



Financial Services Department
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MEMORANDUM

TO: School Board Members
Lori White, Superintendent

FROM: Mitsi Corcoran, Chief Financial Officer

DATE: September 15, 2016

RE: **Workshop Discussion – Self-Insurance Update**

Enclosed please find the presentation on self-insurance we will be discussing during the School Board workshop on September 20, 2016. I will be reviewing the District's historical plan performance, the steps required to transition our medical plans to self-insured and the additional administrative responsibilities now required of staff and finally a financial analysis of the medical self-insurance fund through the first six months and 2016-2017 projections.

I look forward to our discussion and am happy to address any individual questions you may have in advance of our workshop.



Sarasota County Schools Self-Insurance Update

September 20, 2016

Sarasota County Schools Historical Plan Performance

Year	Average Number of Employees	Rate Increase (Decrease)	Premium PEPY*	Claims PEPY*
2009	5,609	5.0%	\$7,293	\$6,289
2010	5,449	7.5%	\$7,689	\$6,601
2011	5,326	10.5%	\$8,384	\$6,608
2012**	5,200	-8.9%	\$7,581	\$5,825
2013	5,219	-2.0%	\$7,446	\$6,615
2014	5,291	8.7%	\$7,994	\$6,730
2015	5,211	8.0%	\$8,708	\$7,049
2016 (to date)	5,267	2.7%	\$8,997	\$7,819

*PEPY – Per Employee Per Year

**2012 Medical RFP and plan design changes resulted in an 8.9% drop in rates and a 12% drop in claim costs

2017 Proposed Rate Increase = 3.96%

Sarasota County Schools Self-Insured Transition

- Preparation of the plan documents and legal notices
- Application for self-funding with the Florida Office of Insurance Regulation including mechanism to meet the 112.08 reserve requirement – approved September 3, 2015
- Set rates and contribution amounts for the four health plans for 2016.
- Selection of an vendor for medical claim administration, stop loss reporting, pharmacy administration, COBRA services, retiree premium billing, and an annual wellness contribution – awarded to Florida Blue, October 6, 2015.
- Competitively market stop loss insurance for individual claims in excess of \$500,000 in a plan year – awarded to Sun Life, November 17, 2015.
- Setup a separate bank account and completed paperwork for Florida Blue to be reimbursed for claim payments on a monthly basis.
- Made changes in the District's payroll and accounting systems to establish a new self-insurance fund, appropriately reflect premium benefit payments and employee deductions into the new fund, and create fields and purchase software to enable the printing of information returns.
- Made the transition invisible to our employees

Additional Staff Responsibilities of Self-Insured Plans

- Produce all plan documents, Summary Plan Descriptions and Summary of Benefit Coverage, as required by the Patient Protection and Affordable Care Act (PPACA).
- Serve as the plan fiduciary, subject to liability for legal actions against the plan
- Annual filing, due 90 days after the close of the fiscal year, to the Office of Insurance Regulation on plan performance, adequacy of revenues to meet liabilities, appropriate funding of the 112.08 reserve requirement including actuary's statement.
- Staff training on security procedures mandated under the Health Insurance Portability and Accountability Act (HIPAA).
- Annual information return filing to employees and the IRS for all plan participation previously prepared by Florida Blue.
- Payment of all PPACA fees – Transitional Reinsurance (2016 only) and Patient Centered Outcome Research Institute (PCORI) fees.
- Reconciliation of Administrative Services billings.
- Review monthly claim reimbursement payments and monitor large claims nearing individual stop loss limit.
- Monitor self-insurance fund financials as cashflows for claims payments are not as predictable as paying premiums to a fully insured provider.

Updated Financial Analysis

	Actual thru 06/30/2016	Projected Year 2016*	Expected Plan Year 2016 3/15 Workshop	Budgeted Year 2017	Expected Plan Year 2017 3/15 Workshop
Total Enrollment	5,252	5,267	5,292	5,300	5,292
Self-Insured Revenues				3.96% increase	7.54% increase
Premiums	<u>\$23,693,821</u>	<u>\$47,217,730</u>	<u>\$49,105,300</u>	<u>\$49,087,755</u>	<u>\$52,808,500</u>
Self-Insured Expenditures					
Claims	\$20,590,851	\$42,447,000	\$42,474,100	\$44,658,618	\$45,872,000
Expenses**	<u>1,450,752</u>	<u>2,945,000</u>	<u>3,830,000</u>	<u>3,049,531</u>	<u>3,863,800</u>
Total Expenditures	<u>\$22,041,603</u>	<u>\$45,388,000</u>	<u>\$46,304,100</u>	<u>\$47,708,179</u>	<u>\$49,735,800</u>
Operating Gain/(Loss)	<u>\$ 1,652,218</u>	<u>\$ 1,829,730</u>	<u>\$ 2,801,200</u>	<u>\$ 1,379,576</u>	<u>\$ 3,072,700</u>

* 2016 Projections are based on Net Claims being 11% higher when compared to the same period last year; No claims incurred in excess of the \$500K individual stop loss limit; and Total Pharmacy Claims making up 27.4% of the total gross claims paid (predominately caused by specialty drugs such as Sovaldi and Olysio (Hepatitis C), Gleevec and Revlimid (Cancer-Oral) and Enbrel and Humira (Autoimmune)).

**Includes Administrative Service fees, Stop Loss Insurance premiums, ACA fees, and staff salaries and benefits. For 2017, 30% increase in Stop Loss premiums was included

Updated Financial Analysis – 112.08 Reserve

	Actual thru 06/30/2016	Projected Year 2016	Expected Plan Year 2016 3/15 Workshop	Budgeted Year 2017	Expected Plan Year 2017 3/15 Workshop
Reserve Requirement:					
Incurred Claims	\$ <u>20,590,851</u>	\$ <u>42,447,000</u>	\$ <u>42,474,100</u>	\$ <u>44,658,618</u>	\$ <u>45,872,000</u>
Reserve @ 60 days	\$6,769,955	\$6,977,589	\$6,982,044	\$7,341,143	\$7,540,603
Less: Interest Income	<u>44,759</u>	<u>90,000</u>	<u>115,444</u>	<u>90,000</u>	<u>328,603</u>
Total Reserve Requirement	\$<u>6,724,836</u>	\$<u>6,887,589</u>	\$<u>6,866,600</u>	\$<u>7,251,143</u>	\$<u>7,212,000</u>
Available Funds for 112.08					
Carryforward from Prior Year	N/A	N/A	N/A	\$8,642,697	\$2,801,200
Transfer for Reserve (temp)	\$6,812,967	\$6,812,967			
Operating Gain/(Loss)	\$ <u>1,652,218</u>	\$ <u>1,829,730</u>	\$ <u>2,801,200</u>	\$ <u>1,379,576</u>	\$ <u>3,072,700</u>
Total Available for 112.08	\$<u>8,465,185</u>	\$<u>8,642,697</u>	\$<u>2,801,200</u>	\$<u>10,022,273</u>	\$<u>5,873,900</u>
Available to Repay Transfer	\$<u>1,740,349</u>	\$<u>1,755,108</u>	\$<u>(4,065,400)</u>	\$ <u>2,771,130</u>	\$<u>(1,338,100)</u>