



Item 14

Travis County Commissioners Court Agenda Request

Meeting Date: May 28, 2013, Voting Session

Prepared By:

Shannon Steele, HRMD 854-6046 *Sms*

John Rabb, HRMD 854-2472 *JR*

Elected/Appointed Official/Dept. Head:

Leslie Browder, County Executive 854-8679 *LB*

Sponsors:

Judge Samuel T. Biscoe

AGENDA LANGUAGE:

Consider and take appropriate action on the following employee healthcare items for Fiscal Year 2014 plan year, effective October 1, 2013.

- A. Discuss contribution levels for Travis County Employee Health Plan for FY 14.
- B. Discuss FY 14 Health Benefit plan design changes.
- C. Approve date and time for Employee Public Hearing as Thursday, June 20, 2013 at 4:30 p.m. in Commissioners Courtroom.
- D. Approve printing and release of information to employees and retirees regarding benefit options, prior to Employee Public Hearing.
- E. Approve FY 14 Open Enrollment Dates as August 1, 2013 through August 30, 2013.
- F. Approve a passive Open Enrollment process for FY 14, allowing employees to continue with current benefit elections if no action is taken by the employee.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

TRAVIS COUNTY EMPLOYEE BENEFIT PLAN FY 14 PLAN YEAR RENEWAL

On February 21, 2013, HRMD benefits staff and managers 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, claims experience, plan trends and high dollar cost drivers. In March 2013, Milliman, the plan actuary, provided HRMD benefits staff with the initial actuary report indicating a higher than expected trend, driven by the high claim costs on the Travis County EPO Health Plan as well as an increase in the number of high cost claimants. 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 moderately increasing premiums.

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 the FY 14 health plan. This will only be the third 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 14 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, which resulted in the recommendation of Option 2 below. The recommended increases required from the County employees and retirees have been minimized by the recommended plan design changes to provide a balance between reasonable contribution costs and out of pocket expenses.

Choosing to make no benefit design changes to the FY 14 benefit levels for the EPO, or PPO and Co-Insured EPO plans, which is shown in Option 1, would have required a \$4,906,680 increase to the County contribution. The Benefits Committee did not feel this was a viable option for the long-term stability of the plan.

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 \$4,906,680 is based on:
 - 8.68% increase for Active employees
 - 8.57% increase for Retirees under 65
 - 9.17% increase for Retirees 65 and older
 - Anticipated new retirees added to the plan during FY 14
- Employee Contribution Increase
 - 6.68% rate increase paid by Active employees
 - 5.85% rate increase paid by under 65 Retirees
 - 8.12% rate increase paid by Retirees 65 and older

The Benefits Committee carefully weighed this option; however, it 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 \$3,533,893 is based on:
 - 5.94% increase for Active employees
 - 5.81% increase for Retirees under 65
 - 6.22% increase for Retirees 65 and older
 - Anticipated new retirees added to the plan during FY 14
- Employee Contribution Increase
 - 4.02% rate increase paid by Active employees
 - 3.28% rate increase paid by under 65 Retirees
 - 6.02% rate increase paid by Retirees 65 and older

The FY 14 cost to the County for Option 2 is \$1,372,787 less than Option 1. The Planning and Budget Office has included \$3,533,893 for Option 2 in planning parameters for the FY 14 budget process. This option was recommended since the Benefits Committee felt that this solution struck a balance between what was affordable for FY 14 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 contribution levels for Travis County Employee Health Plan for FY 14.

- **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 14 Contributions
- **Attachment 4** – Under 65 Retiree FY 14 Contributions
- **Attachment 5** – 65 and Over Retiree FY 14 Contributions
- **Attachment 6** – Recommended FY 14 Plan Design Changes

Employee Benefit Committee Recommendation: Approve employee and County contribution levels as proposed in Option 2 (Court will be asked to take action after Employee Hearing)

B. Discuss FY 14 Health Benefit plan design changes

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

Employee Benefit Committee Recommendation: Approve benefit plan changes as shown in Option 2 (Court will be asked to take action after Employee Hearing)

C. Approve date and time for Employee Public Hearing as June 20, 2013 at 4:30 p.m. in Commissioners Courtroom

Recommendation: Approve and notify legal to post if necessary

D. Approve printing and release of information to employees and retirees regarding benefit options, prior to Employee Public Hearing

Recommendation: Approve

E. Approve FY 14 Open Enrollment Dates as August 1, 2013 through August 30, 2013

Recommendation: Approve

F. Approve a passive Open Enrollment process, allowing employees to continue with current benefit elections if no action is taken by the employee.

Recommendation: Approve

ISSUES AND OPPORTUNITIES:

Staff believes that employee education and engagement will continue to be critical to the success of the health plan program on an ongoing basis. If the employees respond and take ownership of programs through the County's wellness program as well as with United Healthcare, 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). Recommended 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 14 budget for the recommended Option 2 to the General Fund is \$3,533,893. The Planning and Budget Office believes that this amount can be accommodated within the available resources currently estimated for FY 14.

REQUIRED AUTHORIZATIONS:

Human Resources Management	John Rabb
Human Resources Management	Shannon Steele
Planning and Budget Office	Travis Gatlin
Planning and Budget Office	Leslie Browder
County Judge's Office	
Commissioners Court	

Attachment 1

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

County	FY 13 Composite Rate	FY 14 Composite Rate	Increase
Increase for Active Employees	\$735.63	\$799.45	8.68 %
Increase for Retirees under 65	\$1,336.53	\$1,451.05	8.57 %
Increase for 65 and Older Retirees	\$383.06	\$418.20	9.17 %
Increase in County Contribution Funding*			\$4.91 Million
<i>*Increase in County Contribution funding includes additional funds for new retirees.</i>			

Employee Contribution Increases	% Increase In Employee Contributions
Increase for Active Employees	6.68 %
Increase for Retirees under 65	5.85 %
Increase for 65 and Older Retirees	8.12 %

Attachment 2

Option 2 – Increased Contribution Rates with Plan Design Changes Summary

County	FY 13 Composite Rate	FY 14 Composite Rate	Increase
Increase for Active Employees	\$735.63	\$779.32	5.94 %
Increase for Retirees under 65	\$1,336.53	\$1,414.24	5.81 %
Increase for 65 and Older Retirees	\$383.06	\$406.90	6.22 %
Increase in County Contribution Funding*			\$3.53 Million
<i>*Increase in County Contribution funding includes additional funds for new retirees.</i>			

Employee Contribution Increases	% Increase In Employee Contributions
Increase for Active Employees	4.02 %
Increase for Retirees under 65	3.28 %
Increase for 65 and Older Retirees	6.02 %

Attachment 3 (Recommended)

Active Rate Changes for Option 2 – With Plan Design Changes

PROPOSED FY 14 RATES-					ACTIVES	
Total Contribution Proposed <i>(per employee per month)</i>	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	705.00	1498.00	962.00	1344.00	1903.00	2286.00
PPO	596.00	1242.00	803.00	1115.00	1576.00	1888.00
Coinsured EPO	596.00	1168.00	756.00	1050.00	1479.00	1772.00
County Contribution Proposed <i>(per employee per month)</i>	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	596.00	976.00	727.00	933.00	1181.00	1371.00
PPO	596.00	976.00	727.00	933.00	1181.00	1371.00
Coinsured EPO	596.00	976.00	727.00	933.00	1181.00	1371.00
Employee Contributions-Proposed <i>(per employee per month)</i>	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	109.00	522.00	235.00	411.00	722.00	915.00
PPO	0.00	266.00	76.00	182.00	395.00	517.00
Coinsured EPO	0.00	192.00	29.00	117.00	298.00	401.00
FY13 Employee Premiums (prior year)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	103.00	494.00	222.00	388.00	682.00	864.00
PPO	0.00	252.00	72.00	172.00	373.00	488.00
Coinsured EPO	0.00	182.00	27.00	110.00	282.00	379.00
Amount of Monthly Increase to Employee	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	6.00	28.00	13.00	23.00	40.00	51.00
PPO	0.00	14.00	4.00	10.00	22.00	29.00
Coinsured EPO	0.00	10.00	2.00	7.00	16.00	22.00
Based on Milliman 10A				Proposed County Composite Rate per emp per month	\$	779.32

Attachment 4

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

Proposed FY 14 RATES- UNDER AGE 65 Retirees						
FY 14 Total Contribution-Proposed (per retiree per month)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	1706.00	2419.00	1944.00	2238.00	2656.00	2950.00
PPO	1556.00	2084.00	1731.00	1950.00	2260.00	2479.00
Coinsured EPO	1468.00	1942.00	1624.00	1820.00	2098.00	2293.00
County Contribution-Proposed (per retiree per month)						
EPO	1342.00	1582.00	1462.00	1582.00	1582.00	1582.00
PPO	1342.00	1582.00	1462.00	1582.00	1582.00	1582.00
Coinsured EPO	1342.00	1582.00	1462.00	1582.00	1582.00	1582.00
Retiree Contributions-Proposed (per retiree per month)						
EPO	364.00	837.00	482.00	656.00	1074.00	1368.00
PPO	214.00	502.00	269.00	368.00	678.00	897.00
Coinsured EPO	126.00	360.00	162.00	238.00	516.00	711.00
Prior Year FY13 retiree Contributions						
EPO	344.00	791.00	455.00	620.00	1015.00	1293.00
PPO	202.00	474.00	254.00	348.00	641.00	848.00
Coinsured EPO	119.00	340.00	153.00	225.00	488.00	672.00
Retiree						
EPO	20.00	46.00	27.00	36.00	59.00	75.00
PPO	12.00	28.00	15.00	20.00	37.00	49.00
Coinsured EPO	7.00	20.00	9.00	13.00	28.00	39.00
Based on Milliman 10A				Proposed Annual County Composite Rate <65	\$ 1,414.24	

Attachment 5

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

PROPOSED FY 14 RATES-				OVER AGE 65 RETIREES		
FY 14 Total Contribution-Proposed <i>(per retiree per month)</i>	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	544.00	706.00	680.00	816.00	842.00	979.00
PPO	457.00	577.00	560.00	660.00	680.00	780.00
Coinsured EPO	431.00	540.00	524.00	613.00	631.00	721.00
Pharmacy only Plan	277.00	316.00				
County Contribution-Proposed <i>(per retiree per month)</i>	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	391.00	439.00	440.00	440.00	440.00	440.00
PPO	391.00	439.00	440.00	440.00	440.00	440.00
Coinsured EPO	391.00	439.00	440.00	440.00	440.00	440.00
Pharmacy only Plan	239.00	239.00				
Retiree Contributions-Proposed <i>(per retiree per month)</i>	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	153.00	267.00	240.00	376.00	402.00	539.00
PPO	66.00	138.00	120.00	220.00	240.00	340.00
Coinsured EPO	40.00	101.00	84.00	173.00	191.00	281.00
Pharmacy only Plan	38.00	77.00				
Previous FY 13 Retiree Premiums	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	144.00	252.00	227.00	355.00	380.00	509.00
PPO	62.00	130.00	113.00	208.00	227.00	321.00
Coinsured EPO	37.00	95.00	79.00	163.00	180.00	265.00
Pharmacy only Plan	38.00	77.00				
Amount of Monthly Increase to Retiree	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	9.00	15.00	13.00	21.00	22.00	30.00
PPO	4.00	8.00	7.00	12.00	13.00	19.00
Coinsured EPO	3.00	6.00	5.00	10.00	11.00	16.00
Pharmacy only Plan	0.00	0.00	N/A	N/A	N/A	N/A
Based on Milliman 10A				Proposed County Composite Rate >65	\$ 406.90	

Attachment 6

Proposed Plan Design Changes for Option 2

		EPO	PPO In-Network	PPO Out-of-Network	CEPO
Deductible	Current	\$200	\$400	\$1,000	\$600
	<i>Proposed</i>	\$300	\$500	\$1,500	\$700
Out-of-Pocket Maximum	Current	\$1,000 ind	\$2,500 ind \$5,000 fam	\$3,500 ind \$7,500 fam	\$2,500 ind \$5,000 fam
	<i>Proposed</i>	\$1,500 ind	\$3,000 ind \$6,000 fam	\$3,500 ind \$7,500 fam	\$3,000 ind \$6,000 fam
ER	Current	\$125 / visit	\$125 / visit	\$125 / visit	\$125 / visit
	<i>Proposed</i>	\$175 / visit	\$150 / visit	\$150 / visit	\$150 / visit
Outpatient Surgery	Current	\$100 copay	Ded + Coins	Ded + Coins	Ded + Coins
	<i>Proposed</i>	\$200 copay	No change	No change	No change
Provider Copays	Current	\$30 primary \$45 spec	\$25 primary \$40 spec	Ded + Coins	\$20 primary \$35 spec
	<i>Proposed</i>	\$35 primary \$50 spec	\$30 primary \$45 spec	No change	\$25 primary \$40 spec
Rehabilitation Services - Outpatient Therapy	Current	\$5 copay for first 20 visits then regular copays	\$5 copay for first 20 visits then regular copays	Ded + Coins	\$5 copay for first 20 visits then regular copays
	<i>Proposed</i>	\$15 copay for first 15 visits then regular copays	\$15 copay for first 15 visits then regular copays	No Change	\$15 copay for first 15 visits then regular copays
Chiropractic Visits	Current	30 max/year	30 max/year	30 max/year	30 max/year
	<i>Proposed</i>	25 max/year	25 max/year	25 max/year	25 max/year
TMJ Coverage	Current	Excluded	Excluded	Excluded	Excluded
	<i>Proposed</i>	Covered	Covered	Covered	Covered