

# **The School Board of Sarasota County, Florida**



## **HEALTH AND WELLNESS TASK FORCE REPORT**

**MAY 20, 2014**

# Health and Wellness Task Force



## **TASK FORCE OBJECTIVES**

- Evaluate the financial impact of rising healthcare costs including the Affordable Care Act
- Generate healthcare cost savings ideas
- Identify methods to expand wellness program

# Health and Wellness Task Force



## **TASK FORCE**

Mitsi Corcoran, Chief Financial Officer

Brendan Creedon, Health & Benefits Analyst, Aon Hewitt

Barry Dubin, Executive Director SC/TA

Suzie Dubose, Employee Wellness Coordinator

Pat Gardner, President SC/TA

Lynn Peterson, Risk Management Supervisor

Debbie Poole, Senior Consultant, Aon Hewitt

Roy Sprinkle, Director of Human Resources & Equity

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## ONSITE HEALTH CLINICS

PROS	CONS
<ul style="list-style-type: none"><li>• Potential to reduce claim costs for primary, urgent care and drugs</li></ul>	<ul style="list-style-type: none"><li>• Large capital investment</li></ul>
<ul style="list-style-type: none"><li>• Potential to reduce utilization of emergency room, specialist and hospital services</li></ul>	<ul style="list-style-type: none"><li>• Ongoing operating costs</li></ul>
<ul style="list-style-type: none"><li>• Potential to enhance existing disease management and wellness services</li></ul>	<ul style="list-style-type: none"><li>• May require multiple sites due to geographical size of District</li></ul>
<ul style="list-style-type: none"><li>• Potential to improve productivity (reduce absenteeism)</li></ul>	<ul style="list-style-type: none"><li>• Fully insured employer plans see less financial benefit than self-insured plans</li></ul>
<ul style="list-style-type: none"><li>• Potential to integrate primary/preventative care with occupational health services</li></ul>	<ul style="list-style-type: none"><li>• May be less flexible for employees</li></ul>

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- The findings showed this service delivery model works best in a self-insurance environment as the savings are realized in the actual claims paid.
- The District, being fully insured, has transferred the risk to the insurance provider. The indirect savings realized to District insurance premiums may not offset the large capital investment and ongoing operating costs of an onsite health clinic.
- The risk of high claims still exists.
- Contracting with some of our large network providers to offer the same services as an onsite clinic may be a more cost effective way to realize the same indirect savings for the District's fully insured plan.

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## **SELF INSURANCE**

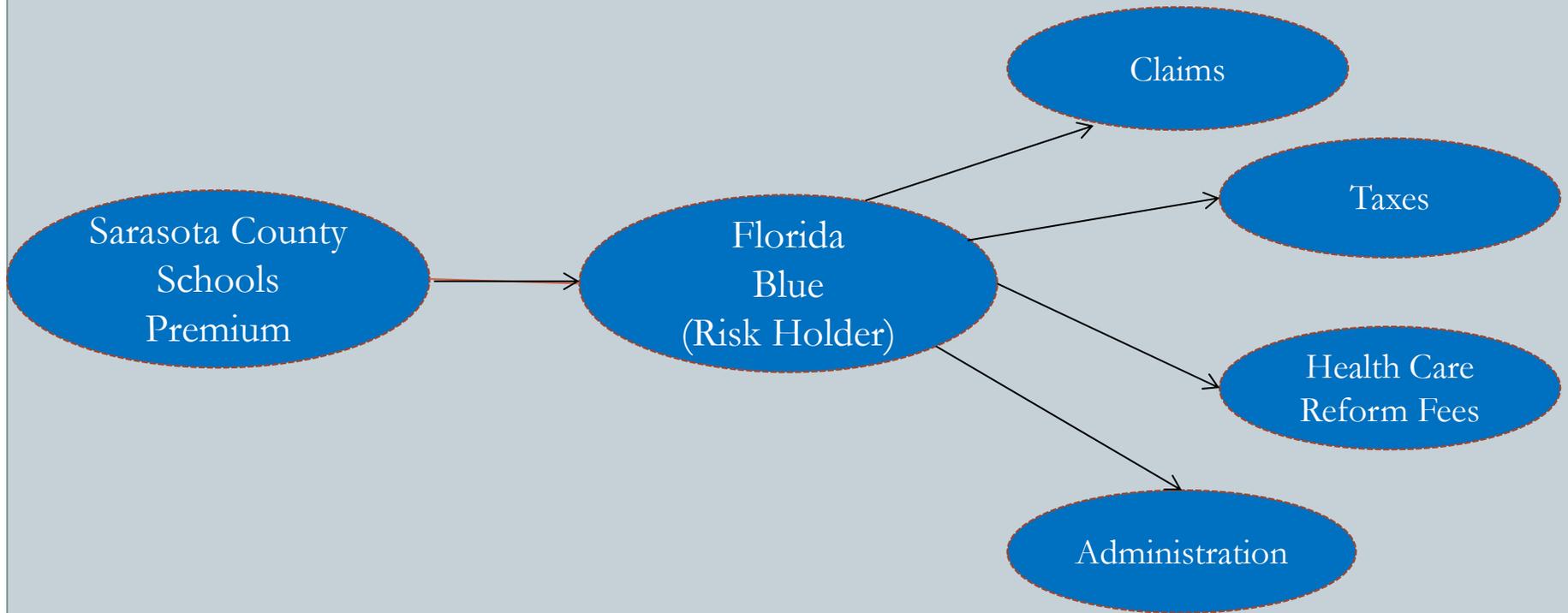
Based on the information from the onsite health clinic analysis and in an effort to find ways to offset rising health care costs, the Task Force reviewed whether the District should pursue retaining risk and self insure the District health insurance plans.

With analysis provided by Aon Hewitt, it was determined that under the District's current fully-insured contract, approximately \$5.8 million is spent on the administration of the District's healthcare plan. The administration cost has several components including: operating costs, risk charges and fees including Patient Protection Affordable Care Act (PPACA) fees. When the District insurance premiums less claim payments are greater than the cost of running the plan, the remainder is retained by the insurance provider.

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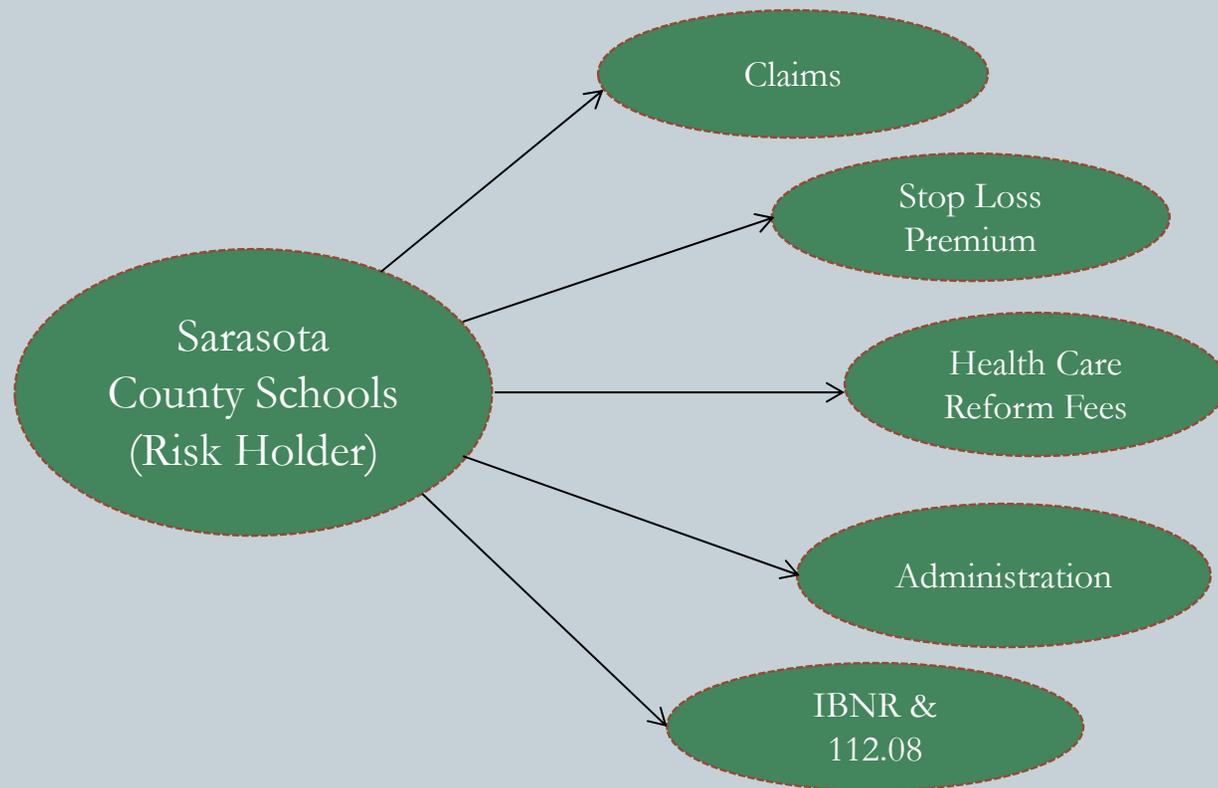
## FULLY-INSURED PLAN COSTS



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## SELF-FUNDING PLAN COSTS



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## IBNR RESERVES

- Actuarial projection of expected incurred claims (Incurred But Not Received)
- Accumulates through employee contributions and District funding
- Held in plan fund reserve to pay claims
- Similar to other Sarasota County self insured funds such as Dental and Workers Compensation

## 112.08 REQUIREMENT

- Separate reserve requirement for State of Florida government entities
- Entities must hold a minimum reserve equal to approximately 2 months of expected incurred claims
- Separate from IBNR reserve
- Must be fully funded by the end of the first plan year

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## **SELF FUNDED FINANCIAL ANALYSIS**

### Fully Insured Plan Assumptions

- Medical and Rx claims increase by 8% annually, does not account for fees and expenses

### Self-Funded Plan Assumptions

- Medical and Rx claims increase by 8% annually
- Reserve funds (IBNR and 112.08) accrue evenly throughout year
- 1% interest earned on reserve funds (IBNR and 112.08)
- Administration expenses increase by 3% annually
- Stop loss premiums increase by 20% annually
- Plan will be reimbursed by stop loss policy for individual claimants exceeding \$250,000
- 112.08 requirement is equal to two months of incurred claims

### PPACA (Health Care Reform) Fees

- Transitional Reinsurance Fee: Equals \$44 per member per year (PMPY ) in 2015; 2016 fee not published (assumed to be \$26 PMPY for analysis)
- Patient-Centered Outcomes Research Institute (PCORI): 2014 fee is based on the annualized 2014 National Health Expenditure (assumed to be \$2.16 PMPY for analysis)

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## SELF FUNDED FINANCIAL ANALYSIS

	Fully-Insured			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Claims	\$ 37,661,700	\$ 40,681,000	\$ 43,947,000	\$ 47,462,800
Retention	\$ 5,808,900	\$ 6,080,100	\$ 6,394,200	\$ 6,678,600
<b>Needed Premium</b>	<b>\$ 43,470,600</b>	<b>\$ 46,761,100</b>	<b>\$ 50,341,200</b>	<b>\$ 54,141,400</b>
		Self-Funded		
		<u>2015</u>	<u>2016</u>	<u>2017</u>
Claims		\$ 39,121,500	\$ 42,140,200	\$ 45,389,748
Expenses*		\$ 4,670,700	\$ 5,004,000	\$ 5,388,400
<b>Total Self-Funded Costs</b>		<b>\$ 43,792,200</b>	<b>\$ 47,144,200</b>	<b>\$ 50,778,148</b>
<b>Annual Total (Cost)/Savings</b>		<b>\$ 2,968,900</b>	<b>\$ 3,197,000</b>	<b>\$ 3,363,252</b>
Prior Year (Cost)/Savings Carry Forward		\$ -	\$ (3,486,200)	\$ (724,600)
112.08 Requirement*		\$ (6,455,100)	\$ (435,400)	\$ (468,700)
<b>Accumulated Total (Cost)/Savings</b>		<b>\$ (3,486,200)</b>	<b>\$ (724,600)</b>	<b>\$ 2,169,952</b>

\* Includes interest credit for holding additional funds.

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## HEALTH INSURANCE ANALYSIS

	Self-Funded	Fully-Insured
Cash Flow	Employer holds cash until claims are paid. Employer holds reserves for termination	Premium paid to Florida Blue. Florida Blue holds reserves for termination
Benefits	More plan design flexibility	Limited to state-filed plan designs
Wellness / On-site Clinics	Savings go directly to Sarasota County Schools in the form of lower claims	No immediate savings, potential for mitigating future rate increases
Claim Liability	Employer pays actual claims costs	Fixed cost for premiums. Claim liability is the insurance company's responsibility
State Premium Tax	Premium taxes assessed only on stop loss policy	Entire premium subject to state premium tax
Cancellation	Claim run out is employer's responsibility	Claim run out is insurance company's responsibility
Plan Fiduciary	Employer	Insurance company
112.08 Requirement	FL statute that requires all public sector self-insured plans hold surplus funds (approx. 60 days worth of incurred claims) in the event claims experience is exceptionally poor in a given year.	Does not apply

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## **2015 RENEWAL PROJECTIONS**

The 2015 Health Insurance Plan rates are expected to rise by approximately 10% due to the following:

- Medical costs are increasing 6.7% on a per member basis
- Pharmacy costs are increasing 8.7% on a per member basis
- Florida Blue's administrative costs are estimated to increase 10.5%
- PPACA Fees

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## **KEY FACTORS FOR INCREASE IN CLAIMS**

### 2012 vs. 2013 CLAIM COMPARISON

- Total covered employees increased from 5,201 to 5,219 and total covered members increased from 6,875 to 6,979
- Total claim payments increased by 9.6%; from \$30.5M to \$33.5M
- High cost claimants (those with claims greater than \$50,000) increased from 95 to 105 members
- Claim costs for high cost claimants rose by 23% to \$11.3 million. This represents 33.7% of total paid claims. Florida Blue's norm is 30%
- Pharmacy costs increased by 14.3%; from \$6.8M to \$7.8M
  - Specialty drug prescriptions increased by 26%; from \$1.7M to \$2.2M

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## **5 TOP DIAGNOSTIC CATEGORIES**

### **2012 VS. 2013**

1. Neoplasms – breast, lymphatic, colorectal and lung cancers. Increased from \$5.21M to \$5.58M; representing 16.8% of total 2013 claims
2. Musculoskeletal – osteoarthritis, diseases/disorders of the back/spine, disc disorders, and bone deformities. Increased from \$3.60M to \$3.64M; representing 10.9% of total 2013 claims
3. Circulatory System – Cardiac dysrhythmia, chronic ischemic and pulmonary heart diseases. Increased from \$2.03M to \$2.16M; representing 6.5% of total 2013 claims
4. Digestive System – Liver and kidney diseases. Increased from \$1.90M to \$2.04M; representing 6.1% of total 2013 claims
5. Injury/Infectious Diseases – Increased from \$1.39M to \$1.93M; representing 5.8% of total 2013 claims

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## AFFORDABLE CARE ACT

- **Transitional Reinsurance Fee:** \$63 PMPY-2014; \$44 PMPY-2015; Not published for 2016
- **PCORI:** \$1 PMPY-2012; \$2 PMPY-2013; Beginning in 2014 the fee will be indexed with National Health Expenditures and continue each year through 2018
- **Health Insurer Fee:** (Fully Insured Plans only) 2.3%-2014; 2015 should be similar charge
- **Excise Tax on “Cadillac” Plans (Effective 2018):** 40% Excise tax on insurers that offer plans costing more than **\$10,200** for single and **\$27,500** for family coverage. Flexible Spending Accounts must be included when calculating plan costs. Higher threshold for retiree ages (55-64)
  - High PPO plan has the potential to reach this threshold as early as 2017 (assuming no plan design changes).

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## **AFFORDABLE CARE ACT**

For 2015 and after, Sarasota County Schools must offer minimum essential health coverage to their full time employees and their dependents and the coverage must be affordable and provide minimum value. A full-time employee is defined as an individual who works an average of 30 hours per week during the measurement period (October – October).

Employers who do not meet some or all of these provisions can be subject to the Shared Responsibility Payment in one of two ways:

1. Failure to Offer Penalty
2. Targeted Penalty

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## **2013-2014 WELLNESS PROGRAM**

- Continued efforts to promote participation in the \$50 wellness incentive for completion of health risk assessment and an annual wellness examination
- Expanded program to include Wellness Champions at each work site
- Wellness Champions to contribute to the development and expansion of the 2014-2015 Wellness Program

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## **2013-2014 WELLNESS PROGRAM ACCOMPLISHMENTS**



Site Wellness Champions



Wellness Incentive – 34% Increase in Participation



Preventive Screens– Exceed Florida Blue BOB



Flu Vaccine-- #1 Brand Drug



Diabetes & Pre-Diabetes Programs



Employee Interest Survey

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## 2013-2014 WELLNESS COMPLIANCE ANALYSIS

	Sarasota County Schools	Florida Blue Book of Business
Adult Wellness	49.6%	42.0%
Mammography	72.3%	66.0%
Cervical Screenings	75.0%	71.0%
Colorectal Screenings	66.9%	60.0%

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## **2014-2015 WELLNESS PROGRAM**

- Move Wellness Coordinator into Risk Management to more closely align wellness efforts to employee benefits
- Expand Wellness efforts and modify incentive program
- Review feasibility of contracting wellness incentive program to vendors who administer these types of plans
  - Expansion and flexibility in program offerings
  - Separation of program from District staff
  - Administered by those with expertise in the field
  - Coordinator focuses on program offerings, not administration

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## **ADDITIONAL COST REDUCTION IDEAS**

- Default medical plans (requires negotiation):
  - Smokers
  - Minimum wellness efforts
- Educate Retirees and COBRA participants regarding their options in the Federal Marketplace
- Enhance and expand the Wellness Program
- Contract for an absenteeism study to determine actual cost to the District including healthcare, benefit and substitute costs

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**NEXT STEPS**