



Board of County Commissioners
Budget Discussion Item
Executive Summary

Attachment # 1
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Date of Workshop: June 22, 2010
Date Submitted: June 7, 2010
To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator
Lillian Bennett, Director of Human Resources
Subject: County Employee Health Insurance Renewal 2011 Plan Year

Issue Briefing:

Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) have submitted the renewal for the 2011 Plan Year. CHP has discontinued the current plan design and it is no longer being offered. CHP has proposed a new plan design at a 4% rate increase (Attachment #1).

Fiscal Impact:

This item has a fiscal impact. The total cost of Health Insurance for the 2011 Plan Year is estimated at \$17.1 million at the 4% Renewal Rate. The Employer portion of these costs at the 90% employer contribution is estimated at \$15.4 million. This represents an estimated increase in total annual costs of \$657,000, of which employer costs is estimated at \$591,000. The inclusion of funding for domestic partner benefits is estimated at \$334,000. Both the \$591,000 and \$334,000 are included in the preliminary budget.

Staff Recommendations:

Option 1: Approve the renewal of 2011 Plan Year Health Insurance Services with Capital Health Plan/Blue Cross Blue Shield, with the New Plan Design, at a 4% rate increase and authorize the County Administrator to execute the necessary agreements.

Option 2A. Approve the Contribution Percentage for the 2011 Plan Year and maintain the current 90/10 Employer/Employee contribution.

Option 3: Direct staff to include Treatment for Obesity for Medical Procedures and Surgery as an added health benefit with no upfront costs. Any additional costs will be included in the annual renewal rate with no fiscal impact on the 2010/11 tentative budget.

Option 4: Direct staff to add Domestic Partner Benefits as an added health benefit for the 2011 Plan Year at an estimated cost of \$334,000. The Domestic Partner Benefit is included in the 2010/11 tentative budget.

Option 5: Approve the issuance of a Request for Proposal for Health Insurance Services for the 2012 Plan Year and related consulting services in the amount of \$50,000. Consulting services are included in the 2010/11 tentative budget.

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Report and Discussion

Background:

Leon County currently contracts with Capital Health Plan and Blue Cross Blue Shield for employee health insurance services. At the June 9, 2009, FY 2010 Budget Workshop, the Board exercised its second of a three-year option to renew the CHP and BCBS agreement. This will be the final option to renew under the current agreement which ends December 2011. The Board adopted a 12% rate increase for the 2010 Plan year and directed staff to bring back for consideration a Request for Proposal (RFP) for health insurance for the 2011 Plan Year. At the January 26, 2010 Budget Workshop, the Board requested that staff review creative alternatives to ~~oo~~ potentially reduce the cost of the health insurance program.

At the March 23, 2010 Board meeting, staff presented an agenda item titled "Consideration of Alternatives for County Employee Health Insurance for the 2011 Plan Year" (Attachment # 2). The agenda item presented several potential alternatives for health insurance as outlined below:

1. Results of County Employee Health Insurance Survey
2. Alternatives to Consider for Health Insurance Program
 - A. Issue Request for Proposal (RFP)
 - B. Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program
 - C. State of Florida Health Insurance Program – (Participating Employer)
 - D. Self-Insured Health Insurance Program:
 - i. On-Site Medical Clinic
 - ii. Alternative Pharmacy Carve Out
 - E. Modifications to Plan Design and/or Contribution Strategy

The Board accepted the results of the Employee Health Insurance Survey and directed staff to determine the costs of providing the following additional or expanded health care services:

- Treatment for obesity such as medical procedures and surgery
- Smoking Cessation Prescription Drugs
- Coverage for Part-time Employees (Same eligibility Criteria and Employer Contribution (currently 90%) as full-time employees.
- Coverage for Domestic Partner Benefits

The Board also directed staff to begin discussions with Rogers, Gunter, Vaughn Insurance (RGVI) on the development of a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program and bring back an agenda item with a proposal and program details to include Broker fees for Board review and consideration.

Analysis:

Broker Services (Joint Health Insurance Program)

In accordance with Board direction at the March 23, 2010 meeting, staff met with RGVI on April 1, 2010 and held a subsequent meeting with City of Tallahassee representatives on developing a joint program. RGVI has also held separate meetings with City staff regarding a joint program.

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Staff requested that RGVI provide a written proposal within two weeks which included the services to be provided under a joint Leon County, City of Tallahassee, Leon County School Board Health Insurance Program. Staff also responded to a letter from the Northeast Business Association expressing concerns regarding awarding a contract to RGVI with out going through the RFP process (Attachment #3)

As indicated in the attached letter dated June 7, 2010, RGVI has not provided a proposal for a Joint Health Insurance Program for Board review and consideration (Attachment #4). At the June 8, 2010 meeting, under Commissioner Proctor's discussion time, staff also updated the Board on the progress of the RGVI proposal. At that time, staff recommended that the Board not pursue Broker Services for a joint program for the 2011 Plan Year. If the Board wants to pursue Broker Services, staff recommended that Leon County do so for the 2012 Plan Year. In order to avoid delays in the budget process, staff has proceeded with the renewal process with CHP/BCBS for the 2011 Plan Year. This will be the final option to renew with CHP/BCBS under the current agreement which ends December 2011.

2011 Health Insurance Renewal

CHP has submitted the renewal for the 2011 Plan Year. CHP has discontinued the current plan design and it is no longer being offering by CHP. CHP and has proposed a new plan design at a 4% rate increase. The total cost of Health Insurance for the 2011 Plan Year is estimated at 17.1 million at the 4% Renewal Rate. The Employer portion of these costs at the 90% employer contribution is estimated at \$15.4 million. This represents an estimated increase in total annual costs of \$657,000, of which employer costs is estimated at \$591,000.

This discussion item will review the following health insurance renewal issues: (1) New Proposed Plan Design and Renewal Rate; (2) Additional or Expanded Medical Services; (3) Employer/Employee Contribution Options and (4) RFP for Health Insurance for 2012 Plan Year.

I. New Plan Design and Renewal Rate

As stated earlier, the current health plan has been discontinued and is no longer offered by CHP. CHP has proposed a new plan design with some increases in co-pays for medical services and prescription drugs. The following table outlines the changes being proposed from the Current Plan Design (A) which has been discontinued to the New Plan Design (B) proposed for the 2011 Plan Year:

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**Table #1
 Comparison of Plan Design
 For CHP/BCBS**

Benefits	Plan A Current Plan Discontinued and No Longer Offered by CHP Co-pays	Plan B CHP New Proposed Plan Design Co- Pays	Plan C Blue Cross/ Blue Shield PPO Plan Design Co-pays No change in Plan Design
2011 Plan Year Rate Increase	Plan Discontinued Not Rated	4 %	4%
Total Inc in Cost above 2010 costs (Employer and Employee)		\$657,000 CHP/BCBS	
Office Visits			
Primary Care Physician (PCP)	\$10	\$10	\$15
Office Visits PCP After Hours	\$15	\$20	\$15
Office Visits Specialist	\$10	\$25	\$30
Outpatient procedures, surgical services and other medical care provided by a participating provider	\$10	\$25	CYD + 10% Coinsurance
Outpatient surgical procedures performed in a hospital or ambulatory surgical center	\$0	\$100	\$100
Mental Health & Substance Use Disorder Outpatient Care	\$10	\$25	\$30
Hospital Emergency Room In- Network	\$100 (Waived if admitted)	\$100 (Waived if admitted)	\$100+10% coinsurance
Prescription Co-pays	\$7/\$20/\$35	\$7/\$30/\$50	\$15/\$30/\$50
Diagnostic, MRI, PET & CT Scans	\$0	\$25	\$75
Hospital Services, Mental Health Inpatient and Maternity Inpatient	\$0	\$250 (\$750 max. per calendar year)	\$400/\$800
Short term Physical/Speech & Other Rehabilitation Therapies	\$10	\$25	\$30
Out of Network Benefits	Emergencies only	Emergencies only	Deductible (\$500) + 40% coinsurance
Out-of-Pocket Maximum (per person/family aggregate)	\$1,500/member and \$3,000/family	\$2,000/member and \$4,500 family	\$2,500/\$7,500 In-network/Out-of-Network (same)

The new Plan Design (B) is the only plan being offered by CHP for the 2011 Plan year. BCBS will maintain the current plan design. The CHP/BCBS Plan has a renewal rate increase of 4%. The total cost is estimated at \$17.1 million of which, \$15.4 million is employer costs. The increase in cost of the 2010 Plan year is estimated at \$657,000, of which \$591,000 is the increase in employer costs. The detailed comparison of the Current Plan Design and the New Proposed Plan Design is shown in Attachment #1.

The new proposed plan design continues to have lower co-pays for most services than plans offered to the City of Tallahassee, State of Florida and the Leon County School Board as summarized in Attachment #5.

II. Additional or Expanded Medical Services

At the March 23 Board meeting, staff presented the results of a recently conducted County Employee Health Insurance Survey. The survey was completed by Board and Constitutional Office employees. Eight hundred ninety four (894) employees participated in the survey, representing approximately 53% of the total workforce of approximately 1700 employees. 69% or 525 of the employees surveyed indicated they would not like to pay for any additional or expanded medical benefits or services.

Staff requests Board direction as to whether or not to provide the following additional or expanded medical benefits in the health insurance renewal

- A. Treatment for obesity such as medical procedures and surgery
 - o CHP has indicated that they will provide this benefit, however, employees interested in treatment for obesity will be required to follow a twelve month plan as outlined by CHP and any costs incurred will be included in the County's following year renewal rates. Based on survey results, approximately 177 employees or 10%, out of a total workforce of 1700 employees, indicated they would like to have treatment for obesity as an additional benefit. There will be no upfront costs to add this benefit. BCBS does not offer this benefit.
- B. Smoking Cessation Prescription Drugs
 - o CHP has indicated that they will not be able to provide the smoking cessation prescription benefit; however, they do provide smoking cessation classes or smoking cessation programs for CHP members. Since this benefit is not being offered by CHP, there will not be a fiscal impact.
- C. Coverage for Part-time Employees
 - o CHP has indicated that regular part-time employees may participate in the medical program with the same eligibility criteria and employer contribution (currently 90%) as full-time employees. Currently, part-time employees must be employed for 2 years before receiving a medical benefit. Additionally, Leon County pays 90% of the total premium for single coverage only. The part-time employee pays the additional cost above single coverage for employee +1 or family coverage. Approximately 111 part-time employees participating in the employee survey indicated that they would be interested in this benefit. Staff estimates the additional cost of providing this benefit at \$686,000.
- D. Coverage for Domestic Partner Benefits
 - o Domestic partner benefits are benefits that an employer chooses to offer to an employee's unmarried partner. Domestic partnerships may be defined by employer policy, or law. They involve same-sex and opposite sex individuals who live together in a committed relationship but are not legally married, either by state license or common law.

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- o A fact sheet prepared by the Employee Benefit Research Institute (EBRI) regarding Domestic Partner Benefits is included as Attachment #6. A recent County employee survey indicates that approximately (101) employees expressed an interest in Domestic Partner Benefits. Based on changes in employee level of coverage, staff estimates additional Leon County cost of \$334,000 for employer contributions at 90% on behalf of the domestic partner. Costs could be higher or lower dependent upon actual enrollment in the domestic partner program.

If the Board chooses to offer domestic partnership benefits, the following should be considered in developing a program:

- Define what is an eligible domestic partner
- Define if the benefit is to cover both opposite-sex and same-sex partners
- Determine the documentation for proof that will be required of the domestic partner relationship.
- Revise policies and procedures to include domestic partner benefits and identify which benefits would apply.
- Develop a program based on current federal, state and local regulatory guidelines regarding domestic partner benefits

The City of Tallahassee recently provided Domestic partner benefits for only those employees enrolled in Blue Cross Blue Shield. At that time, CHP enrollees were not included in domestic partner benefits for health insurance due to an additional charge of a 1% rate increase by CHP. BCBS did not charge an additional rate increase due to their experience rating methodology. For the 2011 Plan Year Renewal, CHP indicates that it will not charge an additional 1% rate increase for Domestic Partner Coverage. CHP and BCBS indicate they will consider any added benefits requested in its premium rates provided during the annual renewal process. CHP and BCBS do not provide coverage for the dependents of a domestic partner. Fair market value of employer provided coverage for a domestic partner is taxable income to the employee and must be reported on the W-2.

Should the Board choose to provide domestic partner benefits as an added benefit in the health program; staff will bring back an agenda item outlining any federal and state legal requirements, as well as any required changes in County policies and procedures, and tax implications.

III. Employer/Employee Contribution Strategy

At the June 8, 2010 meeting, the Board directed staff to bring back employer/employee contribution options for Board review and consideration. Staff has prepared estimates for Board review and consideration.

The estimates in Table #2 below do not include the addition of Domestic Partner and Part-time employee benefits; however Domestic Partner Benefits of \$334,000 have been included in the tentative budget. If the Board chooses to also add Part-time employee Benefits to the budget, the additional cost is estimated at \$686,000 and would require a tax increase above the rolled back rate to fund.

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The following table provides the annual employer/employee costs for contribution strategies of 90/10, 86.5/13.5 and 85/15:

Table #2
Employer and Employee Cost
At 4% Renewal Rate Increase
Contribution Options for 90/10 - 86.5/13.5 and 85/15

	Current Costs	Option A	Option B	Option C
	2011 Plan Year - 4% Renewal Rate Increase			
	CHP/BCBS Current 2010 Costs 90/10 Contribution	Maintain 90/10 Contribution	Shift 100% of Increased Cost to Employees 86.5/13.5 Contribution	Change to 85/15 Contribution
Total Costs	\$16.417 million	\$17.073 million	\$17.073 million	\$17.073 million
Employer Costs	\$14.775 million	\$15.366 million	\$14.775 million	\$14.512 million
Employee Costs	\$1.641 million	\$1.707 million	\$2.298 million	\$2.561 million
Employer Increase (Decrease) in Costs Over 2010 Costs		\$591,000	\$0	(\$263,000)
Employee Increase (Decrease) in Costs Over 2010 Costs		\$66,000	\$657,000	\$920,000
Total Increase over 2010 costs		\$657,000	\$657,000	\$657,000

As shown in Table #2 above, Option A maintains the 90/10 employer/employee contribution and increases employer annual costs by approximately \$591,000 and increases employee costs by \$66,000. Option B shifts 100% of increased cost to employees for an 86.5/13.5 contribution, resulting in \$657,000 in increased costs for employees and no increase for Leon County. Option C changes the employer/employee contribution to 85/15 and reduces employer costs over 2010 costs by an estimated (\$263,000) and increases employee costs by \$920,000.

Employee Monthly Premiums

Each of the employer/employee contribution options shown in Table #2 above will have an impact on employee premiums. Staff has prepared a monthly premium analysis of each of the employer/employee contribution options presented in Tables #2 above (Attachment #7).

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If the Board maintains the current 90/10 employer contribution, Table #3 below shows the current and new proposed monthly premiums and the increase in cost over 2010:

Table #3 – Option A
CHP /BCBS New Plan Design Renewal @ 4%
Monthly Cost for 90/10 Contribution

Category	2010 Total Monthly Premium	Employer 90%	Employee 10%	2011 Total Monthly Premium	Employer 90%	Employee 10%	Employer Monthly Cost Increase	Employee Monthly Cost Increase
Employee	\$487.87	\$439.09	\$48.78	\$507.17	\$456.45	\$ 50.72	\$17.36	\$1.94
Employee+1	\$1,009.92	\$908.94	\$100.98	\$1,049.34	\$944.40	\$104.94	\$35.46	\$3.96
Family	\$1,292.80	\$1,163.52	\$129.28	\$1,342.30	\$1,208.06	\$134.24	\$44.54	\$4.96

Maintaining the 90/10 contribution strategy results in increased employer annual cost of \$591,000 and an increase in employee annual costs of \$66,000.

Table #4 below shows the monthly premiums if 100% of increased costs are shifted to employees.

Table #4 – Option B
CHP /BCBS New Plan Design Renewal @ 4%
Monthly Cost - Shift 100% of Cost Increase to Employees

Category	2010 Total Monthly Premium	Employer 90%	Employee 10%	2011 Total Monthly Premium	Employer 86.5%	Employee 13.5%	Employer Monthly Cost Increase	Employee Monthly Cost Increase
Employee	\$487.87	\$439.09	\$48.78	\$507.17	\$439.09	\$ 68.08	\$0	\$19.30
Employee+1	\$1,009.92	\$908.94	\$100.98	\$1,049.34	\$908.94	\$140.40	\$0	\$39.42
Family	\$1,292.80	\$1,163.52	\$129.28	\$1,342.30	\$1,163.52	\$178.78	\$0	\$49.50

Shifting 100% of increased costs to employee's results in a no increase in employer annual costs and an increase in employee annual costs of \$657,000.

At the June 8, 2010 meeting, the Board requested to review a contribution strategy of 85/15. Table #5 below shows the impact of the 85/15 contribution strategy:

Table #5 – Option C
CHP /BCBS New Plan Design Renewal @ 4%
Monthly Cost for 85/15 Contribution

Category	2010 Total Monthly Premium	Employer 90%	Employee 10%	2011 Total Monthly Premium	Employer 85%	Employee 15%	Employer Monthly Cost Decrease	Employee Monthly Cost Increase
Employee	\$487.87	\$439.09	\$48.78	\$507.17	\$431.09	\$ 76.08	(8.00)	\$27.30
Employee+1	\$1,009.92	\$908.94	\$100.98	\$1,049.34	\$891.04	\$157.40	(\$17.90)	\$56.42
Family	\$1,292.80	\$1,163.52	\$129.28	\$1,342.30	\$1,186.59	\$209.40	(\$23.70)	\$80.12

Changing to an 85/15 contribution results in a decrease in employer annual costs of (263,000) and increases employee annual costs by \$920,000.

Request for Proposal

This will be the final option to renew under the current CHP/BCBS agreement which ends December 2011. Staff requests Board approval to issue an RFP for Health Insurance Services for the 2012 Plan Year. In addition, staff requests Board approval of a Consulting Services line item to assist in the RFP review and analysis process and to begin on-going analysis of the impact of Health Care Reform on Leon County's medical plan design and benefits.

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Summary

Staff recommends that the Board approve the CHP/BCBS 4% renewal rate increase with the new plan design for the 2011 Plan Year and maintain the current 90/10 employer/employee contribution strategy. Staff also recommends that the Board issue an RFP for Health Insurance Services for the 2012 Plan Year and provide related consulting services in the amount of \$50,000. Additionally, staff recommends approval of additional medical services for Treatment for Obesity (\$0) and Domestic Partner Benefits (\$334,000) for the 2011 Plan Year. Staff recommendations are included in the 2010/11 tentative budget.

Options:

1. Approve the renewal of 2011 Plan Year Health Insurance Services with Capital Health Plan/Blue Cross Blue Shield, with the New Plan Design, at a 4 % rate increase and authorize the County Administrator to execute the necessary agreements.
2. Approve the Employer/Employee Contribution Percentages for the 2011 Plan Year:
 - A. Maintain Current 90/10 Employer/Employee contribution
 - B. Shift 100% of 2011 Increased costs to Employees (86.5 / 13.5)
 - C. Change to 85/15 Employer/Employee Contribution
3. Direct staff to include Treatment for Obesity for Medical Procedures and Surgery as an added health benefit with no upfront costs. Any additional costs will be included in the annual renewal rate with no fiscal impact on the 2010/11 tentative budget.
4. Direct staff to add Domestic Partner Benefits as an added health benefit for the 2011 Plan Year at an estimated cost of \$334,000. The Domestic Partner Benefit is included in the 2010/11 tentative budget.
5. Approve the issuance of a Request for Proposal for Health Insurance Services for the 2012 Plan Year and related consulting services in the amount of \$50,000. Consulting Services are included in the 2010/11 tentative budget.
6. Direct staff to expand Part-time Employee Health Insurance Benefits (Same eligibility Criteria and Employer Contribution as full-time employees) for the 2011 Plan Year at an estimated cost of \$686,000. This is not included in the tentative budget and would require a tax increase above the rolled back rate to fund.
7. Board Direction.

Recommendation:

Options #1, #2A, #3, #4 and #5

Attachments:

1. 2011 CHP/BCBS Proposed Plan Design
2. March 23, 2010 Agenda Item titled "Consideration of Alternatives for County Employee Health Insurance for the 2011 Plan Year"(without attachments)
3. Staff Response dated April 19, 2010 to Letter from Northeast Business Association
4. Staff Letter dated June 7, 2010 to Rogers, Gunter, Vaughn Insurance Inc.
5. Local Market Comparisons of Plan Design of the City of Tallahassee, Leon County School Board and the State of Florida.
6. Domestic Partner Benefits Fact Sheet by Employee Benefit Research Institute
7. Summary of Employer/Employee Contribution Strategies Monthly Premiums

PA/LWB/EP