

# Health Plan Analysis

South Florida Water Management District  
January 15, 2015

*(Based on a report completed April 7, 2014)*

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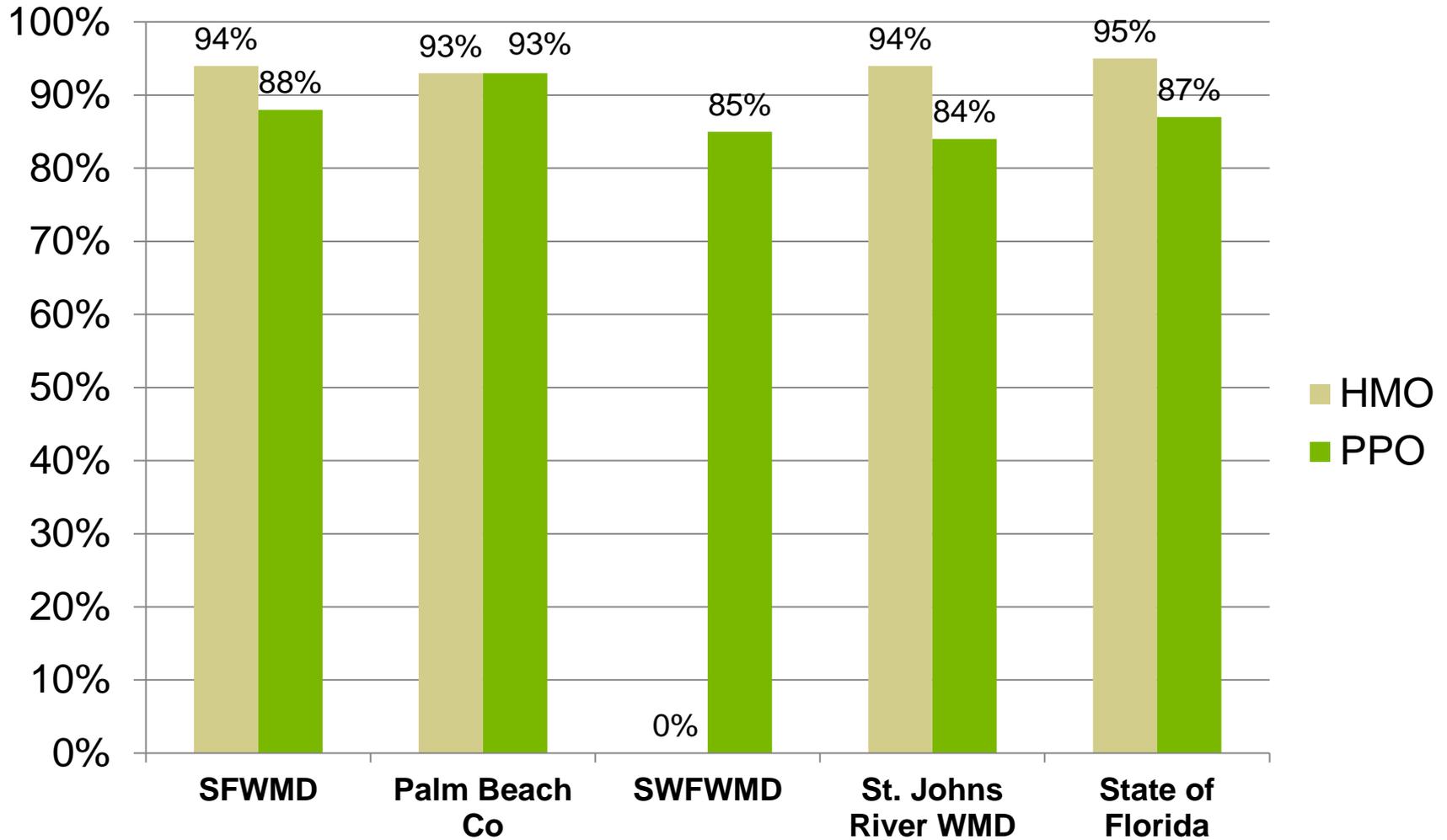
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# Benchmarking



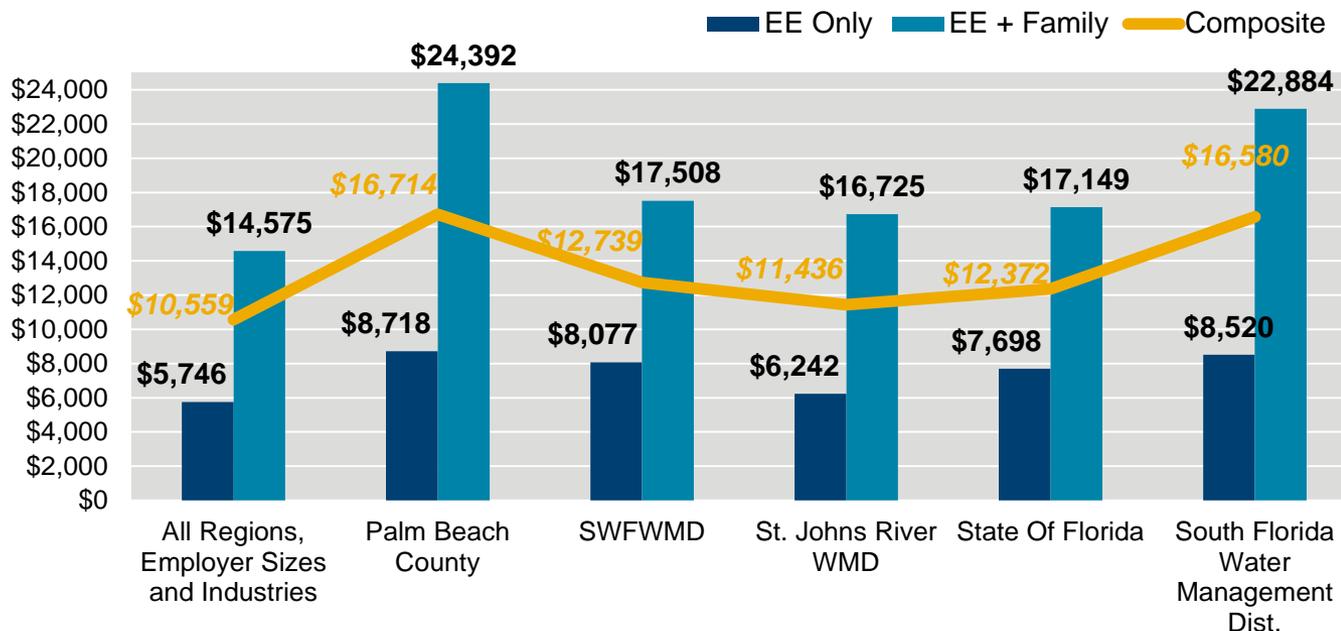
# Actuarial Value Compared to Regional Like Groups



# Regional Like Group Comparison – OAP Plan Cost

PPO/POS	Total Plan Cost Per Employee Year		
	EE Only	EE + Family	Composite
All Regions, Employer Sizes and Industries	\$5,746	\$14,575	\$10,559
Palm Beach County	\$8,718	\$24,392	\$16,714
SWFWMD	\$8,077	\$17,508	\$12,739
St. Johns River WMD	\$6,242	\$16,725	\$11,436
State Of Florida	\$7,698	\$17,149	\$12,372
South Florida Water Management Dist.	\$8,520	\$22,884	\$16,580

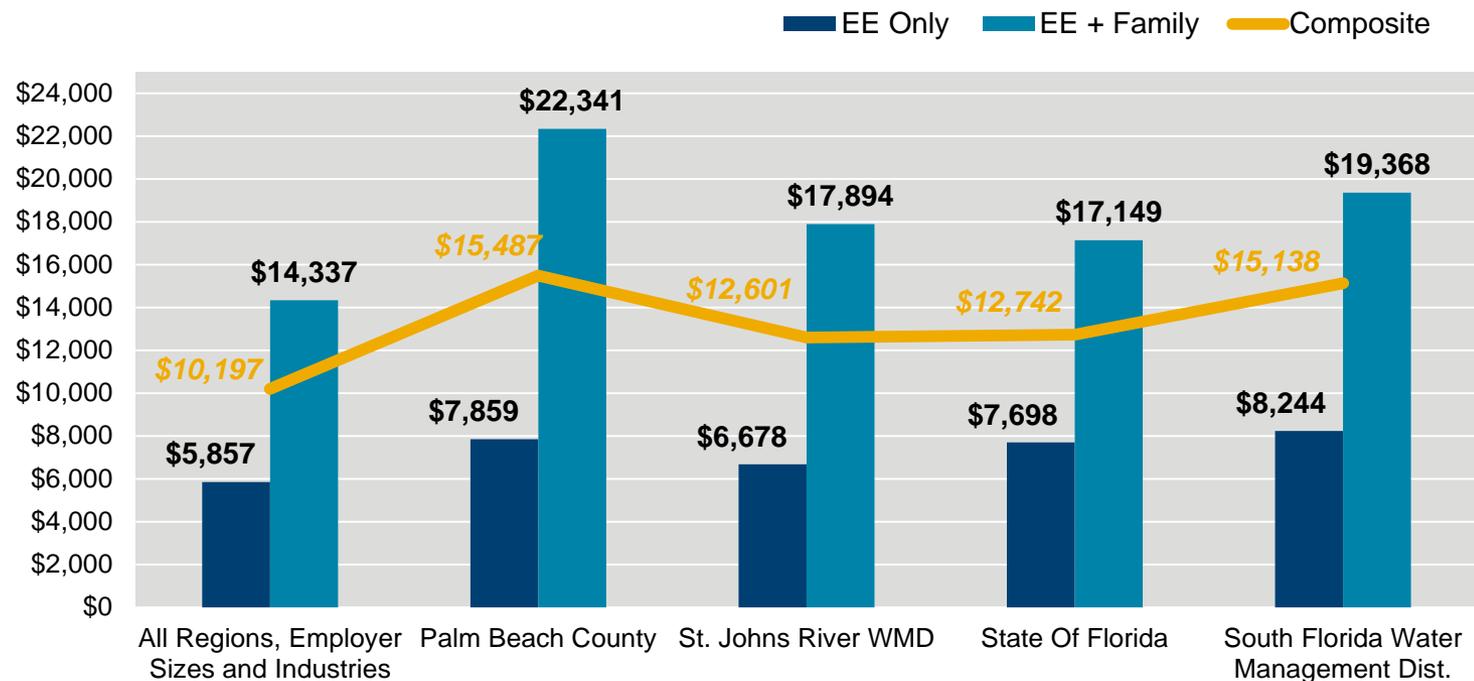
Note: Survey data from information provided and the 2012 Aon Hewitt Book of Business of Health and Welfare Plans



# Regional Like Group Comparison – HMO Plan Cost

Total Plan Cost Per Employee Per Year			
HMO	EE Only	EE + Family	Composite
All Regions, Employer Sizes and Industries	\$5,857	\$14,337	\$10,197
Palm Beach County	\$7,859	\$22,341	\$15,487
St. Johns River WMD	\$6,678	\$17,894	\$12,601
State Of Florida	\$7,698	\$17,149	\$12,742
South Florida Water Management Dist.	\$8,244	\$19,368	\$15,138

Note: Survey data from information provided and the 2012 Aon Hewitt Book of Business of Health and Welfare Plans



## Benchmarking Observations and Conclusions

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- SFWMD Plan costs are higher than all benchmarked groups with the exception of Palm Beach Co. Government
- On average the regional “like” groups had higher costs than the national medians
- SFWMD health plans are similar, if not richer than the regional “like” groups benchmarked
- SFWMD single employee contribution was lower in virtually all comparisons
- It can be concluded that SFWMD can increase employee cost sharing while still maintaining a competitive employee health plan

# Discount Analysis and GeoAccess Review



## Discount Analysis and GeoAccess Review

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- Provider discounts and provider access have a directly impact claims cost
- Since claims are the largest portion of plan costs, improvements in provider discounts can result in large plan savings

## Aon Discount Analysis

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- Aon proprietary tool populated with billions of dollars in claims from multiple carriers and networks
- Both level of discounts and breath of network is considered
- The Cigna network used by SFWMD is within 2-4% of the most cost effective networks polled

## Aon GeoAccess Review

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- GeoAccess is a branded tool that analyzes employee access to providers and compares to established standards
  
- Cigna OAP Network exceeds 95% access for measured criteria
  - 98% of employees have access to 2 PCPs within 10 miles
  - 96% of employees have access to 2 pediatricians within 10 miles
  - 99% of employees have access to 2 specialists within 15 miles
  - 99% of employees have access to 1 hospital within 20 miles

# Plan Costs and Financial Review



## Fully-insured vs. Self-insured

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- Over the long term, fully-insured group medical plans will be more expensive than self-insured plans due to risk transfer to the carrier
- Expected fully-insured costs increases would be attributed to:
  - State premium tax
  - HCR carrier premium tax
  - Carrier risk margin
  - Carrier profit margin
- Since SFWMD uses Cigna there is no expected gain in fully-insured administrative cost savings or network discount savings
- Aon estimates SFWMD 2013 health plan costs would have been \$5M higher had the plan been fully-insured

## PPACA 2018 Excise Tax

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- Referred to as the “Cadillac Tax”
- Beginning in 2018 The Cadillac Tax is a 40% excise tax levied on an annual single cost of \$10,200 and family cost of \$27,500 (2nd & 3rd rate tiers are included within the family rate or 4th tier)
- The single and family amount is scheduled to be indexed to CPI and will increase year after 2018
- Based on a 7% annual medical trend and assuming no changes to the medical benefits, SFWMD is projected to exceed the cost maximums in 2019

## Premium Tiering Review

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- Today virtually all group sponsored health care plans use a 2, 3 or 4 tier premium methodology
- Tiering by itself has little affect on plan costs, only when paired with employee contribution can it affect employer costs and employee/dependent participation
- While many public sector groups use a 3-tier methodology, SFWMD uses a modified 3-tier cost structure which is uncommon
- The cost differences or ratios between premium tiers is not typical, specifically the premium differential between EE+1 and EE+Family is unusually low

## Plan Consolidation Analysis

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- SFWMD HMO plan has a lower cost than the OAP plan even though it has a richer plan design. While some savings are due to HMO cost controls it is likely much of the cost differences are due to the demographics of the population in the HMO plan vs the OAP plan
- The HMO and OAP network discounts are believed to be similar therefore expected consolidation savings is developed using actuarial value (AV) differentials
- Aon reviewed consolidating the current Cigna HMO plan (.94 AV) into the Cigna OAP plan (.88 AV)
- Using 2013 claims, had all members been enrolled in the OAP plan, the estimated savings would be \$850,000 for the year
- Employees value having a choice of plan designs and similar savings can be accomplished without plan consolidation by adjusting benefit designs

## Plan Design Changes

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- There is an ongoing, national benefit trend of increasing deductibles, co-pays, coinsurance and out-of-pocket costs
- In a national survey, the vast majority of Aon clients stated that they are planning on making benefit design changes this year
- SFWMD's current plan designs are similar or slightly richer than other like groups benchmarked and are richer than the national average
- Small changes in plan design can have a large impact on claims cost
- For example; moving the HMO annual deductible from \$0 per employee to \$150, adding a 10% coinsurance and making small changes to the Rx copay would reduce claims by an estimated \$800,000 annually
- For example; increasing the OAP annual single deductible by \$100, making changes to the family deductible and increasing some copays would reduce claims by an estimated \$350,000 annually

## Employee Contribution Review

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- Currently SFWMD pays a percentage of the cost of its employees medical plan, therefore it is paying more for the more expensive, leaner benefits, OAP plan than it is for richer benefit, less costly HMO plan
- The trend is to set employer contributions at a fixed amount (defined contribution) regardless of health plan chosen
- SFWMD has very low employee only contribution compared to benchmark
- The contribution differential between employee+1 and employee+family is unusually low
- Employees are currently paying less for the richer benefit plan

## Clams Cost Reduction Opportunities

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In addition to cost shifting using plan or contribution changes, there may also be opportunities to reduce claims expense, including:

- Tiered networks – adjusting plan design to promote smaller, high efficiency networks
- Wellness – adjusting plan design or offering incentives to become more engaged in wellness activities
- Provider transparency programs – incentivizing employees to use providers identified as low cost and high quality
  - Compass
  - Delphi Map
  - Health Care Blue Book
  - Castlight Health

# Onsite Clinic Feasibility Study



## Onsite Clinic Feasibility

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On-site health centers offer the promise of better access to medical care while improving employee morale and work productivity. Major objectives for an onsite health center typically include:

- Lower or moderate the employer's future costs for medical services
- Promote health improvement among those who are enrolled in the health plan
- Improve overall health outcomes among health plan members

Major services typically offered by an onsite health center include:

- Episodic/primary care office visits and services
- Preventive care services
- Prescribe and dispense medications
- Perform biometric screening (e.g., blood pressure, height/weight, cholesterol, blood glucose)
- Conduct face-to-face health coaching for at-risk members

## Onsite Clinic Feasibility, Cont.

Below is the high level summary of the 21 page analysis:

### Summary Financial Findings

	Worst Case	Likely Case
<b>5-Year Gross Savings</b>	\$2,131,540	\$2,827,144
<b>5-Year Expenses</b>	\$2,017,533	\$2,017,533
<b>5-Year Net Savings</b>	\$114,007	\$809,611
<b>5-Year Net Present Value</b>	\$26,451	\$613,269
<b>Financial Breakeven</b>	Year 5	Year 4
<b>Benefit-Cost Ratio</b>	1.02	1.35

### Summary Variables

	Employees, Retirees and Dependents
<b>Employees</b>	925
<b>Dependents</b>	1,268
<b>Total Members</b>	2,193
<b>Staff (FTEs) – Year 1</b>	2.1
<b>Space (square feet)</b>	1,000

# Questions



# Staff Recommendation

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- **Implement Aon Hewitt report recommendations**
  - **Phased implementation over 3 years**
  - **Help ensure sustainability of plans into future**
- **Comply with Affordable Care Act Requirements**
- **Investigate other potential cost savings options:**
  - **Transparency programs to incentivize employees to use low cost/high quality providers**
  - **Encourage mail order/low cost pharmacies**
  - **On-site clinic feasibility**
  - **Wellness incentives**