

# **Self Insured Medical Plan**

## **2020 Premium Rate Recommendation**

**Management Committee**  
**September 11, 2019**



# Self-Insured HealthCare Benefits

	Amount
<b>Projected Costs (Premium Funded)*</b>	<b>\$ 78.6</b>
Current Premium w/ Expected Enrollment	77.6
<b>Calculated Funding Increase</b>	<b>1.3%</b>

\* Actuarial calculation: assumes 7% medical claims cost trend, individual plan experience (24 months), and administrative cost inflation

# Our HealthCare Plans

PLANS	OPEN ACCESS	DISTINCTIONS	EMPOWER HRA
Eligible	ATU Members & early retirees	All Employees & early retirees	All Employees & early retirees
Total Premium	Highest	Middle	Lowest
Deductible	None	\$275 Single \$550 Family	\$1,375 Single* \$2,750 Family*
Copays	Lowest	3 Tiers \$23 / \$33 / \$43	20% Coinsurance
Providers	In-network/ Out-of- network	Tiered Network	In-network/ Out-of- network
Out-of-Pocket Maximum	\$1,000 Single \$2,000 Family	\$1,100 Single \$2,200 Family	\$2,875 Single \$5,750 Family
Employee Involvement	Lowest	Medium	Active

\* Council makes annual contribution to active employee accounts to cover deductible.



# 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 1.3%	Open Access	Distinctions	HRA
<b>(\$1.0)</b>	<b>(\$0.1)</b>	<b>(\$0.9)</b>	
Rate Principle	Open Access	Distinctions	HRA
1	0.5%	1.75%	



# 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 Recommendation

FUNDING GAP			
Total Gap 8.4%	Open Access	Distinctions	HRA
<b>(\$1.0)</b>	<b>(\$0.1)</b>	<b>(\$0.9)</b>	
Rate Principle	Open Access	Distinctions	HRA
1	0.5%	1.75%	
2	<b>0.5%</b>	<b>1.75%</b>	<b>1.75%</b>

# Health Plans and Rates

Plan	2019	
	Single	Family
Open Access	\$1,104	\$2,761
Distinctions	\$891	\$2,225
HRA*	\$584	\$1,460

\* Annual contribution to HRA \$1375 single, \$2750 family





# Health Plans and Rates

Plan	2019		2020	
	Single	Family	Single	Family
Open Access	\$1,104	\$2,761	\$1,109	\$2,774
Distinctions	\$891	\$2,225	\$907	\$2,264
HRA*	\$584	\$1,460	\$594	\$1,486

\* Annual contribution to HRA \$1375 single, \$2750 family



# 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
  - \$750K Specific stop loss
  - 125% Aggregate stop loss

# Rate Setting Principles - #3

- A Minimum Reserve Target should be maintained.

Reserve balances may be available to:

- Mitigate risk of unanticipated gaps between premium collections and claims expenses.
- Mitigate risk impact of participant 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

# Self-Insured HealthCare Plans - Reserves

December 31, 2018	Medical	Dental
<b>Beginning Balance</b>	<b>\$ 26.9</b>	<b>\$ 2.2</b>
Change in Fund Balance	2.0	0.5
<b>Reserve Balance (12/31/18)</b>	<b>\$ 28.9</b>	<b>\$ 2.7</b>
<b>2020 Projected Expense</b>	<b>\$ 78.6</b>	<b>\$5.1</b>
<b>Reserve Target %</b>	<b>25-35%</b>	<b>10%</b>
Reserve Target for 2019	\$20-\$28	\$0.48
<b>Projected 2020 Reserve %</b>	<b>37%</b>	<b>53%</b>