



# Sarasota County School Board

## Financial Advisory Committee

*Study, Analysis, and Recommendation for  
Health Care Plans and Cost*

*February 15, 2011*

# Financial Advisory Committee

## ▶ Financial Advisory Committee Members

- Robert Windom, Chair
- John Cranor, Vice Chair
- H. Murray Blueglass
- Dan DeLeo
- Trish Entsminger
- Mick Ferrucci
- Herb Jones
- Mark Rehder

## ▶ Outside Advisor to FAC

- JR Shamley, Senior Vice President, ASA
- Jason Swann, Assistant Vice President, ASA, MAAA
- Debbie Poole, Consultant

# Introduction

- ▶ Background History
- ▶ Need for Study
- ▶ Current Plan Design, Enrollment, and Cost

# Current Plans *(In-network benefits)*

Benefit Feature	Low HMO	High HMO	Low PPO	High PPO
Annual Deductible	None	None	\$1,000 Ind. \$3,000 Fam.	\$300 Ind. \$900 Fam.
Office visit copay	\$25 PCP \$50 Spec	\$15 PCP \$35 Spec	20% After Deductible (AD)	\$25 PCP \$25 Spec
Inpatient	\$150/day, max \$750	\$100 per admission	\$150 copay, then 20% AD	10% AD
Outpatient	\$200 copay	\$100 copay	20% AD	10% AD
Emergency Room	\$50 copay	\$50 copay	\$50 copay, then 20% AD	10% AD
Outpatient Therapy	\$5 copay	\$5 copay	20% AD	10% AD
Prescriptions	\$20/40/60	\$15/30/50	\$20/40/60	\$15/30/50
<b>Relative Plan Value</b>	<b>1.04</b>	<b>1.08</b>	<b>0.89</b>	<b>1.00</b>

# Current Contribution Share

## Overall Premium Cost Sharing:

**Employee Pay 15%**

**SBSC Pays 85%**

- ▶ 81% of enrollment is Employee Only
- ▶ Employee Only Coverage paid 100% by SBSC
- ▶ Employees pay 100% of dependent portion, except under the Low HMO and Low PPO

	Monthly Contract Premium	Employee Monthly Cost	District Monthly Cost	% Paid by District
<b>High PPO (Blue Choice Plan 702)</b>				
Employee Only	\$714.50	\$0.00	\$714.50	100%
Employee + Spouse	\$1,485.00	\$770.50	\$714.50	0%
Employee + Children	\$1,350.02	\$635.52	\$714.50	0%
Employee + Family	\$2,069.74	\$1,355.24	\$714.50	0%
<b>High HMO (Blue Care 5)</b>				
Employee Only	\$577.80	\$0.00	\$577.80	100%
Employee + Spouse	\$1,201.74	\$623.94	\$577.80	0%
Employee + Children	\$1,092.84	\$515.04	\$577.80	0%
Employee + Family	\$1,674.88	\$1,097.08	\$577.80	0%
<b>Low PPO (Blue Choice 117)</b>				
Employee Only	\$394.26	\$0.00	\$394.26	100%
Employee + Spouse	\$819.38	\$241.58	\$577.80	22%
Employee + Children	\$744.92	\$167.12	\$577.80	25%
Employee + Family	\$1,142.02	\$564.22	\$577.80	16%
<b>Low HMO (Blue Care 15)</b>				
Employee Only	\$542.38	\$0.00	\$542.38	100%
Employee + Spouse	\$1,128.12	\$550.32	\$577.80	3%
Employee + Children	\$1,025.84	\$448.04	\$577.80	3%
Employee + Family	\$1,572.26	\$994.46	\$577.80	2%

# Looking Ahead

- ▶ Impact of diminishing state financial support and resources
- ▶ Private sector and community perspective
- ▶ Presentation of scenarios and alternative medical plan designs and cost share strategies for the future

# Preliminary Projection

## Preliminary Projection = \$5M increase

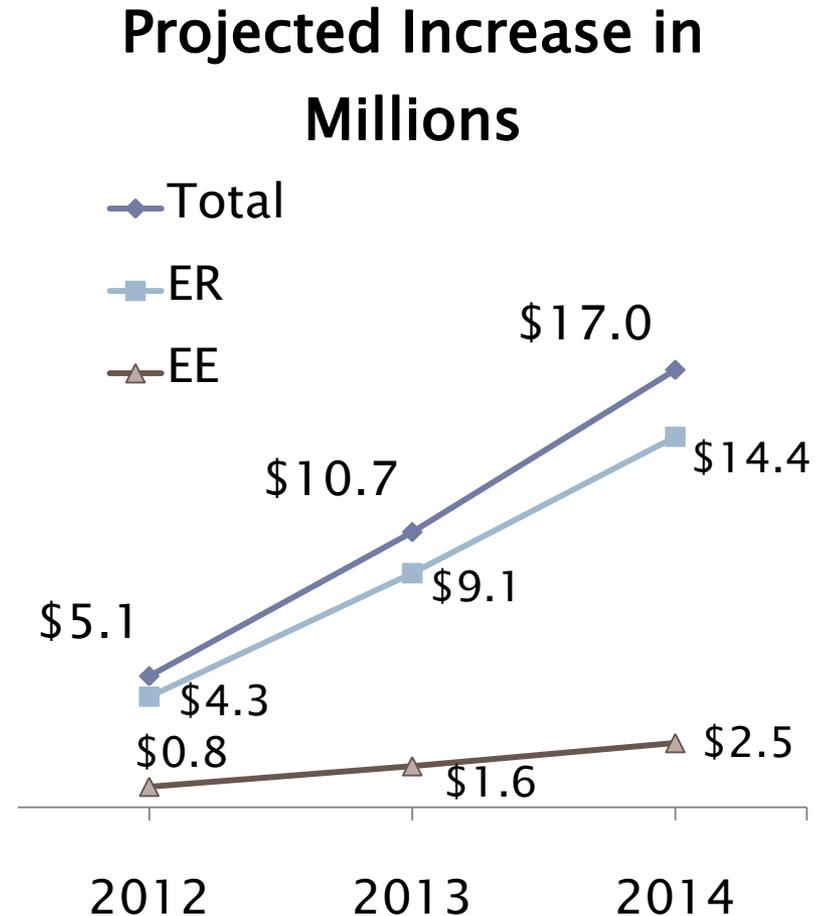
- No plan changes, except those required for Health Care Reform
- SBSC trend
- Claims through October
- 10.9% increase over current rates

# 3-year Financial Impact

## Projected 2011 Plan Costs:

- Total Plan \$46.7M
- Employee pays \$ 7.0M
- Employer pays \$39.7M

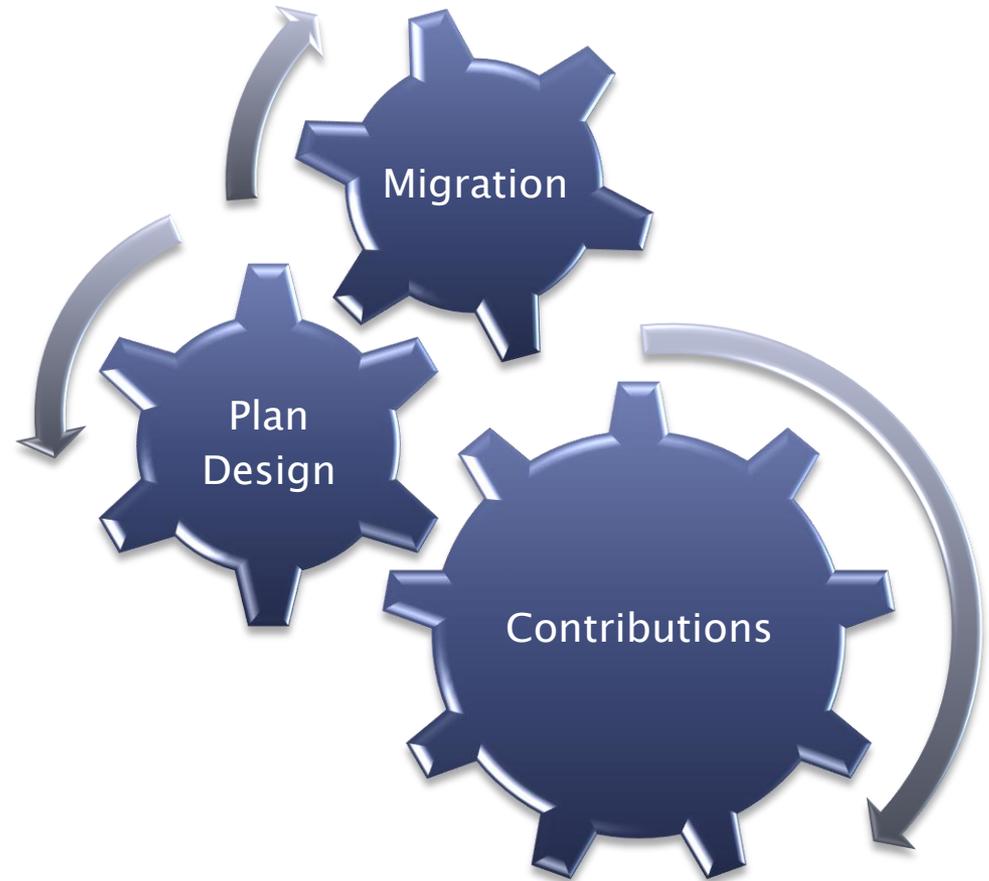
Without changes, plan costs are projected to increase to **\$63.7M by 2014**



# Cost Saving Factors

Migration, plan design, and contribution strategy have a direct impact on cost containment measures.

Aon Hewitt conducted an analysis of all three components to illustrate cost saving benefit plan alternatives.



# 2012 Medical Renewal Strategy

- ▶ **Cost containment strategy**
  - Plan type (HMO, PPO, Consumer Directed Health Plans)
  - Benefit designs (deductible, copayments)
  - District subsidy and employee contribution
  - Wellness Strategy promoting healthy behavior
- ▶ **Impact of Alternatives**
  - District could save \$2M by charging employees no more than \$45 per month for employee-only coverage
  - Additional plan design changes could save nearly \$6M

# Plan Alternatives: Net Impact

		Est. 2012 Total Premium	EE Cost Share	SBSC Cost Share	2012 SBSC Net Increase
	Current Plans	\$51.4M	\$7.1M	\$44.3M	10.9%
1	Keep current plans, no benefit changes Add EE-only contribution for 3 plans	\$50.6M	\$8.6M	\$42M	5%
2	Minor design changes to current 4 plans Add EE-only contribution for 3 plans	\$49.4M	\$8.4M	\$41M	3%
3	Aggressive design changes to current 4 plans No EE-only contribution (current cost share strategy)	\$47.8M	\$6.6M	\$41.2M	3%
4	Dual Option HMO/PPO NO EE-only contribution (current cost share strategy)	\$46.4M	\$6.4M	\$40M	0%
5	Dual Option Consumer Directed Health Plans w/HRA No EE-only contribution	\$46.8M	\$8.4M	\$38.4M	-3%
6	Dual Option HMO/PPO, EE-only contribution on HMO	\$47.5M	\$9M	\$38.5M	-3%

*Alternatives with plan design changes include all changes required for Health Care Reform. See Appendix for details.*

# Appendix

Wellness Program  
Health Care Reform  
Plan Design Alternatives Details

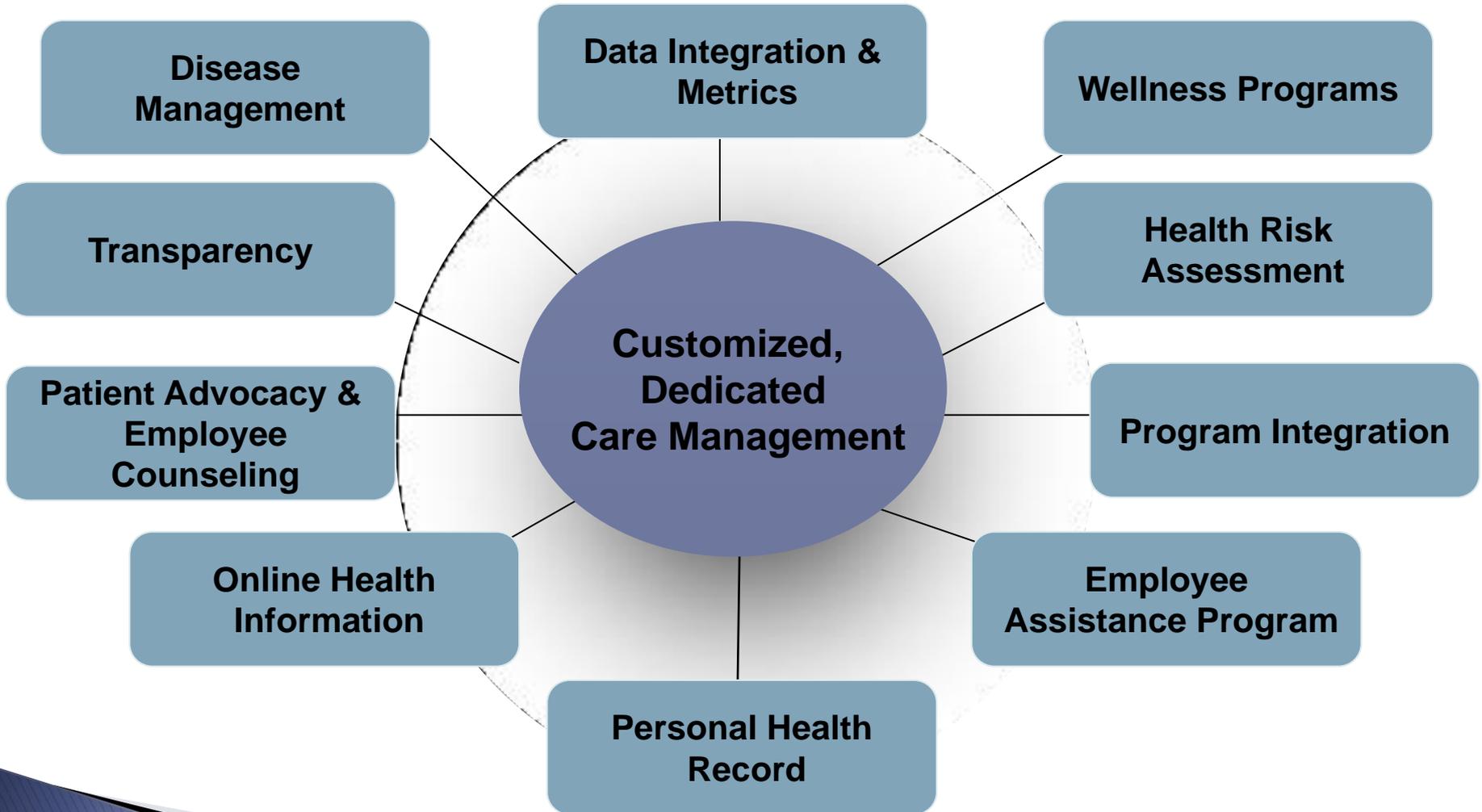
# Wellness Program: Keys to Success

- ▶ Know your data, your risk, and your population
  - Prevalence of various disease states
  - Lifestyle risk factors
  - Inventory of current activities and programs
  - Readiness to change
  - Effective motivation techniques
- ▶ Intensive Communications Campaign
  - Advance publicity
  - Find executive sponsors
  - Clear and frequent messages
- ▶ Well-defined strategy
  - Objectives (short- and long-term)
  - Program criteria (smoking cessation, diabetes, fitness)
  - Financial resources
  - Human capital (who is going to do the work)
  - Participation incentives (what's the magic point)
  - Program success (how to measure)
  - Ability to leverage existing vendors
  - Data integration

# Components of Wellness Programs

- Health Risk Assessments
- Online education and behavior change tools
- Health coaching
- Newsletters on health topics
- Educational courses
- Lunch & learns
- Health Fairs
- Biometric screenings
- Fitness club memberships
- Nutrition counseling
- Weight management
- Lifestyle management
- Stress management
- Smoking cessation
- Walking programs
- Incentives

# Comprehensive Care Management Model



# Three-Year Strategic Approach

## Year 1 Assess & Educate

- Health Risk Assessment
- Biometric evaluation
- Offer incentives to motivate employees
- Health plan design and utilization
- Wellness tools and resources

## Year 2 Participation

- Engage employees to participate in programs
- Offer incentives to motivate employees

## Year 3 Outcomes

- Sustained activities and improved outcomes

# Health Care Reform

- ▶ Certain benefit plan design changes will be required for Sarasota County School Board medical plans if the current grandfathered status is lost.
- ▶ Grandfathered status will be lost if:
  - SBSC makes plan design changes.
  - SBSC reduces the Board contribution greater than 5%.
- ▶ Changes required for non-grandfathered plans include:
  - Dependent children are eligible for coverage up to age 26, regardless of full time student, marital, or dependent status.
  - No pre-existing condition limitations may apply to children under age 19.
  - Routine Preventive care must be covered at 100% .
  - No lifetime limits or annual benefit limits may apply.
  - Emergency Room must be covered at the in-network level, regardless of network participation status.

# Alternative 1

## *No Plan Design Changes Increase Employee Only Contributions*

- No changes to current plans or benefit design
- \$900,000 savings resulting from employee migration into less rich plans
  - Assumes that lowest users most likely to migrate to less rich plan
  - Reduces 2012 premium increase approximately 1.5%
- \$2,200,000 savings from additional employee contributions
  - Reduces 2012 premium increase approximately 4.5%

Plan	Current EE Only Enrollment	Proposed Contribution	Proposed Migration	Migrated Enrollment Assumption
High HMO	2,574	\$45	50% to High HMO 50% to Low HMO	1,287
Low HMO	43	\$15	100% to Low HMO	1,330
High PPO	1,555	\$30	50% to High PPO 50% to Low PPO	778
Low PPO	233	\$0	100% to Low PPO	1010

# Alternative 2

## Minor Plan Design Changes New Employee Contributions for Single Tier

Low HMO	High HMO	Low PPO	High PPO	
<ul style="list-style-type: none"> <li>• Increase Out-of-Pocket Max to \$2,000/\$4,000</li> <li>• Increase Inpatient Copay to \$200/day per admission (days 1-5)</li> <li>• Increase Emergency Room copay to \$150</li> <li>• New Complex Imaging copay \$100</li> </ul>	<ul style="list-style-type: none"> <li>• Increase Inpatient Copay to \$200 per admission</li> <li>• Increase Emergency Room copay to \$100</li> <li>• New Complex Imaging copay \$50</li> </ul>	<ul style="list-style-type: none"> <li>• No Changes</li> </ul>	<ul style="list-style-type: none"> <li>• Increase Annual Deductible to \$500 / \$1,500</li> <li>• Increase Specialist Office Visit copay to \$50</li> <li>• Increase Prescription Drug copay to \$20/\$40/\$60</li> </ul>	
Monthly EE Contribution				
EE	\$15	\$45	\$0	\$30
EE+SP	\$601	\$710	\$257	\$51
EE+CH	\$492	\$594	\$178	\$707
FAM	\$1,074	\$1,213	\$601	\$1,473

**Total Annual Cost: \$42M**  
**Projected 2012 Increase: 3%**  
**District Impact: \$2M**

# Alternative 3

## Aggressive Plan Design Changes \$0 Employee Contributions for Single Tier

Low HMO		High HMO		Low PPO		High PPO	
<ul style="list-style-type: none"> <li>• New Annual Deductible \$500 / \$1,500</li> <li>• Increase Out-of-Pocket Max to \$2,000/\$4,000</li> <li>• Increase Inpatient Copay to \$200/day per admission (days 1-5)</li> <li>• Increase Emergency Room copay to \$150</li> <li>• New Complex Imaging copay \$100</li> </ul>		<ul style="list-style-type: none"> <li>• New Annual Deductible \$350 / \$1,050</li> <li>• Increase Inpatient Copay to \$200 per admission</li> <li>• Increase Emergency Room copay to \$100</li> <li>• New Complex Imaging copay \$50</li> </ul>		<ul style="list-style-type: none"> <li>• Increase Annual Deductible to \$1,500 / \$4,500</li> </ul>		<ul style="list-style-type: none"> <li>• Increase Annual Deductible to \$1,000 / \$3,000</li> <li>• Increase Specialist Office Visit copay to \$50</li> <li>• Increase Prescription Drug copay to \$20/\$40/\$60</li> </ul>	
Monthly EE Contribution							
EE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EE+SP	\$567	\$643	\$249	\$249	\$794	\$794	\$794
EE+CH	\$461	\$530	\$172	\$172	\$655	\$655	\$655
FAM	\$1,024	\$1,130	\$581	\$581	\$1,396	\$1,396	\$1,396

**Total Annual Cost: \$42M**  
**Projected 2012 Increase: 3%**  
**District Impact: \$1.2M**

# Alternative 4

*Plan Elimination: Dual Option HMO/PPO  
\$0 Employee Contributions for Single Tier*

HMO		PPO	
<ul style="list-style-type: none"> <li>• Annual Deductible \$500 / \$1,500</li> <li>• Out-of-Pocket Max \$2,000/\$4,000</li> <li>• Office Visits \$25/\$50</li> <li>• Inpatient Copay \$200/day per admission (days 1-5)</li> <li>• Emergency Room copay \$150</li> <li>• Complex Imaging copay \$100</li> <li>• Prescription Drugs \$20/\$40/\$60</li> </ul>		<ul style="list-style-type: none"> <li>• Annual Deductible \$1,500 / \$4,500 (In-Network)</li> <li>• Separate Out of Network Annual Deductible \$3,000 / \$9,000</li> <li>• Out-of-Pocket Max \$2,000 / \$6,000 (In-Network)</li> <li>• Separate Out of Network OOP Max \$4,000 / \$12,000</li> <li>• Office Visits, Outpatient Surgery, and Emergency Room 20% after deductible</li> <li>• Inpatient \$150 copay, then 20% after deductible</li> </ul>	
Monthly EE Contribution			
EE	\$0		\$0
EE+SP	\$624		\$274
EE+CH	\$508		\$190
FAM	\$1,128		\$640

**Total Annual Cost: \$40M**  
**Projected 2012 Increase: 0%**  
**District Impact: \$0**

# Alternative 5

*Plan Elimination: Dual Option Consumer Directed Health (CDH) plan with Health Reimbursement Arrangement (HRA)  
\$0 Employee Contributions for Single Tier*

Low CDH with HRA		High CDH with HRA	
<ul style="list-style-type: none"> <li>• HRA \$500 / \$1,500</li> <li>• Annual Deductible \$2,000 / \$6,000</li> <li>• Coinsurance 80% / 60%</li> <li>• Out-of-Pocket Max \$3,000/\$9,000</li> <li>• Prescription Drugs \$20/\$40/\$60 copay after deductible</li> </ul>		<ul style="list-style-type: none"> <li>• HRA \$250 / \$500</li> <li>• Annual Deductible \$1,000 / \$3,000</li> <li>• Coinsurance 90% / 70%</li> <li>• Out-of-Pocket Max \$2,000/\$6,000</li> <li>• Prescription Drugs \$20/\$40/\$60 copay after deductible</li> </ul>	
Monthly EE Contribution			
EE	\$0		\$0
EE+SP	\$830		\$345
EE+CH	\$684		\$239
FAM	\$1,464		\$806

**Total Annual Cost: \$38.5M**  
**Projected 2012 Increase: -3%**  
**District Impact: -\$1.5M**

# Alternative 6

*Plan Elimination: Dual Option HMO / CDH with HRA  
Employee Contributions for HMO Single Tier*

HMO		CDH with HRA	
<ul style="list-style-type: none"> <li>• No Annual Deductible</li> <li>• 100% Coinsurance</li> <li>• Out-of-Pocket Max \$2,000/\$4,000</li> <li>• Inpatient copay \$200/day per admission (days 1-5)</li> <li>• Emergency Room copay \$150</li> <li>• Prescription Drugs \$20/\$40/\$60 copay after deductible</li> </ul>		<ul style="list-style-type: none"> <li>• HRA \$500 / \$1,500</li> <li>• Annual Deductible \$2,000 / \$6,000</li> <li>• Coinsurance 80% / 60%</li> <li>• Out-of-Pocket Max \$3,000/\$9,000</li> <li>• Prescription Drugs \$20/\$40/\$60 copay after deductible</li> </ul>	
Monthly EE Contribution			
EE	\$50		\$0
EE+SP	\$758		\$315
EE+CH	\$625		\$218
FAM	\$1,337		\$736

**Total Annual Cost: \$38.5M**  
**Projected 2012 Increase: -3%**  
**District Impact: -\$1.5M**