



Item 13

Travis County Commissioners Court Agenda Request

Meeting Date: June 25, 2013, Voting Session

Prepared By:

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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. Contribution levels for Travis County Employee Health Plan for FY 14.
- B. Health Benefit plan design changes for FY 14.
- C. Open Enrollment process for FY 14, allowing employees to continue with current benefit elections if no action is taken by the employee with the exception of the two Flexible Spending Accounts.

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 increases were in FY 13 and FY 11. There were no changes to the rates from the previous years for FY 12, FY 10, FY 09 and FY 08. 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. 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

B. Health Benefit plan design changes for FY 14.

- 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

C. Open Enrollment process for FY 14, allowing employees to continue with current benefit elections if no action is taken by the employee with the exception of the two Flexible Spending Accounts.

Employee Benefit Committee 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	Total % Increase In Employee Contributions by Group
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	Total % Increase In Employee Contributions by Group
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	1,498	962	1,344	1,903	2,286
PPO	596	1,242	803	1,115	1,576	1,888
Coinsured EPO	596	1,168	756	1,050	1,479	1,772
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	976	727	933	1,181	1,371
PPO	596	976	727	933	1,181	1,371
Coinsured EPO	596	976	727	933	1,181	1,371
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	522	235	411	722	915
PPO	0	266	76	182	395	517
Coinsured EPO	0	192	29	117	298	401
FY13 Employee Premiums (prior year)	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
Amount of Monthly Increase to Employee	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	6	28	13	23	40	51
PPO	0	14	4	10	22	29
Coinsured EPO	0	10	2	7	16	22
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	1,706	2,419	1,944	2,238	2,656	2,950
PPO	1,556	2,084	1,731	1,950	2,260	2,479
Coinsured EPO	1,468	1,942	1,624	1,820	2,098	2,293
County Contribution-Proposed (per retiree per month)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	1,342	1,582	1,462	1,582	1,582	1,582
PPO	1,342	1,582	1,462	1,582	1,582	1,582
Coinsured EPO	1,342	1,582	1,462	1,582	1,582	1,582
Retiree Contributions-Proposed (per retiree per month)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	364	837	482	656	1,074	1,368
PPO	214	502	269	368	678	897
Coinsured EPO	126	360	162	238	516	711
Prior Year FY13 retiree Contributions	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
Retiree	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	20	46	27	36	59	75
PPO	12	28	15	20	37	49
Coinsured EPO	7	20	9	13	28	39
Based on Milliman 10A				Proposed County Composite Rate <65 per month	\$	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 (per retiree per month)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	544	706	680	816	842	979
PPO	457	577	560	660	680	780
Coinsured EPO	431	540	524	613	631	721
Pharmacy only Plan	277	316				
County Contribution-Proposed (per retiree per month)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	391	439	440	440	440	440
PPO	391	439	440	440	440	440
Coinsured EPO	391	439	440	440	440	440
Pharmacy only Plan	239	239				
Retiree Contributions-Proposed (per retiree per month)	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	153	267	240	376	402	539
PPO	66	138	120	220	240	340
Coinsured EPO	40	101	84	173	191	281
Pharmacy only Plan	38	77				
Previous FY 13 Retiree Premiums	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				
Amount of Monthly Increase to Retiree	Emp only	Emp+1 Adult	Emp+1 Child	Emp+ Children	Emp+adult +Child	Emp+adult +Children
EPO	9	15	13	21	22	30
PPO	4	8	7	12	13	19
Coinsured EPO	3	6	5	10	11	16
Pharmacy only Plan	0	0	N/A	N/A	N/A	N/A
Based on Milliman 10A				Proposed County Composite Rate >65 per month	\$	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
Temporomandibular Joint (TMJ) Disorder Coverage	Current	Excluded	Excluded	Excluded	Excluded
	<i>Proposed</i>	Covered	Covered	Covered	Covered