



County of Los Alamos

Council Meeting Staff Report

October 20, 2020

Agenda No.: B.

Indexes (Council Goals): * 2020 Council Goal - Investing in Infrastructure

Presenters: Harry Burgess

Legislative File: AGR0717-20

Title

Amendment No. 3 to Existing General Services, Agreement No. AGR18-704 with Blue Cross Blue Shield of New Mexico, A Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association, in an amount not to exceed \$3,800,800.000 for for the initial term plus first, second and third renewal terms, plus applicable gross receipts tax, for the purpose of providing medical insurance benefits to eligible Los Alamos County employees.

Recommended Action

I move that Council approve Amendment No. 3 to existing Services Agreement No. AGR18-704, with Blue Cross Blue Shield of New Mexico for Employee Medical Insurance Benefits, in the form attached, and authorize the use of approximately \$600,000.00 in accumulated reserve funding towards expenses covered by the amendment.

County Manager's Recommendation

The County Manager recommends that Council approve Amendment No. 3 to existing Services Agreement No. AGR18-704 with Blue Cross Blue Shield of New Mexico for Employee Medical Insurance Benefits.

Body

The County's group insurance benefits plans, including medical insurance, are renewed at the beginning of the calendar year. Currently, the County pays 80% of the premiums for a full-time eligible employee, 60% for a three-quarter-time eligible employee, and 40% for a half-time eligible employee.

The County's medical plan is self-funded. Premiums collected from both the County and the employees fund claims and administrative fees associated with the Plan, including fees required by the Affordable Care Act. The Plan has very high participation. Of approximately 608 eligible regular and limited-term employees, eighty-one (81) percent have elected to enroll. One-hundred and sixty-seven (167) employees have "employee only" coverage. One-hundred and twelve (112) have "employee plus one" coverage. Two-hundred and twelve (212) have "employee plus two or more" (family) coverage.

The County offers two medical insurance coverage plans to its employees. Currently, three-hundred and eighty-one (381) employees are enrolled in the PPO plan with a co-pay of \$35. One hundred and ten (110) employees are enrolled in the PPO plan with a co-pay of \$45 and a lower premium.

On September 26, 2017, the Council approved AGR18-704 with Blue Cross Blue Shield of New Mexico for the provision of Employee Medical Insurance Benefits. The term of the Agreement commenced on January 1, 2018 for a period of two (2) calendar years for the Administrative Service Agreement (ASA), one (1) calendar year for the Stop Loss Agreement. The Agreement allowed for five (5) additional one (1) year renewal periods for the ASA and six (6) additional one (1) year renewal periods for the Stop Loss Agreement.

For each renewal period, staff works with the County's benefits consultant (currently AON Risk Insurance Services West, Inc.) to negotiate rates and identify the dollar amount needed to fund the County's Plan for the upcoming calendar year. For calendar year 2021, premium rates were established based on total funding needed for fixed administrative costs in the amount of \$987,000.00 and projected claims expenses in the amount of \$8,100,000.00. For this renewal period AON Risk Insurance Services West, Inc. (AON) presented the County Health Insurance Committee with Blue Cross and Blue Shield's initial rate proposal of a 16.4% increase over the funding needed for calendar year 2020. The specific components that comprised this rate increase are as follows:

- a) a projected claims expense of approximately \$8,097,000.00, a difference of \$1,182,000.00 over calendar year 2020;
- b) a decrease in the Claims Administration fee charged by Blue Cross and Blue Shield of New Mexico from \$173,000.00 to \$102,000.00 as a reflection of a prescription drug rebate credit paid by Blue Cross and Blue Shield; and
- c) an increase to the combined Specific and Aggregate Stop Loss premium from \$758,000.00 to \$932,000.00.

AON continued negotiating with Blue Cross and Blue Shield of New Mexico on the County's behalf. The negotiations resulted in items "a" and "b" above remaining the same and a change to item "c" as follows:

- c) an increase to the combined Specific and Aggregate Stop Loss premium from \$758,000.00 to \$885,000.00.

Several options were discussed by the Health Insurance Committee for mitigating the increase.

1. Increasing participant deductible levels from \$350.00 for individual to \$500.00 for individual and \$750.00 for family to \$1,000.00 for family.
2. Using reserve funding to cover the entire projected increase in the amount of \$1,241,000.00 and;
3. Increasing both Employee and Employer bi-weekly insurance premiums by 5%.

After review of the available alternatives, the recommendation was made to bring options 2 and 3 forward for approval by Council as increasing the deductible would have the most difficult impact on plan participants.

Based on budgeted revenues in the amount of \$9,412,550.00 less the vacancy rate of 9.1%, our estimated Plan revenues for FY2021 will be \$8,500,000.00. The overall combined, estimated Plan expenses are \$9,100,000.00. This would result in the use of approximately \$600,000.000 in accumulated reserves rather than the \$1,241,000.00 initially expected.

The estimated accumulated reserves for the Plan is currently \$2,961,871.00. Council has instructed staff to maintain accumulated reserves in the amount of 25% of projected claims. The total projected medical claims for calendar year 2021 is \$8,097,000.00. Therefore, the accumulated reserve level should be at a minimum of \$2,024,250.00. This allows for the use of up to \$937,621.00 of accumulated reserves for the purpose of mitigating rates.

The actual funding rates, or premiums, calculated after applying the recommended options are included as Attachment "D".

Alternatives

Council could choose to approve the medical plan as recommended, with the increase of 5% to both the Employer portion and the Employee portion of the bi-weekly premiums combined with the use of established reserves.

Council could choose to increase employee and employer bi-weekly premiums by 16.4%.

Council could choose to discontinue medical insurance coverage for Los Alamos County employees recognizing that the County would be subject to a federal tax penalty equal to \$2,000.00 per year per each employee who meets the definition of full-time.

Fiscal and Staff Impact/Planned Item

Employee benefits are included in the County's biennial budget. The current budget for fiscal year 2021 is 10% per year. Therefore, adequate funding is available to pay for the 5% increase to rates for medical insurance services included in this contract in conjunction with utilizing approximately \$600,000.000 in accumulated reserve funding.

Attachments

A - AGR18-704-A3

B - AGR18-704

C - AGR18-704-A2

D - Draft 2021 Medical Insurance Premiums