

# **Self Insured Medical Plan**

## **2017 Premium Rate Recommendation and Proposed Reserve Use**

**Management Committee**



# Self-Insured HealthCare Benefits

	Amount
<b>2017 Projected Plan Cost</b>	<b>\$ 72.8</b>
- HRA Funding from Operating Funds	(1.9)
<b>Projected Costs (Premium Funded)</b>	<b>\$ 70.9</b>

# Rate Setting Principles - #1

- Total premiums must ensure that risk is shared by those enrollees with the same plan choices
  - Open Access premiums should cover all anticipated Open Access claims
  - Combined premiums for Distinctions and HRA should cover all anticipated combined claims for those programs

# Rate Setting Principles

FUNDING GAP			
Total Gap	Open Access	Distinctions	HRA
0.5	(\$1.6)		\$2.1

Rate Principle	Open Access	Distinctions	HRA
1	5.4%	Decrease	

# Rate Setting Principles - #2

- Premiums for each individual plan should be evaluated annually and calibrated to the projected claims expense of that plan.
  - Calibration of premiums can and should be managed over time to avoid significant year to year premium fluctuations (once the first principle is set)

# Rate Setting Principles - #3

- A Minimum Reserve Target should be maintained.

Reserve balances may be available for:

- Mitigation of unanticipated gaps between premium collections and claims expenses.
- Mitigation of the premium collection and claims expense impact due to enrolled migration among plans
- Avoid significant year to year premium fluctuations (once the first principle is met)
- One-time uses with priority to uses that mitigate future claims costs

# Rate Recommendation

FUNDING GAP			
Total	Open Access	Distinctions	HRA
0.5	(\$1.6)	(\$1.8)	\$3.9

Rate Principle	Open Access	Distinctions	HRA
1	5.4%	Decrease	
2 & 3	5.4%	1.0%	(12.0%)

# Health Plans and Rates

2016		
Plan	Single	Family
Open Access	\$906	\$2,266
Distinctions	\$763	\$1,907
HRA	\$593	\$1,484

# Health Plans and Rates

Plan	2016		2017	
	Single	Family	Single	Family
Open Access	\$906	\$2,266	\$955	\$2,388
Distinctions	\$763	\$1,907	\$771	\$1,926
HRA	\$593	\$1,484	\$522	\$1,306



# Self-Insured HealthCare Benefits

December 31, 2015	Medical	Dental
<b>Ending Reserve Balance</b>	<b>\$ 26.1</b>	<b>\$ 1.3</b>
	41%	29%
<b>Reserve Target</b>	<b>25-35%</b>	<b>10%</b>
Projected 2016 Expenses (Oct 2015)	\$ 66.8	\$ 4.6
High end of target (recommended)	\$ 23.4	\$0.46
Projected 2017 Expenses	\$ 70.9	\$ 4.6

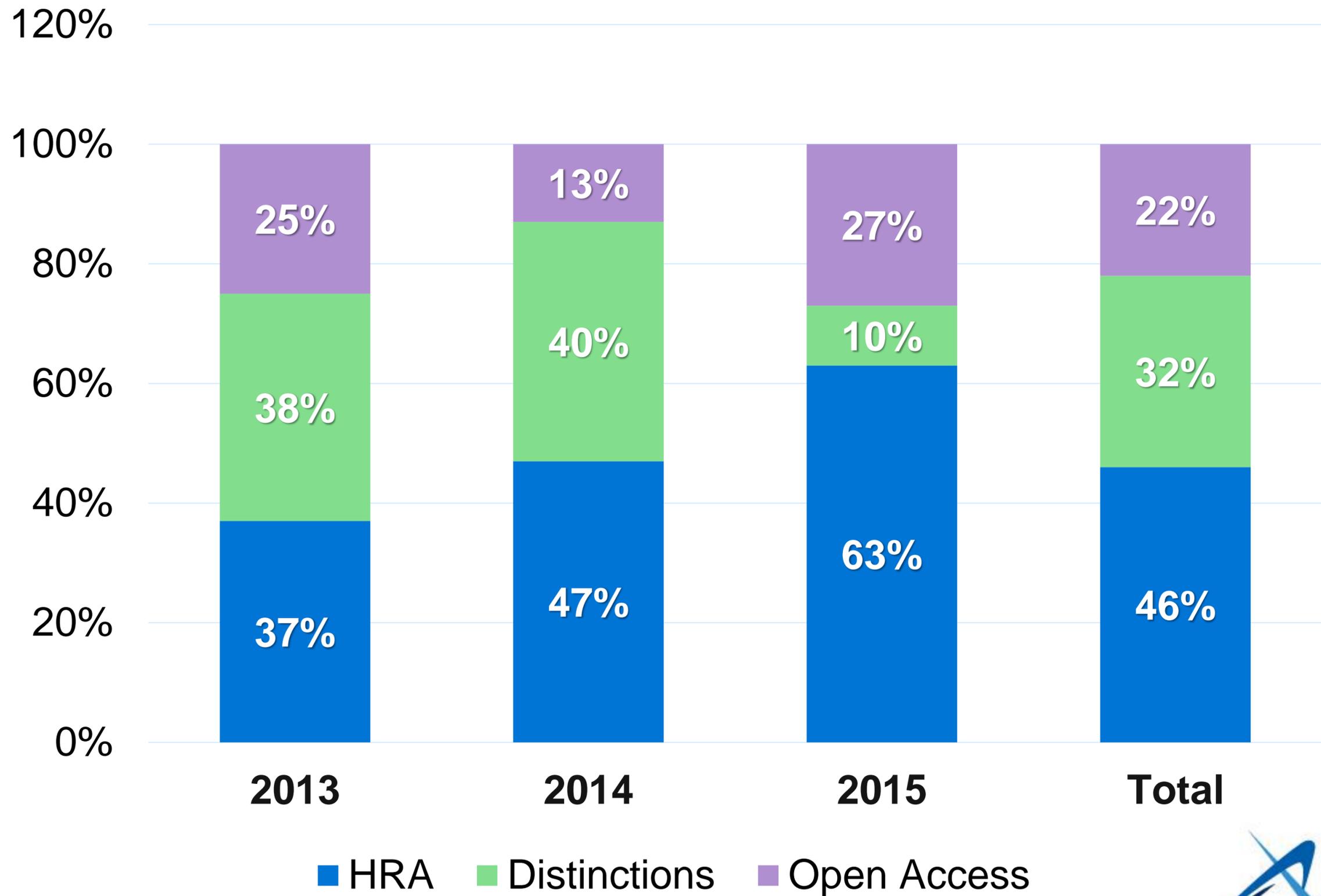
# Self-Insured HealthCare Plans

## Risk Mitigation

- Reserves
  - Cash flow monthly variability between premiums and claims
  - Mitigate uninsured losses for claims exceeding premium coverage and provide stability in rate setting
- Insurance Coverage
  - \$500K Specific stop loss
  - 125% Aggregate stop loss

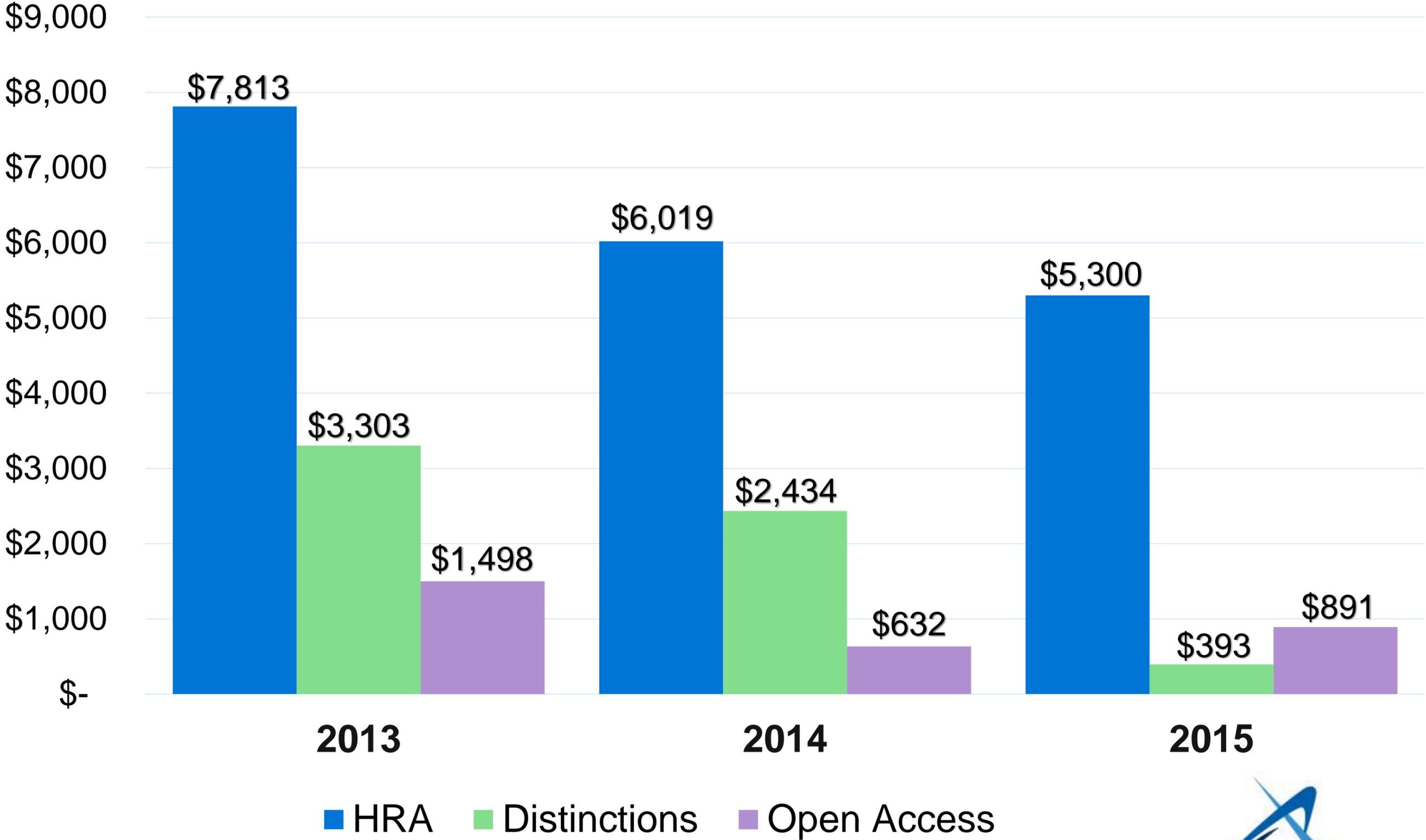
# Contributions to Reserve

## % of Total by Plan



# Contributions to Reserve

## Per Employee Enrolled by Plan



# Self-Insured HealthCare Plans

December 31, 2015	Medical	Dental
<b>Ending Reserve Balance</b>	<b>\$ 26.1</b>	<b>\$ 1.3</b>
	41%	29%
<b>Reserve Target</b>	<b>25-35%</b>	<b>10%</b>
Projected 2016 Expenses (Oct 2015)	\$ 66.8	\$ 4.6
Low end of target	\$ 16.7	-
High end of target (recommended)	\$ 23.4	\$0.46
<b>Reserves over Target</b>	<b>\$3.5</b>	



# Reserve Use Principles & Guidelines

Based on Rate Setting Principle that allows one-time uses with priority to uses that mitigate future claims cost:

- Dedicated to health and wellness related programs
- Used for “one-time” distributions
- Supported by health assessment data
- Targeted to impact future health claims experience
- Target major cost drivers
- Equitable use and distribution of reserves

# Reserve Use Recommendation

## Reserves over Target - \$3.5M

- Heywood on-site clinic - \$250,000
  - Approximate build-out cost
- One-time lump sum contribution to HCSP - \$1.5M
  - \$400 per employee enrolled in a medical plan
- Save for future use - \$1.75M