

Item Title: Approval of Plan Year 2017 Medical and Pharmacy Plans and Rates

Specific Action Requested:

That the Board of Commissioners approves the County health insurance plan design changes and rates for the benefit year beginning January 1, 2017 for medical and pharmacy insurance.

Item Summary:

Medical

The County offers a medical/pharmacy plan to employees (approximately 3400 enrolled) and retirees (approximately 1000 enrolled). The County is self-insured for medical and pharmacy. Two medical Preferred Provider Organization (PPO) plans are currently offered and administered through Blue Cross Blue Shield (BCBS): the PPO 75 (higher deductibles, coinsurance, out of pocket maximums and lower employee contributions) and PPO 85 (lower deductibles, coinsurance, out of pocket maximums and higher employee contributions). The BCBS contract is currently an annual renewal. The negotiated renewal rate for plan year 2017 is a 1.5% increase on the administrative fee and 11.5% increase on the stop loss premium.

In determining recommendations for the upcoming plan year, the County considered the benefit plans and premiums offered by benchmark organizations, such as City of Charlotte, City of Raleigh and the State; plan utilization for the current year as well as historical performance; actuarial projections provided by Marsh McLennan and Associates (the County's Benefits Consultant) and the value and affordability of our total benefit package. The County's philosophy with respect to employee contributions for health care are: 1) cost shift (strategically and targeted) to drive desired behaviors and that those who use the benefit more pay more through the plan design rather than only raising contributions across the board for everyone and 2) encourage health and wellness behaviors that positively impact overall health and thereby control claims experience. Therefore, the recommendations for 2017 consider the following: plan design changes, premium structure changes and changes in services or resources.

The recommendation is to continue to offer two medical insurance plans, as we do now, with both plans being PPO plans. The recommendation is to offer a Standard Plan and a Premium Plan, which would be comparable to the existing PPO75 and PPO85 plans. The recommended changes for these plans are as follows:

1. Deductible and coinsurance will increase for both plans. These changes would not decrease the values of the plan, but rather better align them with the marketplace and would align our plans better with the County's philosophy.
2. Copayments. Increase the specialist copayment by \$5 on each plan. This change would create a larger differential between the primary care provider and specialist provider, which is more in line with market and would assist in driving utilization to a primary care provider and/or the Employee Health Center when possible, both of which manage costs through utilization.

3. Co-insurance. Change the coverage for services subject to coinsurance to 70% and 80% respectively, versus 75% and 85% respectively. This change would assist in better aligning our plan with the philosophy that those who use the benefit more pay more through the plan design, is being recommended due to the significant increase in inpatient costs per member on both plans.

A summary of the proposed medical plan design changes are shown below. The details of the proposed plan design and a comparison of the proposed plan design changes to the current year are provided in Attachment 2 and 3 respectively.

MEDICAL PLAN OVERVIEW		
	STANDARD PLAN	PREMIUM PLAN
Deductible	\$2000 Individual (+500) \$4000 Family (+1000)	\$1000 Individual (+250) \$2000 Family (+500)
Total Out-of-Pocket Maximum	\$5000 Individual (+600) \$10000 Family (+1200)	\$4000 Individual (+300) \$8500 Family (+1100)
Specialist Office Visit	\$50 Copay – Tier 1 (+5) \$70 Copay – Tier 2 (+5)	\$40 Copay – Tier 1 (+5) \$60 Copay – Tier 2 (+5)
Emergency Room	\$300 Copay, then 70% after ded (chg from 75%)	\$300 Copay, then 80% after ded (chg from 85%)
Inpatient Hospital	70% after ded w/\$0 copay – Tier 1 50% after ded w/\$200 copay - Tier 2 (chg from 75% Tier 1 & 55% Tier 2)	80% after ded w/\$0 copay – Tier 1 60% after ded w/\$200 copay - Tier 2 (chg from 85% Tier 1 & 55% Tier 2)
Outpatient Hospital	70% after deductible – Tier 1 50% after deductible - Tier 2 (chg from 75% Tier 1 & 55% Tier 2)	80% after deductible – Tier 1 60% after deductible – Tier 2 (chg from 85% Tier 1 & 55% Tier 2)

All services subject to deductible and coinsurance would be changed to 70% from 75% and 80% from 85% for the Standard and Premium Plan respectively.

Changes for Plan Year 2018

In addition to the plan design changes and Working Spouse Rule, the County is proposing changes for Plan Year 2018. In order to provide adequate notice, the County will be communicating the following changes during 2017 open enrollment since employees will need to take action during 2017 to affect their 2018 rates.

- *Know Your Numbers (KYN):* Continue the requirement for covered adults (employees, pre-65 retirees and spouses) to complete an online Health Risk Assessment in addition to the annual biometric screening. The \$20 surcharge per adult should be applied with the 2017 plan year for those who did not complete the KYN requirement by October 31, 2016. A surcharge of at least \$40 per month per adult will be applied in 2018 for those adults who do not fulfill the KYN requirement by October 31, 2017.
- *Tobacco Free Program:* Implement a Tobacco Free Program where employees, pre-65 retirees and spouses are required to be tobacco free (tobacco as defined by County ordinance) in the last 12 months or to complete a tobacco cessation program during the period of November 1, 2016 through October 31, 2017. Employees, pre-65 retirees and spouses who are not tobacco free or do not complete a cessation program during the period noted above would be subject to a surcharge of at least \$40 per month per adult.

Pharmacy Benefits

Analysis of the pharmacy benefit identified a need for a change related to the cost of medications under tiers 2 to 4 and an incentive for choosing a lower cost option for a 90-day supply. The average wholesale price for pharmacy is increasing 18% and the total spending on pharmacy makes up approximately 20% of our total health insurance spending. Therefore, there is a need to drive utilization towards lower tiers when equivalent alternatives are available and towards a 90-day supply to save on processing costs and dispensing fees.

The recommendation is to increase the maximum on the 30-day supply for all tiers, excluding Tier 1, and to provide a greater savings for those who fill a 90-day supply with CVS or mail order. The following is the proposed pharmacy structure:

Drug Level	30 day	90 day (CVS/Mail Order)	90 day (non CVS/Mail Order)
Tier 1	20% to \$50	20% to \$100	20% to \$125
Tier 2	35% to \$150	35% to \$300	35% to \$375
Tier 3	50% to \$250	50% to \$500	50% to \$625
Tier 4	60% to \$350	N/A	N/A

Proposed Rates for Medical

For Plan Year 2016, the County reduced employee contributions as the experience on the plan had been very favorable in 2014 and 2014. As a result of the changes in plan performance, it is necessary to recapture the one year reduction and an additional increase over the 2015 Rates.

Based upon the proposed plan design changes, the cost impacts, benchmarking of employee and family coverage contributions against the big ten counties and municipalities in North Carolina, projected trend of 10% for medical and pharmacy, the cost savings from additional service changes and the County cost share anticipated in the FY17 budget, the recommended monthly rates for plan year 2017 are shown below. The chart also depicts the change from 2015 prior to the rate reduction in 2016. It is important that these rates continue to meet the Affordable Care Act's (ACA) requirements for plan affordability and will not subject the County to the Cadillac tax.

	2017 Rates	2016 Rates	Change 2017 to 2016	2015 Rates	Change 2017 to 2015
Standard Plan					
Employee Only	\$15.00	\$10.00	+\$5.00	\$5.00	+\$10.00
Employee & Spouse	\$155.00	\$125.00	+\$30.00	\$141.50	+\$13.50
Employee & Children	\$77.50	\$60.00	+\$17.50	\$69.50	+\$8.00
Employee & Family	\$230.00	\$200.00	+\$30.00	\$223.50	+\$6.50
Premium Plan					
Employee Only	\$37.50	\$30.00	+\$7.50	\$20.00	+\$17.50
Employee & Spouse	\$215.00	\$190.00	+\$25.00	\$202.00	+\$13.00
Employee & Children	\$122.50	\$95.00	+\$27.50	\$107.00	+\$15.50
Employee & Family	\$310.00	\$275.00	+\$35.00	\$298.00	+\$12.00

Dollar Impact of Proposed Changes

The chart below provides a summary of the anticipated dollar impact of the major changes proposed. These amounts are required to eliminate the expected deficit the current contributions would generate when compared to the total expected plan costs for Plan Year 2017.

Plan Changes	Plan Savings
Impacts from Plan Design Changes:	
Medical	\$ 846,000
Pharmacy	\$192,000
Additional Plan Changes	\$208,000
Enrollment Cost Shift	\$178,000
Total from Plan Design Changes	\$1,424,000
Increased Contributions:	
Employer (County)	\$1,360,000
Employee	\$1,192,000
Total Increased Contributions	\$2,552,000
TOTAL	\$3,976,000

Effective Dates

The 2017 plan year begins January 1, 2017 and extends to December 31, 2017. The rate changes are effective with the December 15, 2016 paycheck as contributions are collected one month in advance.

Attachments:

1. Medical and Pharmacy Plan Summary and Premium Comparison
2. Draft Tobacco Free Program Policy