


 Attachment # 3
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Board of County Commissioners

Leon County, Florida

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Agenda Item Executive Summary

Tuesday, March 23, 2010

Title:

Consideration of Alternatives for County Employee Health Insurance for the 2011 Plan Year

Staff:

Parwez Alam, County Administrator

Lillian Bennett, Director of Human Resources

Issue Briefing:

Leon County currently contracts with Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) for employee health insurance services. The health insurance program covers Board and Constitutional Office employees, COBRA participants, as well as retirees.

At the June 9, 2009 Budget Workshop, the Board directed staff to bring back for consideration a Request for Proposal (RFP) for health insurance to coincide with the FY 2011 budget cycle. At the January 26, 2010 Budget Workshop, the Board requested that staff review creative alternatives to potentially reduce the cost of the current health insurance program. This agenda item provides the results of a recently conducted County Employee Health Insurance Survey and provides for Board consideration several potential cost saving alternatives for the County Employee Health Insurance Program.

Fiscal Impact:

This item will have a fiscal impact. The fiscal impact for Plan Year 2011 will be determined by the plan design and/or contribution strategy approved by the Board through the health insurance renewal process. The total cost of health insurance for the 2010 Plan Year is estimated at 16.4 million. Of this amount, \$14.8 million is the estimated employer costs. For the 2010 Plan Year, the Board approved a 12% rate increase for an increase of \$1.6 million over 2009 costs to maintain the current plan design and contribution strategy (Attachment #1). Leon County was offered an alternative 4.5% rate increase if the plan design was modified for co-pays on prescriptions and certain medical services. At that time, the 4.5% rate option was estimated to save Leon County approximately \$1.0 million. Depending on the alternative selected by the Board as outlined in this agenda item, additional funding may be required for Consulting and Actuary Services.

Staff Recommendation:

Board Direction.

Report and DiscussionAttachment # 3
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Leon County currently contracts with Capital Health Plan (CHP) and Blue Cross Blue Shield (BCBS) 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. Currently, Leon County has an additional one (1) year renewal option remaining under the current CHP agreement, ending December 2011. As such, Leon County may exercise its one year renewal option for the 2011 Plan Year.

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. The Board approved maintaining the current employer/employee contribution of 90%/10% and maintaining the current plan design for co-pays on prescription drugs and services. This resulted in a 12% rate increase for the 2010 Plan Year or an estimated dollar increase of \$1.6 million over 2009 Plan Year costs (Attachment #1). The total cost of the Health Insurance Program for Plan Year 2010 is estimated at \$16.4 million, of which \$14.8 million is estimated employer costs.

Analysis:

At the June 9, 2009 Budget Workshop, the Board directed staff to bring back for consideration a Request for Proposal (RFP) for health insurance to coincide with the FY 2011 budget cycle. Additionally, at the January 26, 2010 Budget Workshop, the Board requested that staff look into other creative alternatives to potentially reduce the cost of the current health insurance program.

Staff has compiled the results of a recently conducted County Employee Health Insurance Survey and a review of several health insurance alternatives for Board consideration, outlined as follows:

1. **Results of County Employee Health Insurance Survey – (Attachment #2)**

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

1. Results of County Employee Health Insurance Survey

At the end of February 2010, staff conducted a County Employee Health Insurance Survey (Attachment #2). The purpose of the survey was to allow employees an opportunity to provide valuable input into the health insurance renewal process. Additionally, the results of the employee survey are being presented to the Board for consideration of employee concerns and preferences in making decisions regarding the County's health insurance program for the 2011 Plan Year.

The survey was completed by Board and Constitutional Office employees. Eight hundred ninety four (894) employees participated in the survey. This represents approximately 53% the total employee workforce of approximately 1700 employees. The results of the survey are shown in Attachment #2 and highlights of employee responses are outlined as follows:

- 86% (763) of respondents are enrolled in Capital Health Plan. About 4% (34) respondents are enrolled in BCBS.
- 73% (598) of respondents have dependent coverage (Emp+1 or Family)
- 57% (465) of respondents are over the age of 45. This is an indication that Leon County has an aging workforce.
- 38% (309) of respondents indicated they have CHP staff doctors located at either the Governors Square or Centerville Rd Health Centers.
- 82% (661) of respondents are very satisfied with the group of doctors under their current plan.
- 38% (303) would prefer an increase in premiums over an increase in co-pays for prescriptions/medical services. Another 37% (301) would prefer staff find a balance between increases in co-pays and premiums.
- 69% (525) indicated they would not like to pay for added or expanded benefits. Of the respondents that are willing to pay for added or expanded benefits, these are the services they would like to see provided:
 - Treatment for obesity such as medical procedures and surgery – (177)
 - Smoking Cessation Prescription Drugs – (98)
 - Coverage for Domestic Partner Benefits – (101)
 - Coverage for Part Time Employees (Same Eligibility and Employer Contribution as Full-time) – (111)
- 91% (718) would not like to change from CHP and/or BCBS to a new health provider if it meant **changing** their primary care physician.
- 72% (541) would not want to change from CHP and/or BCBS to a new health provider even if they could **maintain** their current primary care physician.
- 58% (510) have an interest in an On-site Medical Clinic for basic primary care services.
- 42% (362) would like to see a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance program. 36% (313) would not.
- 55% (480) would not like to see Leon County as a participating employer in the State of Florida Health Insurance Program.

Comments from respondents to the survey indicate that employees appreciate the plan design and employer contributions that have been provided by the Board for many years. Employees are willing to pay a small increase in co-pays and/or employee contribution to assist with the rising cost of health insurance; however employees would like to maintain CHP as a healthcare provider, whether or not multiple health care providers are added to the County's program. Employees also indicate they want the control of their health insurance to remain with the Board and feel that the Board and staff have done a good job in providing this service. The complete survey and excerpts from employee comments are shown in Attachment #2.

Domestic Partner Benefits

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. A fact sheet prepared by the Employee Benefit Research Institute (EBRI) regarding Domestic Partner Benefits is included as Attachment #3.

If an employer chooses to offer domestic partnership benefits it should consider the following 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. 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. CHP representatives will be available to explain further. For Leon County, CHP and BCBS indicate they will consider any added benefits requested in its premium rates provided during the annual renewal process. Based on 2010 rates and assuming a 1% rate increase at renewal for domestic partner benefits, Leon County could incur an increased employer premium cost of \$148,000. In addition, according to the recent employee survey, 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. The total cost (CHP 1% rate increase and employer contribution) is estimated at \$482,000 to add domestic partner benefits. Costs could be higher or lower dependent upon actual enrollment in the domestic partner program. 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 or expanded 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, fiscal impacts and tax implications.

2. Alternatives for Health Insurance Program

Staff has prepared several alternatives for Board Consideration to potentially reduce health insurance costs for the 2011 Plan Year. Staff requests Board approval of one of the five alternatives presented in order minimize costs required for Consulting and Actuary Services. The alternatives are outlined as follows:

A. Issue Request for Proposal (RFP)

At the June 9, 2009 FY 2010 Budget Workshop the Board instructed staff to bring back a Request for Proposal for health insurance to coincide with the FY 2011 budget cycle. An RFP is one of several alternatives the Board could use to address rising insurance cost for the 2011 Plan year. Leon County issued an RFP in March 2005 and utilized Mercer Consulting services to review the proposals, verify claims experience, and negotiate rates. As a result, Leon County

experienced a no increase (0%) in premium rates for the 2006 Plan Year and brought in a new carrier, United Healthcare (Attachment #4). Rates remained in the single digits from (1%-6%) until the 2008 Plan Year. Due to limited employee enrollment and high claims experience, United Healthcare's rates increased to 38% and they could no longer be competitive. For the 2009 Plan Year, Leon County contracted with CHP/BCBS at a 5% rate increase. For the 2010 Plan Year, CHP/BCBS provided a rate increase of 12% based on claims experience and medical loss ratio of 106%. In addition, Leon County maintained the current plan design with low co-pays for prescriptions and medical services. Attachment #5 provides a 10-year history of rate increases for Leon County.

Should the Board choose to issue an RFP as an alternative, consulting and actuary services will be required to review of proposals, analysis of claims experience and to negotiate rates. The cost of consulting services is estimated at \$60,000 (Attachment #6). Mercer provided consulting for the 2005 RFP process that resulted in a health insurance savings to Leon County of more than \$600,000. Mercer is currently under State Contract #973-020-07-1.

B. Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program

In August 2005, at the request of the Board, staff initiated discussions with the City and the School Board regarding a Health Insurance Consortium (Attachment #4, page 5 of 8). As part of the review, Buck Consultants prepared a white paper on the advantages and disadvantages of Health Care Pooling, sometimes referred to as "group purchasing" (Attachment #7). At that time, staff did not recommend the County pursue the health care consortium based on the loss of complete decision-making authority by the Board regarding County employee's health care plan, the major differences in plan design and level of employee contributions established for each agency. In addition, all three governments contracted with Capital Health Plan and were community rated.

As such, each entity essentially shared in the liability and rate setting of the other. In a sense, the pooling or consortium arrangement, at some level, was already taking place, while at the same time allowing each government entity control over its own health plan. Since that time, Rogers, Gunter and Vaughn Insurance (RGVI) has approached staff regarding the provision of Broker Services to Develop a Joint Leon County, City of Tallahassee and Leon County School Board Health Insurance Program. RGVI currently provides broker services for the Leon County School Board. The broker fee for the School Board is 1% of total premium costs. For Leon County, if rates are the same, this would represent an additional cost of \$164,000 annually. Staff has not received a written proposal from RGVI as to what services will be provided, however, if the Board chooses this alternative, staff can begin to formalize discussions with RGVI and bring back an agenda item with the services to be provided and the cost of hiring a broker on a continuing basis for the Health Insurance Program. The Board would usually issue an RFP for Broker Services; however, the Board could waive this requirement or select a Broker designated under State Contract.

Participating Employer - State of Florida Health Insurance Program

Legislation has been filed that would allow large employers, such as Leon County, an opportunity to join the State of Florida Health Insurance Program as a participating employer. HB 929 and SB 512 would require participating employers to fund 100% coverage of any claims or costs incurred, as well as pay an administrative fee per employee. The program also requires that adequate reserves and cash flow are set aside for unexpected costs by contributing three (3) months premium and costs in advance of the coverage effective date. An RFP process is required to determine eligibility. In addition, adoption of an ordinance or resolution and a minimum of three (3) years of participation in the program is required (Attachment #8). The program is similar to a self-funded program; however, the participating employer must follow the plan design, cost, and eligibility requirements established by the State of Florida. In essence, Leon County would lose any control over how its health insurance program operates. Leon County may also be subject to future legislative changes. The legislature is currently proposing several changes to state employee health insurance as follows:

- HB 1231 and SB 2498 would require all state employees to contribute to health insurance, including those who were previously changed from Career Service to Select Exempt with no job protections in exchange for fully paid State health insurance (Attachment #9).
- HB 1025 and SB 1710 would segregate the claims experience of retirees from that of active employees and authorize separate experience rating of retirees from active employees. This change may result in higher cost for retirees (Attachment #10).

- A Buck Consultant Study provides alternatives to reduce the cost of State of Florida Health Insurance including the elimination of HMO's (Attachment #11).

Should the Board choose the alternative of becoming a participating employer with the State of Florida, staff will continue to follow the current legislation. If passed, staff will bring back an agenda item with the necessary steps to begin the participating employer process.

C. Self-Insured Health Insurance Program

Leon County could self-fund all or a portion of its health insurance program. Self-funding would require a consultant study and actuarial analysis of claims activity over several years to determine risk level and reserves required. Leon County would also take on additional liability and risk exposure that is not present under a fully insured arrangement. In

July 2005, Mercer Consulting performed a study for Leon County, titled "Funding Alternatives – Self funding vs. Fully Insured Plan" (Attachment #12). At that time Leon County received a no increase (0%) in rates from CHP and United Healthcare through the RFP process and staff did not recommend establishing a self-funded health plan.

Leon County could also consider partially self-funding the health insurance program by establishing an On-site Medical Clinic or an Alternative Pharmacy Carve Out program as outlined below:

i. On-site Medical Clinic

The Board may consider an On-site medical clinic as an alternative to potentially reduce health insurance cost.

Over the past five years, there has been a resurgence of employer-sponsored worksite clinics. Employers have been seeking new solutions to control healthcare costs and improve workforce productivity. An article prepared by Mercer Consulting titled "Worksite clinics: An old concept gets a new lease in the battle to control health care cost and improve productivity", outlines the driving forces behind the growth of on-site medical clinics, including managing chronic illness, expanding health and productivity programs and managing workforce injuries (Attachment #13). Staff has identified a number of Florida municipalities that have developed or are in the process of developing On-site Medical Clinics including the City of Gainesville, City of St. Lucie, St. Lucie County, Sarasota County, Polk County and Escambia County. An on-site medical clinic usually requires a concentration of 750 or more employees in one location.

There are three primary models used for On-site medical clinics:

On-site Medical Clinic Models

Employer Managed Clinic	Hybrid	Outsourced
Employer owns clinic	Employer contracts with local clinic/health institution	Employer contracts with third party vendor
Employer controls all clinic operations, personnel and decisions about vendor integration	Employer influences scope of services and vendor integration	Vendor controls all clinic operations, personnel and decisions about vendor integration
Result: High control, high risk, higher barrier to exit	Result: Moderate control, lower risk, easy exit	Result: Low control, lower risk, easy exit

Employers primarily select services to provide under an on-site medical clinic that reduce delivery cost and time lost from work. Services may include: On-site pharmacy; Basic medical care, Disease management, Health promotion and wellness, Workers Compensation, Pre-employment screenings/drug testing, Disability, and Employee Assistance Programs.

There are some key decision points in assessing the feasibility of an On-site medical clinic as follows:

- Self-fund a portion of the employee health insurance program for services provided at the on-site medical clinic and modify current insured arrangements with CHP and BCBS
- Determine what medical services will be provided at the on-site facility
- Determine who is eligible to use the clinic
- Determine what costs underlie an on-site clinic
- Determine how the clinic will be staffed and managed
- Determine what the benefits of an on-site clinic and how they should be measured
- Determine a dedicated on-site facility and any start-up costs
- Determine Return on Investment over a five year period

Should the Board choose to pursue the alternative of an on-site medical clinic, staff recommends a consulting and actuary analysis to determine the feasibility of self-funding a portion of the health insurance program for services provided at the clinic, assess return on investment and to provide recommendations on the most effective way to establish such a program for Leon County. Mercer Consulting has provided a proposal for review of an On-Site Medical Clinic with an estimated cost for consulting services of \$42,000

(Attachment #14)

ii. Pharmacy Carve Out

Employee Health Insurance Management/ELECT Rx, a prescription drug management company, contacted staff regarding their pharmacy benefit program (Attachment #15). EHIM/ELECT Rx is a prescription supply source for its members utilizing international pharmacies. The company is able to completely take over the County's pharmacy program or do an overlay to the current pharmacy benefits. Using the overlay option EHIM/ELECT Rx supplies County employees with certain named prescriptions as designated by the County. CHP and BCBS would supply the other remaining prescriptions. Staff contacted CHP and BCBS and was informed that approximately 15.5% or \$2.5 million of the County's health care cost is for the pharmacy benefit. Again, a consultant study and analysis would be required to determine the feasibility of Leon County entering into a Pharmacy Carve Out program. Mercer consulting has provided a proposal with an estimated consultant cost of \$60,000 to review the feasibility of a Pharmacy Carve Out program (Attachment #6, page 2).

D. Modifications to Plan Design and/or Contribution Strategy

Annually, during the renewal process, staff has presented options for Board consideration in changing the plan design for co-pays on prescription drugs and medical services. In addition, staff has presented several options for employer/employee contribution strategies. The Board has consistently maintained the current plan design which provides richer benefits than the local market. The Board changed the employer/employee contribution strategy in the 2009 Plan Year from 92.5%/7.5% to the current strategy of 90%/10%. The current CHP and BCBS plan design is shown in Attachment #16.

High Plan/Low Plan Option

Another alternative that CHP/BCBS is reviewing is a High Plan/Low Plan Option. In this alternative, Leon County would maintain the current plan design as a High Plan Option and offer an Alternate Plan Design as a Low Plan Option. The employer contribution dollar amount would not exceed that of the lowest cost option. The employee would pay any difference from selecting a higher cost plan option. Staff will bring back additional information on this alternative once it is provided by CHP/BCBS. Staff seeks Board Direction on whether to continue to pursue changes in the current plan design and/or contribution strategy including the High/Low Plan Option for the 2011 Plan Year.

State and Local Government Health Insurance Market Comparisons

Staff conducted a survey of the plan design, rates and contribution strategy for the City of Tallahassee, Leon County School Board and the State of Florida. Attachment #17 provides a comparison summary of the plan design, monthly premiums and contribution percentages for each of these local government entities. Staff surveyed 10 Florida Counties with comparable demographics to that of Leon County. Attached are comparisons of plan type and monthly premiums for comparable counties (Attachment #18). The comparison also includes which comparable counties offer Domestic

Partner Benefits and/or On-site Medical Clinics.

Health Insurance Committee Recommendations

The Health Insurance Committee consisting of staff representatives from the Board and Constitutional Offices presented the attached Alternate Plan Design to the Board for the 2010 Plan Year (Attachment #19). The Board approved the current plan design for the 2010 Plan Year. For the 2011 Plan Year, the Health Insurance Committee requests that the Board consider the Alternate Plan Design with moderate increases in co-pays as a viable option to assist in reducing employer costs in the renewal process for the Health Insurance Program. Additionally, the committee recommends that the Board exercise the additional one year renewal option under the existing CHP agreement ending in December 2011. The Health Insurance Committee recommends Options #1 and #2e.

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Options:

1 Accept the status report on the results of the Employee Health Insurance Survey and direct staff as to whether or not any additional or expanded services are to be negotiated into the 2011 Plan Year Health Insurance Program as follows:

- a. Treatment for obesity such as medical procedures and surgery
- b. Smoking Cessation Prescription Drugs
- c. Coverage for Domestic Partner Benefits
- d. Coverage for Part Time Employees (Same Eligibility and Employer Contribution as Full-time)

2 Select one of the following Alternatives Proposals for the 2011 Health Insurance Program:

- a. Issue a Request for Proposal for Health Insurances Services and contract with Mercer for consulting and actuary review services at a cost of \$60,000.
- b. Waive RFP requirements for Broker Services and begin discussions and with Rogers, Gunter and 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 program details and Broker fees for Board review and consideration.
- c. Direct staff to follow current legislation allowing large groups such as Leon County to become a participating employer in the State of Florida Health Insurance Program and if the legislation passes, bring back an agenda item for Board consideration.
- d. Direct staff to contract with Mercer for Consulting and Actuarial Services to review partially self funding the Health Insurance Program as follows:
 - (i) **On-Site Medical Clinic – Consulting Costs \$42,000; or**
 - (ii) **Alternative Pharmacy Carve Out – Consulting Costs \$60,000**
- e. Direct staff to exercise the one year renewal option remaining with CHP/BCBS and make modifications to the current plan design and/or contribution strategy as recommended by the Health Insurance Committee. Review the High/Low Plan Option and bring back an agenda item with premium rate options for the 2011 Plan Year for Board consideration.

3 Board Direction.

Recommendation:

Board Direction.

Attachments 3
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1. Board Workshop Items dated June 9, 2009 and March 19, 2009 on County Employee Health Insurance w/o attachments
2. Results of County Employee Health Insurance Survey (February 2010)
3. Domestic Partner Benefits – Facts by Employee Benefits Research Institute
4. Agenda Items dated August 30, 2005 and September 20, 2005, Approval to Award County Employee Health Insurance Services w/o attachments
5. Leon County 10 Year Premium Rate History
6. Mercer Pricing Proposal for RFP and Alternative Pharmacy Carve Out Review
7. Buck Consultant Report on Consortium Pooling Arrangements
8. HB929 and SB 512 proposed legislation expanding County Participation in State of Florida Health Plan
9. HB 1231 and SB 2498 proposed legislation requiring employee contributions for State of Florida Health Plan
10. HB 2010 and SB 1710 proposed legislation providing for Market Determination of Premium Cost for Health Insurance for Retirees
11. Buck Consultant Analysis of State of Florida Health Plan Program Options
12. Mercer Consulting Summary of Funding Alternatives: Self-Funding vs. Fully Insured Plan
13. Mercer Consulting Article on Worksite Clinics
14. Mercer Consulting Services Pricing for Feasibility Study on Worksite Clinics
15. Employee Health Insurance Management/Elect Rx Prescription Drug Program
16. 2010 Plan Year CHP/BCBS Plan Design
17. Local Government Comparison of Health Insurance Plan Designs
18. Florida County Comparisons of Health Plan Types and Premiums
19. Summary Comparison of Current and Alternate Plan Design

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