Board of County Commissioners
Workshop Item

Date of Workshop: June 9, 2009

Date Submitted: June 8, 2009

To: Honorable Chairman and Members of the Board

From: Parwez Alam, County Administrator PA
Lillian Bennett, Director of Human Resources LB

Subject: County Employee Health Insurance Renewal 2010 Plan Year

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Statement of Issue:
Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) have proposed a 12% rate increase for health insurance under the Current Plan Design for the 2010 Plan Year. This item requests Board approval to award employee health insurance coverage to CHP/BCBS at a rate increase of 4.5% for the 2010 Plan Year. The 4.5% rate proposed is for the CHP Alternate Plan Design and maintains the current plan design for BCBS (Attachments #1, #2 and #3).

Background:
Leon County currently contracts with Capital Health Plan and Blue Cross Blue Shield for employee health insurance services. The health insurance program covers Board and Constitutional Office employees, COBRA participants, as well as retirees. The initial agreement with CHP expired on December 31, 2008; however, Leon County has the option to renew the current agreement with CHP on an annual basis for three additional plan years.

Section II of the current agreement with CHP, titled Effective Date and Term, reads as follows:

> "The Initial Term of the Agreement shall be for 3 years commencing on January 1, 2006 and expiring on December 31, 2008. Thereafter, the County at its sole option may renew this agreement on an annual basis for no more than 3 consecutive terms of one year in duration. Should the County exercise its option to renew this Agreement for the above referenced 3 consecutive options years; the contract thereafter shall remain in effect from year to year unless terminated pursuant to the provision of Section VII".

At the June 10, 2008 meeting, the Board approved Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) as the providers of employee medical services for the 2009 Plan Year (Attachment #4). For Plan Year 2010, the County has the option to extend CHP's and BCBS's agreement for medical services for an additional year.

At the June 10, 2008 meeting, the Board exercised one of the three-year options to renew under the CHP agreement for the 2009 Plan year and entered into an annual renewable agreement with

BCBS. Leon County has two additional one year renewal options remaining under the current CHP agreement, ending December 2011.

At the March 19, 2009 Budget Workshop, staff presented a discussion item titled "Board Approval to Begin Negotiations of Premium Rates on County Employee Health Insurance Services for the 2010 Plan Year (Attachment #5). At that meeting, the Board directed staff to begin negotiations with CHP and BCBS for the County's health insurance program for 2010 Plan Year. The Board further directed that if negotiations and premium rates are acceptable, Leon County should exercise the second annual renewal option to extend service for an additional year under the current agreement.

For the 2009 Plan Year the total cost for health insurance is estimated at 14.7 million, of which $13.2 million is Leon County Employer Costs. Table #1 summarizes the current enrollment for active employees, employer/employee annual contributions and total costs of medical insurance. It also provides the average employer cost per covered enrollee.

Table #1
Employer/Employee Costs
2009 Enrollment and Estimated Annual Insurance Cost by Provider

Current Plan	CHP	BCBS	Total Cost
Projected Enrollment as of May 2009	1356	61	1417
Employer Cost Contribution 90%	$12.7 million	$ 515,000	$13.2 million
Employee Cost Contribution 10%	$1.4 million	$ 57,200	$1.5 million
Total Estimated Insurance Cost 100%	$14.1 million	$572,200	$14.7 million
Average Employer Cost Per Covered Enrollee			$9,315

Analysis:
As directed by the Board at the March 19, 2009 Budget Workshop, staff began negotiations with CHP and BCBS. CHP/BCBS has proposed a rate increase of 12% for the 2010 Plan Year under the Current Plan Design. The BCBS PPO is being provided at the same premium rate as the CHP HMO.

For the 2010 Plan Year, in order to maintain the Current Plan Design, the total cost for health insurance is estimated at $16.4 million, of which Leon County's Employer cost is estimated at $14.8 million. This represents an increase of approximately $1.6 million over the 2009 Plan Year.

Table #2 summarizes the employer/employee annual cost of medical insurance for the 2010 Plan Year.

Table #2
Employer/Employee Costs
2010 Enrollment and Insurance Cost by Provider
Maintains Current Plan Design – 12% Rate Increase

Current Plan	CHP	BCBS	Total
Projected Enrollment as of May 2009	1356	61	1417
Leon County Contribution 90%	$14.2 million	$576,600	$14.8 million
Employee Contribution 10%	$1.6 million	$64,100	$1.6 million
Total Estimated Insurance Cost 100%	$15.8 million	$640,700	$16.4 million
Average Employer Cost Per Covered Enrollee			$10,444

CHP Alternate Plan Design

Due to the high cost of the Current Plan Design, CHP/BCBS has offered an Alternate Plan Design at a rate increase of 4.5% for the 2010 Plan Year. This option also includes the BCBS PPO at the same premium. The Alternate Plan Designs has higher co-pays for medical services than the Current Plan Design; however, the alternate plan is comparable to that of the local market.

A summary of the current CHP Current Plan Design, CHP Alternate Plan Design and the BCBS Plan Design is outlined in Table #3 below:

Table #3

CHP/BCBS
Summary Comparison of Rates and Plan Designs
Current CHP HMO, Alternate Plan and Blue Cross/Blue Shield PPO

	A	B	C
Benefits	**Current CHP HMO Plan Design Co-pays**	**CHP Alternate Plan Design Co-Pays**	**Blue Cross/ Blue Shield PPO Plan Design Co-pays**
2010 Plan Year Rate Increase	**12%**	**4.5%**	**12% or 4.5% depending on selection of Option A or B**
Office Visits Primary Care Physician (PCP)	$10	$15	$15
Office Visits PCP After Hours	$15	$20	$15
Office Visits Specialist	$10	$25	$30
Outpatient surgical procedures	$10	$25	$100
Mental Health & Substance Use Disorder Outpatient Care	$20	$25	$30
Hospital Emergency Room In- Network	$100	$100	$100+10% coinsurance
Prescription Copays	$7/$20/$35	$15/$30/$50	$15/$30/$50
Diagnostic, MRI,PET &CT Scans	$0	$100	$75
Hospital Services, Mental Health Inpatient and Maternity Inpatient	$0	$250 per admission	$400/$800
Short term Physical/Speech & Other Rehabilitation Therapies	$10	$25	$30
Routine Eye Exams for Vision Correction	$10	$15	NA
National Network In -Network	Away from Home Care	Away from Home Care	Yes
Out of Network Benefits	Emergencies only	Emergencies only	Deductible ($500) + 40% coinsurance
Out-of-Pocket Maximum (per person/family aggregate)	$1,500/$3,000	$2,000/$4,500	$2,500/$7,500 In-network/Out-of-Network (same)

The rate of 12% or 4.5% will depend upon the plan design selected, either the CHP Current Plan Design (A) or the CHP Alternate Plan Design (B). Either Option will include the BCBS PPO Plan Design (C). For the Alternate Plan Design, staff has recommended to CHP the following changes:

1.) Placing a dollar cap on hospital admissions of $750 per year.
2.) Reducing the co-payment of the Diagnostic MRI, PET & CT Scans from $100 to $50
3.) Increasing the co-payment of Outpatient surgical procedures performed in a hospital or ambulatory surgical center from $0 to $50

CHP will need to re-rate the Alternate Plan Design which could result in a slightly higher premium increase than the current rate proposal of 4.5% if the changes are approved.

Table #4 provides a comparison of the employer cost only of the CHP Current Plan Design with the CHP Alternate Plan Design. The table also reflects the potential Employer savings of approximately $1.0 million of selecting the CHP Alternate Plan Design as follows:

Table #4
Employer Cost Only
Comparison of CHP/BCBS
Current Plan Design Renewal and Alternate Plan Design

Plan Design	A	B
	CHP/BCBS Current Renewal 12% Rate Inc.	CHP/BCBS (Alternate Plan) 4.5% Rate Inc.
Projected Enrollment as of May 2009	1417	1417
2010 Employer Only Estimated Insurance Cost 90%	$14.8 million	$13.8 million
2009 Employer Only Estimated Insurance Cost 90%	$13.2 million	$13.2 million
Cost Inc. (Dec) over 2009 Cost	$1.6 million	$600,000
Cost Savings Over Current Plan		$1.0 million

Table #5 reflects the estimated employer/employee monthly premiums by coverage category with a 12% premium rate increase under the Current Plan Design:

Table #5
CHP /BCBS Current Plan Design Renewal @ 12%
Employer/ Employee Monthly Cost

Category	2009 Total Monthly Premium	Employer 90%	Employee 10%	2010 Total Monthly Premium	Employer 90%	Employee 10%	Employer Monthly Cost Increase	Employee Monthly Cost Increase
Employee	$435.60	$392.04	$43.56	$487.87	$439.08	$ 48.79	$47.04	$5.23
Employee+1	$901.70	$811.52	$90.18	$1,009.90	$908.91	$100.99	$97.39	$10.81
Family	$1,154.30	$1,038.86	$115.44	$1,292.82	$1,163.54	$129.28	$124.68	$13.84

Table #6 reflects the estimated employer/employee monthly premiums by coverage category with a 4.5% premium rate increase under the CHP Alternate Plan Design:

Table #6
CHP /BCBS Alternate Plan Design @ 4.5%
Employer/ Employee Monthly Cost

Category	2009 Total Monthly Premium	Employer 90%	Employee 10%	2010 Total Monthly Premium	Employer 90%	Employee 10%	Employer Monthly Cost Increase	Employee Monthly Cost Increase
Employee	$435.60	$392.04	$43.56	$455.20	$410.04	$45.56	$18.00	$2.00
Employee+1	$901.70	$811.52	$90.18	$942.28	$848.05	$94.23	$36.53	$4.05
Family	$1,154.30	$1,038.86	$115.44	$1206.24	$1,085.62	$120.62	$46.76	$5.18

Employer/ Employee Contribution Strategy Change

For Plan Year 2009 the Board changed the contribution strategy for the health plan premiums from 92.5% to 90% for the employer and from 7.5% to 10% for the employee. Attachment #6 shows the potential savings of a change in the employer/employee contribution strategy based on 87.5%/12.5% and 85%/15% respectively.

CHP Executive Summary and Health Status Demographics

CHP has provided an Executive Summary and Demographics and Health Status Report which reflects medical claims and subscriber demographics based on claims incurred in plan year 2008 (Attachment #7). CHP representatives will be available to present this information to the Board if requested.

Local Market Comparisons

A comparative plan design of Leon County, City of Tallahassee, Leon County School Board, and the State of Florida is shown in Attachment #8. These entities provide employees with plan designs which have higher co-pays for prescriptions and medical services. The CHP Alternate Plan is similar to the plans adopted in the local market for Leon County.

Alternative Health Insurance Options (Broker and Alternative Pharmacy Benefit)

At the March 5, 2009 Budget Workshop, staff was asked to research the benefits of using an insurance broker to secure bids for the County's health insurance program. Preliminary review indicates that the cost of a broker will exceed $60,000 annually and this is a recurring expense. Brokers and/or consultants are primarily used when issuing an RFP for medical services or when major changes are being proposed for the medical program. Staff does not recommend utilizing a broker at this time.

Staff is also researching an Alternative Pharmacy Benefit which may allow for the purchase of prescription drugs at a lower cost. Staff continues to research both the broker and the Alternative

Pharmacy Benefit options to determine if these are viable alternatives in the future. Due to renewal time constraints, these alternatives are not feasible for implementation in the 2010 Plan Year. As such, these alternatives will be reviewed for consideration in the 2011 Plan Year.

Summary

The fiscal impact of medical insurance for Leon County's Employer cost for calendar year 2010 is estimated at $14.8 million and maintains the Current Plan Design at a 12% rate increase. This represents an increase in Employer costs of approximately $1.6 million over the 2009 Plan Year. A CHP Alternate Plan Design with higher co-pays is being offered at a rate increase of 4.5%. The Alternate Plan Design is estimated at an Employer cost of $13.8 million for an increase of approximately $600,000 over the 2009 Plan year and approximately $1 million dollars less than the Current Plan Design for 2010. Staff recommends the renewal of heath insurance services with CHP/BCBS with the CHP Alternate Plan Design at a rate increase of 4.5% for the 2010 Plan Year.

Options:

1. Approve the renewal of 2010 Plan Year Health Insurance Services with Capital Health Plan/Blue Cross Blue Shield with the CHP Alternate Plan Design at a 4.5% rate increase, and authorize the County Administrator to execute the necessary agreements.
2. Approve the renewal of 2010 Plan Year Health Insurance Services with Capital Health Plan/Blue Cross Blue Shield with the CHP Current Plan Design at 12% rate increase, and authorize the County Administrator to execute the necessary Agreements.
3. Board Direction.

Recommendation:

Option # 1

Attachments:

1. CHP/BCBS proposed rates for Current Plan and CHP Alternate Plan
2. Comparison Chart of CHP Plan Design and CHP Alternate Plan Design
3. BCBS Current Plan Design
4. June 10, 2008 Agenda Item without attachments titled "Approval to Award County Employee Health Insurance Services to Capital Health Plan and Blue Cross and Blue Shield for the 2009 Plan Year".
5. March 5, 2009 Budget Discussion Item without attachments titled "Board Approval to Begin Negotiations of Premiums Rates on County Employee Health Insurance Services for the 2010 Plan Year
6. Employer/Employee Contribution Strategies
7. CHP Executive Overview for Plan Year 2008
8. Local Market Comparisons of Plan Design of the City of Tallahassee, Leon County School Board and the State of Florida.

PA/LWB/EP

Board of County Commissioners
Workshop Item

Date of Meeting: March 19, 2009

Date Submitted: March 12, 2009

To: Honorable Chairman and Members of the Board

From: Parwez Alam, County Administrator PA
Lillian Bennett, Director of Human Resources LWB

Subject: Board Approval to Begin Negotiations to Renew County Employee Health Insurance Services for the 2010 Plan Year

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Statement of Issue:
This agenda item requests Board approval to begin negotiations with Capital Health Plan and Blue Cross Blue Shield for premium rates for County Employee Health Insurance for the 2010 Plan year.

Background:
At the June 10, 2008 meeting, the Board approved Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) as the providers of employee medical services for the 2009 Plan Year. BCBS replaced United Healthcare as the provider with a national network.

For Plan Year 2010, the County has the option to extend CHP's and BCBS's agreement for medical services for an additional year. Staff is requesting to begin negotiations with CHP and BCBS for premium rates for the 2010 year.

The health insurance program covers Board and Constitutional Office employees, COBRA participants, as well as retirees. Section II of the current agreement with CHP, titled Effective Date and Term, reads as follows:

> "The Initial Term of the Agreement shall be for 3 years commencing on January 1, 2006 and expiring on December 31, 2008. Thereafter, the County at its sole option may renew this agreement on an annual basis for no more than 3 consecutive terms of one year in duration. Should the County exercise its option to renew this Agreement for the above referenced 3 consecutive options years; the contract thereafter shall remain in effect from year to year unless terminated pursuant to the provision of Section VII".

As such, the current agreement with CHP expired on December 31, 2008; however, Leon County has the option to renew the current agreement with CHP on an annual basis for three additional years, ending December 2011. At the June 10, 2008 commission meeting the Board exercised one if its three year options to renew CHP's agreement and entered into an annual renewable agreement with BCBS (Attachment #1). Leon County has two additional one year renewal options under the current agreement.

Analysis:

Leon County issued a Request for Proposal for County Group Health Insurance Program in FY 2004/05. At that time, the Board approved Capital Health Plan, United Healthcare and Vista Health Plan as the County Group Health Insurance Program providers. As a result of issuance of the RFP, a health insurance annual increase has been in the single digits for the past four years. The table below shows a 5 history of total insurance cost, employer portion of the cost and the percentage annual increase. 2009 Plan Year cost.

Plan Year	Total Cost of Insurance (millions)	% Inc/(Dec) In Premium Costs	Employer Cost (millions)	% of Cost Change from Previous Year
2004	11.9	n/a	11.0	n/a
2005	13.6	14%	12.6	14%
2006	13.2	(3%)	12.2	(3%)
2007	13.4	2%	12.4	2%
2008	14.3	6%	13.2	6%
2009 est.	14.6	2%	13.2	0%

Group health insurance premiums can fluctuate monthly due to enrollment in the plans. For Plan Year 2006 the County did not receive a rate increase from the three providers, resulting in a net reduction in insurance cost. For Plan Year 2009, the employer cost is the same as that of 2008 because of a change in the County's employer contribution strategy from 92.5% to 90% and the change from United Healthcare to Blue Cross Blue Shield as a provider.

Staff is requesting to begin negotiations with CHP and BCBS for premium rates for the 2010 year. If rates are acceptable, staff will exercise the option to extend agreements with CHP and BCBS for one additional year. If rates provided by CHP and BCBS are not acceptable, staff requests Board approval to issue an RFP for the County's employee health insurance services. Staff has requested that CHP and BCBS provide initial renewal rates by March 13, 2009.

Options:

1. Direct Staff to negotiate with CHP and Blue Cross and Blue Shield of Florida for the County's Health Insurance Program for 2010 Plan Year. If premium rates are acceptable, exercise the option under the current agreement to extend service for an additional year.

2. If CHP and BCBS renewal rates are unacceptable, direct staff to issue an RFP for competitive bids for the County's Health Insurance Program for the 2010 Plan Year.

3. Board Direction

Recommendation:
Options #1 and #2.

Attachments:
1. June 10, 2008 Agenda Item, Approval to Award County Employee Health Insurance Services to Capital Health Plan and Blue Cross/Blue Shield for the 2009 Plan Year w/o attachments.

PA/LWB/EP