

Self Insured Medical Plan

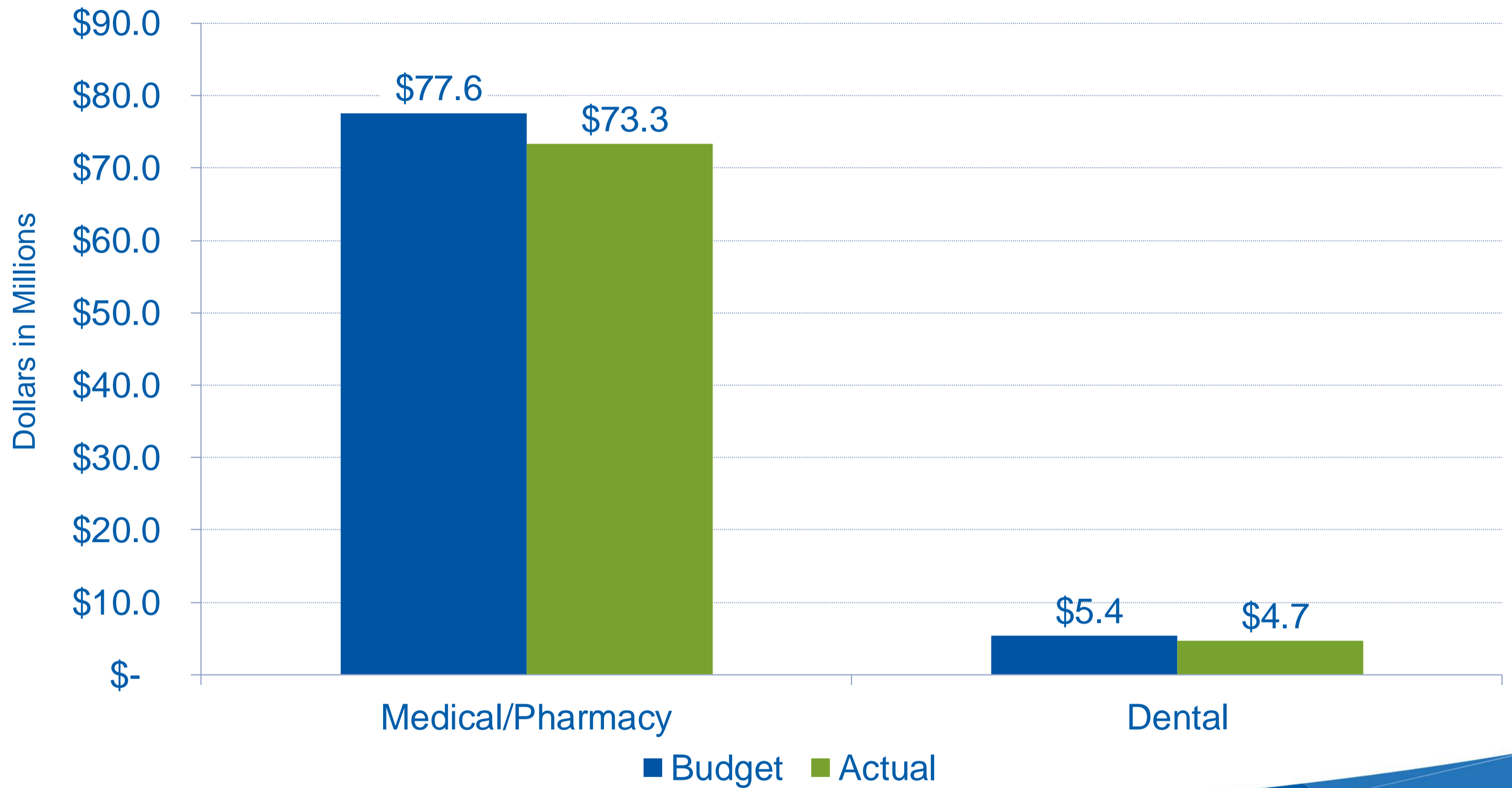
- 2019 Year-End Report
- 2021 Premium Rate Recommendation

Management Committee
August 26, 2020

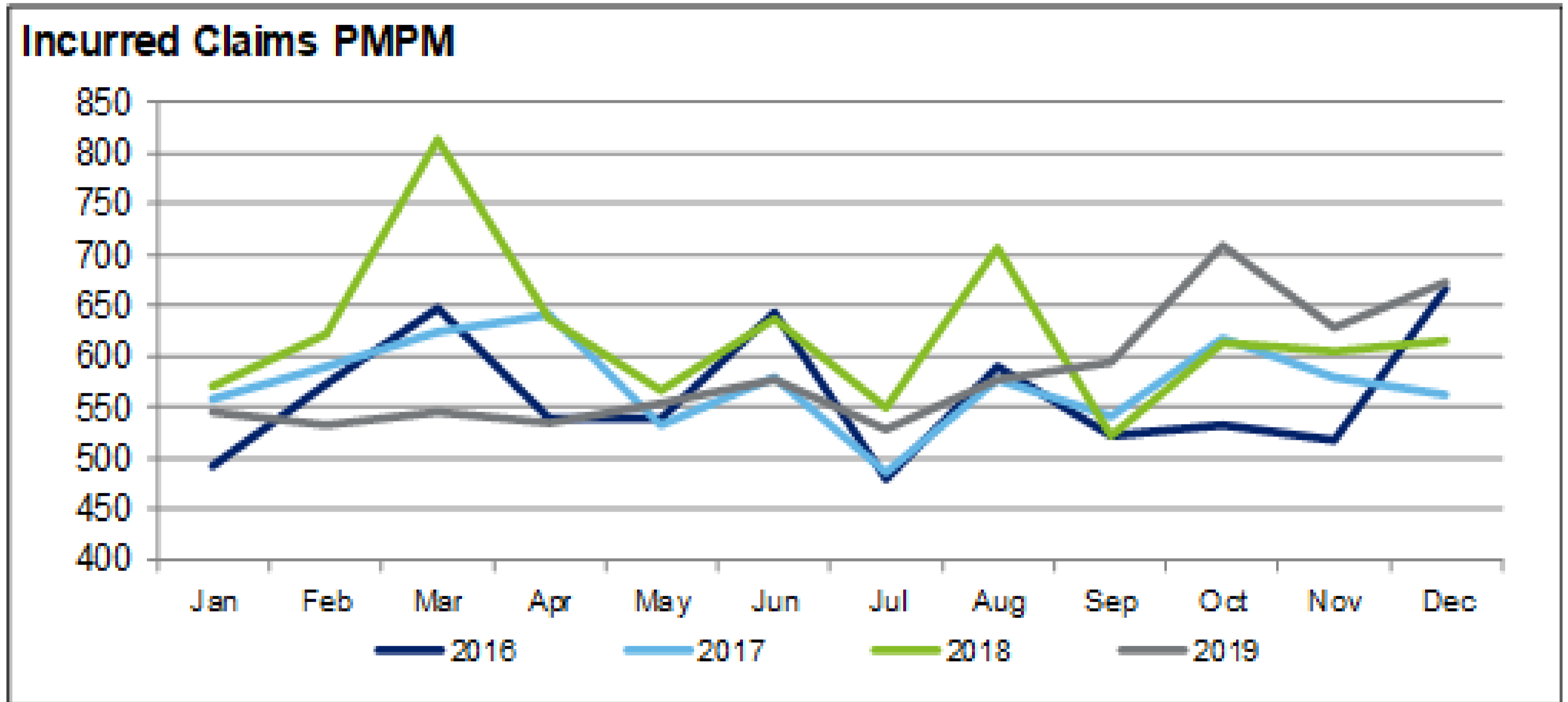


Self-Insured Plan Costs – 2019

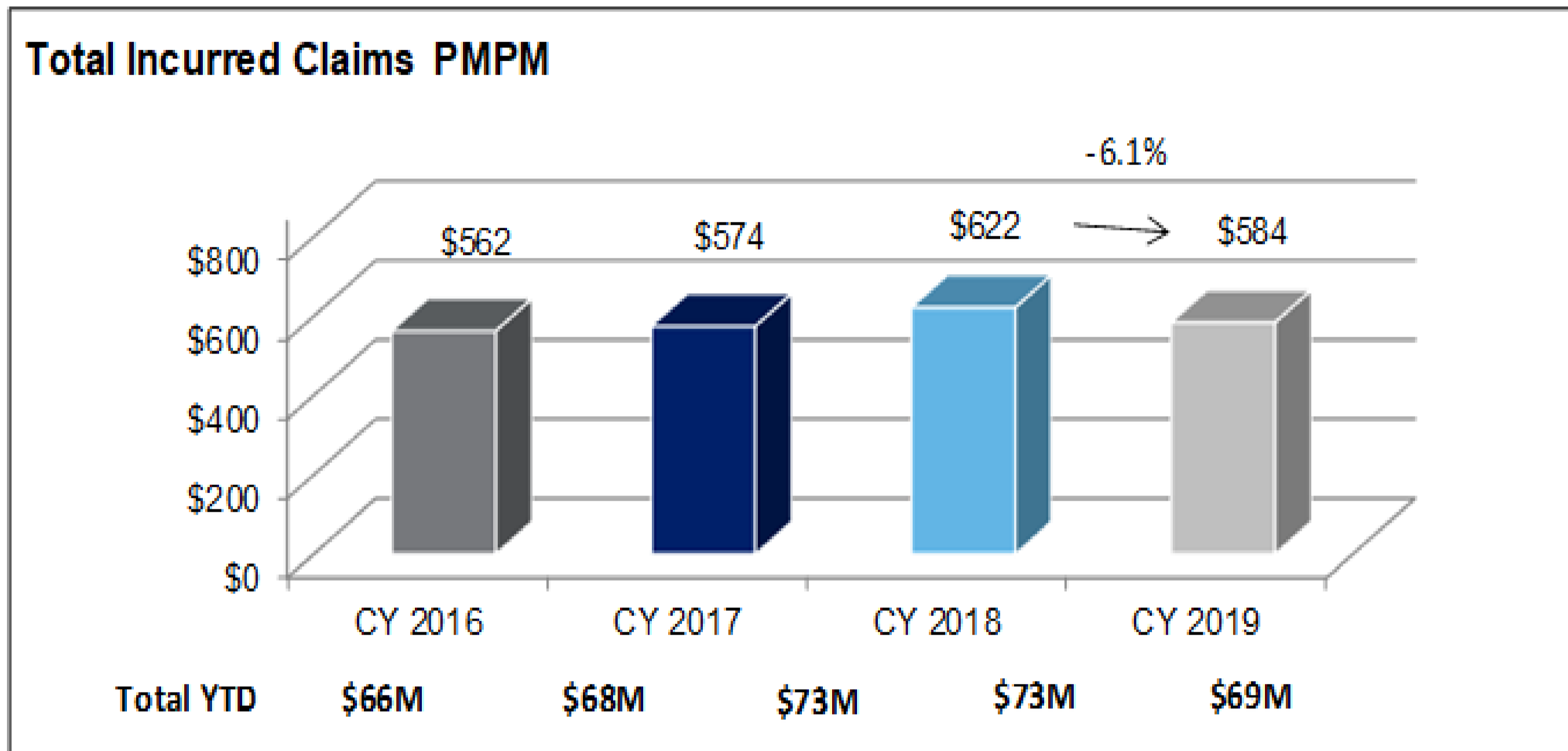
(Claims, admin fees and stop loss premium)



Incurred Claims: Medical & Pharmacy



Total Incurred Medical Claims Per Member Per Month

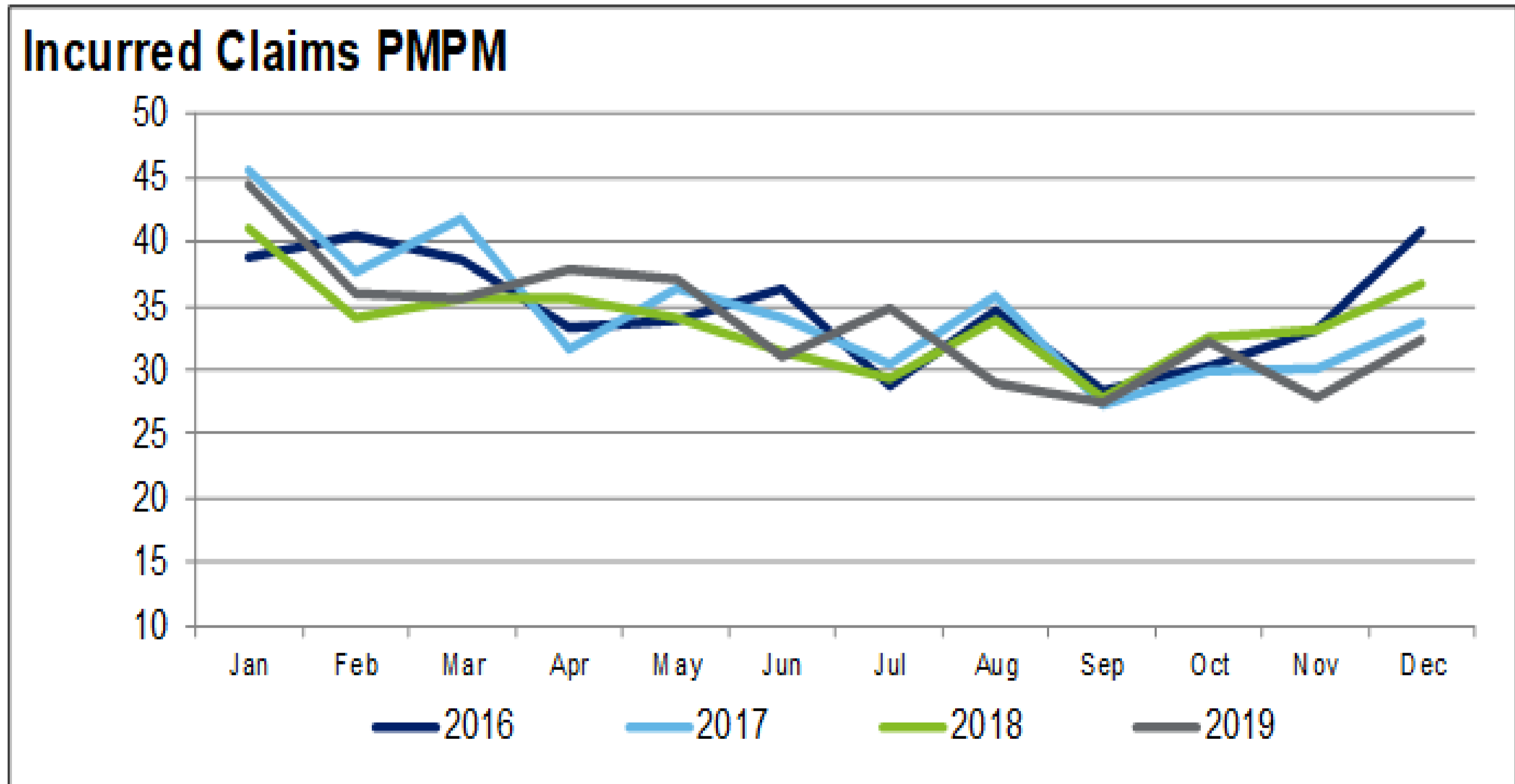


CY 2018 was abnormally high due to large claims

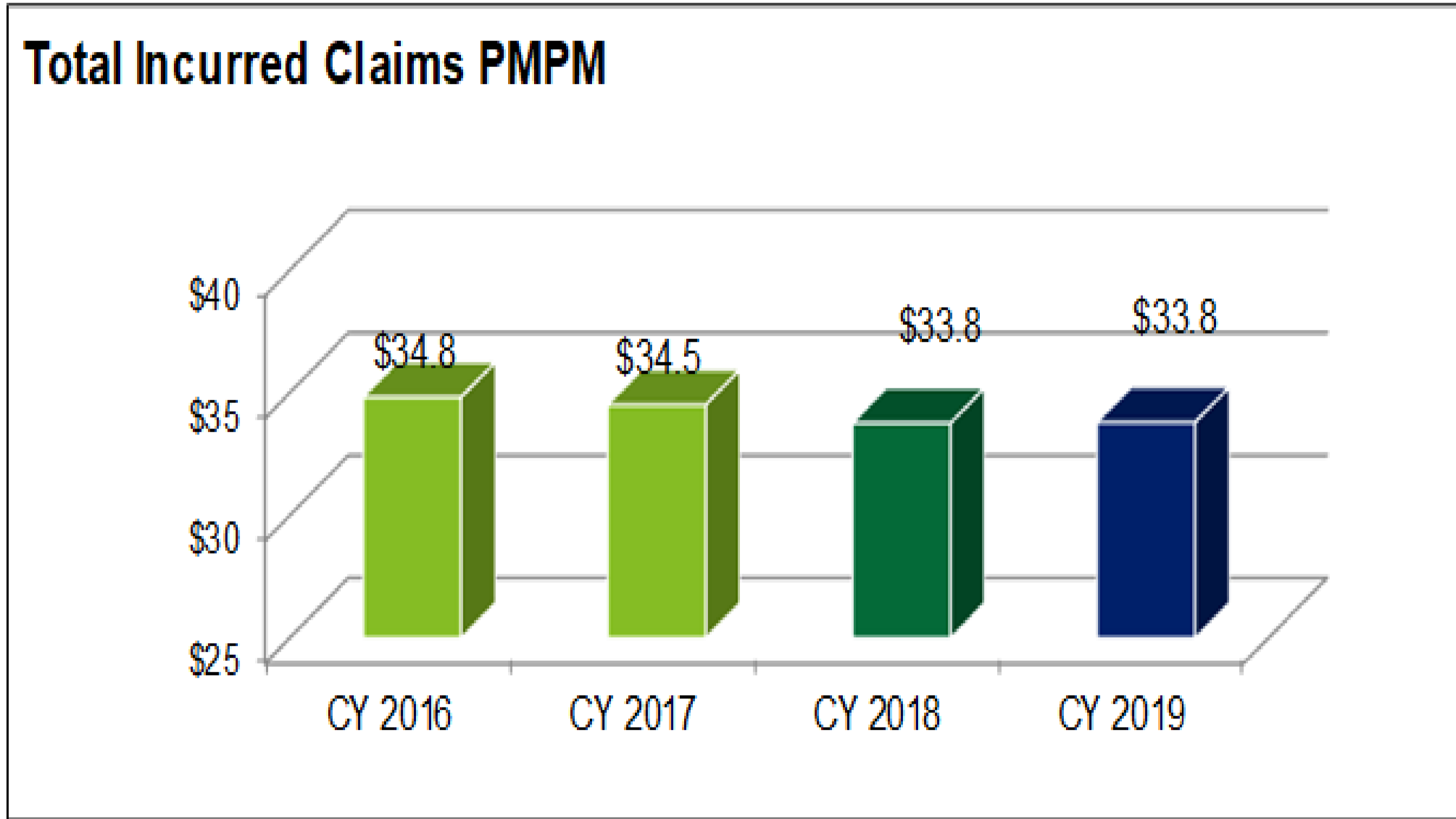
Key Points

- Medical Claims:
 - ❖ 7.4% decrease compared to 2018
 - ❖ Decrease due to significantly large claims in 2018 – covered by stop loss insurance
 - ❖ Top claims diagnosis: Cancer and Orthopedic/Arthritic conditions
 - ❖ 2019 large claims:
85 claims over \$100K totaled \$15.1M or 22% of total claims
 - ❖ 2018 large claims:
89 claims over \$100K totaled \$20.2M or 28% of total claims
- Pharmacy Claims:
 - ❖ 1% increase compared to 2018
 - ❖ Large 2018 claims also impacted pharmacy
 - ❖ Top pharmacy drug classes: chronic inflammatory disease and diabetes

Incurred Dental Claims - 2019



Incurred Dental Claims - PMPM



Self-Insured HealthCare Benefits

	Amount
Projected Costs (Premium Funded)*	\$ 79.1
Current Premium w/ Expected Enrollment	77.6
Calculated Funding Increase	2.0%

* 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 2.0%	Open Access	Distinctions	HRA
(\$1.5)	(\$1.5)	(\$0.0)	

Rate Principle	Open Access	Distinctions	HRA
1	5.7%	0.0%	

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 2.8%	Open Access	Distinctions	HRA
(\$2.0)	(\$1.5)	(\$0.0)	
Rate Principle	Open Access	Distinctions	HRA
1	5.7%	0.0%	
2	5.7%	0.0%	0.0%

Health Plans and Rates

2020		
Plan	Single	Family
Open Access	\$1,109	\$2,774
Distinctions	\$907	\$2,264
HRA*	\$594	\$1,486

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

Health Plans and Rates

Plan	2020		2021	
	Single	Family	Single	Family
Open Access	\$1,109	\$2,774	\$1,173	\$2,933
Distinctions	\$907	\$2,264	\$907	\$2,264
HRA*	\$594	\$1,486	\$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, 2019	Medical	Dental
Beginning Balance	\$ 28.9	\$ 2.7
Change in Fund Balance	8.5	0.7
Planned use of Reserves 4/2020	(1.9)	-
Reserve Balance	\$ 35.5	\$ 3.4
2021 Projected Expense	\$ 79.1	\$5.1
Reserve Target %	25-35%	10%
Reserve Target for 2021	\$20-\$28	\$0.51
Projected 2021 Reserve %	45%	66%

Questions

Marcy Syman, Human Resources Director

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