. After analyzing all of the available information, HRMD Benefits Staff recognized the need for plan design changes to mitigate future over-utilization of benefits by increasing out-of-pocket expenses and moderate increase in premiums.

Choosing to make no benefit design changes, Option 1, to the FY 12 benefit levels for the EPO, or PPO and Co-Insured EPO plans, would have required a \$4.48 million increase to the County Contribution. This was not a viable option as it would not have addressed the adverse trend reported in the EPO plan.

HRMD Benefits Staff presented the Benefits Committee with its analysis, the latest available actuary data, and several plan options. The Benefits Committee recognized that increased funding will be required from the County, employees and retirees for FY 13 health plan. This will only be the second time in the last six years that the plan has required a rate increase. The most recent increase was in FY 11 and the last time before that was for FY 07. The Benefit Committee recognized the limited availability of resources in FY 13 and the need to further refine the plan to promote long term stability. The Benefits Committee discussed and weighed all of the various options carefully resulting in the recommendation of Option 2, which appears below, for approval. The recommended

increases required from the County, employees and retirees have been minimized by the recommended plan design changes in order to balance reasonable contribution costs and out of pocket expenses.

Option 1 (Status Quo – No Plan Design Changes)

If no benefit plan design changes are made, the increase in contributions is as follows:

- County Contribution Increase of \$4,476,082 is based on:
 - 7.68% increase for Active employees,
 - 6.96% increase for Retirees under 65,
 - 6.21% increase for Retirees 65 and older
 - Anticipated new retirees added to the plan during FY 13.
- Employee Contribution Increase
 - 6.82% rate increase paid by Active employees
 - 6.68% rate increase paid by under 65 Retirees
 - 6.60% rate increase paid by Retirees 65 and older

The Benefits Committee carefully weighed this option, however this option was not recommended given the cost implications to the County and the employees.

Option 2 (Recommended Plan)

With the recommended benefit plan design changes outlined in Attachment 3, the increase in contributions is as follows:

- County Contribution Increase of \$3,549,854 is based on:
 - 5.68% increase for Active employees,
 - 4.95% increase for Retirees under 65,
 - 3.97% increase for Retirees 65 and older
 - Anticipated new retirees added to the plan during FY 13.
- Employee Contribution Increase
 - 4.63% rate increase paid by Active employees
 - 4.63% rate increase paid by under 65 Retirees
 - 5.00% rate increase paid by Retirees 65 and older

The FY 13 cost to the County for Option 2 is approximately \$926,000 less than Option 1. PBO has included the cost for Option 2 in their planning parameters for the FY 13 budget process. This option was recommended since the committee felt that this solution struck a balance between what was affordable for FY 13 and continues to address long-term cost considerations including the over utilization of certain benefit plan features.

BENEFIT ACTION ITEM INFORMATION AND STAFF RECOMMENDATIONS:

A. Discuss and approve contribution levels for Travis County Employee Health Plan for FY 13

- **Attachment 1** - Summary of the contribution levels required for employees and the County with no plan design changes- **Option 1**
- **Attachment 2** – Summary of contribution levels required for employees and the County with recommended plan design changes – **Option 2**
- **Attachment 3** – Active Employee FY 13 Contributions
- **Attachment 4** – Under 65 Retiree FY 13 Contributions
- **Attachment 5** – 65 and Over Retiree FY 13 Contributions
- **Attachment 6** – Recommended FY 13 Plan Design Changes

Recommendation: Approve employee and county contribution levels as proposed in Option 2

B. Review and approve FY 13 Health Benefit plan design changes

- Attachment 3 contains the **proposed plan design changes** used to determine rates in **Option 2**

Recommendation: Approve benefit plan changes as shown in Option 2

C. Approve defaulting of employees that do not complete entire open enrollment process to Employee Only CEPO coverage and Employee Basic Life

Recommendation: Approve

Note: this is the last open enrollment using County Open Enrollment system, next year it will be done on the SAP system, and the processes will be different.

ISSUES AND OPPORTUNITIES:

Staff believes that employee education will continue to be key to the success of the health plan program on an ongoing basis. If the employees respond and take ownership of the this on-going education, collectively plan participants can reduce the rate of future increases to the pharmacy and medical plan and empower participants to be good healthcare consumers on an ongoing basis.

HRMD Benefits Staff continues to monitor and follow the legislative process for the Patient Protection and Affordable Care Act (PPACA). Plan design changes are not in conflict with the provisions in the Act.

FISCAL IMPACT AND SOURCE OF FUNDING:

The fiscal impact to the FY 13 budget for the recommended Option 2 to the General Fund is \$3,549,584. PBO believes that this amount can be accommodated within the available resources for FY 13.

REQUIRED AUTHORIZATIONS:

| | |
|----------------------------|----------------|
| Human Resources Management | Diane Poirot |
| Human Resources Management | Dan Mansour |
| Human Resources Management | Cindy Purinton |
| Planning and Budget Office | Leslie Browder |
| County Judge's Office | Cheryl Aker |
| Commissioners Court | Gillian Porter |

Attachment 1

Option 1 (Not recommended) - Summary of Increased Contribution Rates with No Plan Design Changes

| County | FY 12 Composite Rate | FY 13 Composite Rate | Increase |
|---|-----------------------------|-----------------------------|-----------------|
| Increase for Active Employees | \$696.08 | \$749.52 | 7.6% |
| Increase for Retirees under 65 | \$1,273.45 | \$1,362.07 | 6.96% |
| Increase for 65 and Older Retirees | \$368.43 | \$391.31 | 6.21% |
| Increase in County Contribution Funding* | | | \$4.48 Million |
| <i>*Increase in County Contribution funding includes additional funds for 150 new retirees.</i> | | | |

| Employee Contribution Increases | % Increase In Employee Contributions |
|--|---|
| Increase for Active Employees | 6.82 % |
| Increase for Retirees under 65 | 6.68 % |
| Increase for 65 and Older Retirees | 6.60 % |

Attachment 2

Option 2 – Increased Contribution Rates with Plan Design Changes Summary

| County | FY 12 Composite Rate | FY 13 Composite Rate | Increase |
|---|----------------------------|----------------------------|----------------|
| Increase for Active Employees | \$696.08 | \$735.63 | 5.68 % |
| Increase for Retirees under 65 | \$1,273.45 | \$1,336.53 | 4.95 % |
| Increase for 65 and Older Retirees | \$368.43 | \$383.06 | 3.97 % |
| Increase in County Contribution Funding* | | | \$3.55 Million |
| <i>*Increase in County Contribution funding includes additional funds for 150 new retirees.</i> | | | |

| Employee Contribution Increases | % Increase In Employee Contributions |
|------------------------------------|---|
| Increase for Active Employees | 4.63 % |
| Increase for Retirees under 65 | 4.63 % |
| Increase for 65 and Older Retirees | 5.00 % |

Attachment 3 (Recommended)

Active Rate Changes for Option 2 – With Plan Design Changes

| PROPOSED FY2013 RATES- ACTIVES | | | | | | |
|--|-------------------------|--------------------------|--------------------------|--------------------------|---|--------------------------------|
| FY2013 County Subsidy - | Employee subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy |
| EPO | 85% | 65% | 76% | 69% | 62% | 60% |
| PPO | 100% | 79% | 91% | 84% | 75% | 73% |
| Coinsured EPO | 100% | 84% | 96% | 89% | 80% | 77% |
| | | | | | | |
| FY2013 Total Premium- per employee per month | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$666 | \$1,416 | \$909 | \$1,270 | \$1,798 | \$2,160 |
| PPO | \$563 | \$1,174 | \$759 | \$1,054 | \$1,489 | \$1,784 |
| Coinsured EPO | \$563 | \$1,104 | \$714 | \$992 | \$1,398 | \$1,675 |
| | | | | | | |
| County Cost (per employee per month) | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$563 | \$922 | \$687 | \$882 | \$1,116 | \$1,296 |
| PPO | \$563 | \$922 | \$687 | \$882 | \$1,116 | \$1,296 |
| Coinsured EPO | \$563 | \$922 | \$687 | \$882 | \$1,116 | \$1,296 |
| | | | | | | |
| Employee Contributions- Proposed (per employee per month) | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$103 | \$494 | \$222 | \$388 | \$682 | \$864 |
| PPO | \$0 | \$252 | \$72 | \$172 | \$373 | \$488 |
| Coinsured EPO | \$0 | \$182 | \$27 | \$110 | \$282 | \$379 |
| | | | | | | |
| FY12 Employee Premiums (prior year) | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$98 | \$471 | \$212 | \$371 | \$652 | \$826 |
| PPO | \$0 | \$240 | \$69 | \$165 | \$357 | \$467 |
| Coinsured EPO | \$0 | \$173 | \$26 | \$105 | \$270 | \$363 |
| | | | | | | |
| Amount of Monthly Increase to Employee | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$5 | \$23 | \$10 | \$17 | \$30 | \$38 |
| PPO | \$0 | \$12 | \$3 | \$7 | \$16 | \$21 |
| Coinsured EPO | \$0 | \$9 | \$1 | \$5 | \$12 | \$16 |
| | | | | | | |
| Employee Percent of change | | | | | | |
| EPO | 5.10% | 4.88% | 4.72% | 4.58% | 4.60% | 4.60% |
| PPO | 0.00% | 5.00% | 4.35% | 4.24% | 4.48% | 4.50% |
| Coinsured EPO | 0.00% | 5.20% | 0.00% | 4.76% | 4.44% | 4.41% |
| | | | | | | |
| | | | | | Proposed County Composite Rate per emp per month | \$ 735.63 |

Attachment 4

Under 65 Rate Changes for Option 2 - With Plan Design Changes

| Proposed FY2013 RATES- UNDER AGE 65 Retirees | | | | | | |
|--|-----------------|-------------------|-------------------|--|---------------------|------------------------|
| FY2013 County Subsidy - | Retiree subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy |
| EPO | 79% | 65% | 75% | 71% | 60% | 54% |
| PPO | 86% | 76% | 84% | 81% | 70% | 64% |
| Coinsured EPO | 91% | 81% | 90% | 87% | 75% | 69% |
| | | | | | | |
| FY2013 Total Premium- per retiree per month | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$1,612 | \$2,286 | \$1,837 | \$2,115 | \$2,510 | \$2,788 |
| PPO | \$1,470 | \$1,969 | \$1,636 | \$1,843 | \$2,136 | \$2,343 |
| Coinsured EPO | \$1,387 | \$1,835 | \$1,535 | \$1,720 | \$1,983 | \$2,167 |
| | | | | | | |
| County Cost- (per retiree per month) | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$1,268 | \$1,495 | \$1,382 | \$1,495 | \$1,495 | \$1,495 |
| PPO | \$1,268 | \$1,495 | \$1,382 | \$1,495 | \$1,495 | \$1,495 |
| Coinsured EPO | \$1,268 | \$1,495 | \$1,382 | \$1,495 | \$1,495 | \$1,495 |
| | | | | | | |
| Retiree Contributions-FY 2013 (per retiree per month) | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$344 | \$791 | \$455 | \$620 | \$1,015 | \$1,293 |
| PPO | \$202 | \$474 | \$254 | \$348 | \$641 | \$848 |
| Coinsured EPO | \$119 | \$340 | \$153 | \$225 | \$488 | \$672 |
| | | | | | | |
| Previous FY12 retiree Premiums | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$329 | \$755 | \$435 | \$592 | \$969 | \$1,235 |
| PPO | \$193 | \$453 | \$243 | \$332 | \$612 | \$810 |
| Coinsured EPO | \$114 | \$325 | \$146 | \$215 | \$466 | \$642 |
| | | | | | | |
| Retiree | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$15 | \$36 | \$20 | \$28 | \$46 | \$58 |
| PPO | \$9 | \$21 | \$11 | \$16 | \$29 | \$38 |
| Coinsured EPO | \$5 | \$15 | \$7 | \$10 | \$22 | \$30 |
| Percent of change | | | | | | |
| EPO | 4.56% | 4.77% | 4.60% | 4.73% | 4.75% | 4.70% |
| PPO | 4.66% | 4.64% | 4.53% | 4.82% | 4.74% | 4.69% |
| Coinsured EPO | 4.39% | 4.62% | 4.79% | 4.65% | 4.72% | 4.67% |
| | | | | | | |
| | | | | Proposed Annual County Composite Rate <65 | \$ 1,336.53 | |

Attachment 5

65 and Over Retiree Rate Changes for Option 2 - With Plan Design Changes

| PROPOSED FY2013 RATES- OVER AGE 65 RETIREES | | | | | | |
|--|-----------------|-------------------|-------------------|-------------------|---------------------|------------------------|
| FY2013 County Subsidy | Retiree subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy | Dependent subsidy |
| EPO | 72% | 62% | 65% | 54% | 52% | 45% |
| PPO | 86% | 76% | 79% | 67% | 65% | 56% |
| Coinsured EPO | 91% | 81% | 84% | 72% | 70% | 61% |
| Pharmacy only Plan | 86% | 0% | | | | |
| FY2013 Total Premium- <i>per retiree per month</i> | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$514 | \$667 | \$643 | \$771 | \$796 | \$925 |
| PPO | \$432 | \$545 | \$529 | \$624 | \$643 | \$737 |
| Coinsured EPO | \$407 | \$510 | \$495 | \$579 | \$596 | \$681 |
| Pharmacy only Plan | \$277 | \$316 | | | | |
| County Cost- <i>(per retiree per month)</i> | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$370 | \$415 | \$416 | \$416 | \$416 | \$416 |
| PPO | \$370 | \$415 | \$416 | \$416 | \$416 | \$416 |
| Coinsured EPO | \$370 | \$415 | \$416 | \$416 | \$416 | \$416 |
| Pharmacy only Plan | \$239 | \$239 | | | | |
| Retiree Contributions- FY2013 <i>(per retiree per month)</i> | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$144 | \$252 | \$227 | \$355 | \$380 | \$509 |
| PPO | \$62 | \$130 | \$113 | \$208 | \$227 | \$321 |
| Coinsured EPO | \$37 | \$95 | \$79 | \$163 | \$180 | \$265 |
| Pharmacy only Plan | \$38 | \$77 | | | | |
| Previous FY12 Retiree Premiums | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$137 | \$240 | \$217 | \$339 | \$363 | \$486 |
| PPO | \$59 | \$124 | \$108 | \$199 | \$217 | \$307 |
| Coinsured EPO | \$35 | \$90 | \$76 | \$156 | \$172 | \$253 |
| Pharmacy only Plan | \$37 | \$74 | | | | |
| Amount of Monthly Increase to Retiree | Emp only | Emp+1 Adult | Emp+1 Child | Emp+ Children | Emp+adult +Child | Emp+adult +Children |
| EPO | \$7 | \$12 | \$10 | \$16 | \$17 | \$23 |
| PPO | \$3 | \$6 | \$5 | \$9 | \$10 | \$14 |
| Coinsured EPO | \$2 | \$5 | \$3 | \$7 | \$8 | \$12 |
| Pharmacy only Plan | \$1 | \$3 | N/A | N/A | N/A | N/A |
| Retiree Percent of change | | | | | | |
| EPO | 5.11% | 5.00% | 4.61% | 4.72% | 4.68% | 4.73% |
| PPO | 0.00% | 4.84% | 4.63% | 4.52% | 4.61% | 4.56% |
| Coinsured EPO | 0.00% | 5.56% | 3.95% | 4.49% | 4.65% | 4.74% |
| Pharmacy only Plan | 2.70% | 4.05% | | | | |
| Proposed County Composite Rate >65 | | | | | \$ | 383.06 |

Attachment 6

Proposed Plan Design Changes for Option 2

| Proposed Benefit Changes | EPO | PPO | Coinsured EPO |
|---|--|--|--|
| Calendar Year Individual Deductible | \$200 <i>Increase of \$100</i> | \$400 In-network \$1000 Out of network <i>Increase of \$100</i> | \$600 <i>Increase of \$100</i> |
| Calendar Year family Deductible (Individual Ded x 2.5) | N/A | \$1000 in-network No Family OON <i>Increase of \$100</i> | \$1,500 <i>No change</i> |
| Out of Pocket Maximum | N/A | \$2,500 In-network \$3,500 Out of Network <i>Increase of \$500</i> | \$2,500 <i>Increase of \$500</i> |
| Family Out of Pocket Maximums (Individual x 2) | N/A | \$5,000 In-Network \$7,500 Out of Network <i>Increase of \$1,000</i> | \$5,000 <i>Increase of \$1,000</i> |
| Ambulance | \$100 copay/use No ded/coins <i>Currently must meet ded/coins</i> | \$100 copay/use No ded/coins <i>Currently must meet ded/coins</i> | \$100 copay/use No ded/coins <i>Currently must meet ded/coins</i> |
| Hospital Admit Copay | \$100 per day up to 4 days + ded/coins (\$1,000 copay max/year) <i>Currently \$200 copay Highest cost area</i> | \$100 per day up to 3 days + ded/coins (\$1,000 copay max/year) <i>Currently \$200 copay Highest cost area</i> | \$100 per day up to 2 days + ded/coins (\$1,000 copay max/year) <i>Currently \$200 copay Highest cost area</i> |
| Out Patient Surgery | \$100 copay <i>Currently \$25 copay Out pt hosp is 2nd highest cost area</i> | Ded / coins <i>Currently \$25 copay Out pt hosp is 2nd highest cost area</i> | Ded/ coins <i>Currently \$25 copay Out pt hosp is 2nd highest cost area</i> |
| Urgent Care Copay | \$45 <i>Currently \$25 Co pay has not increased since 01</i> | \$40 <i>Currently \$25 Co pay has not increased since 01</i> | \$30 <i>Currently \$25 Co pay has not increased since 01</i> |