



# County of Los Alamos

Los Alamos, NM 87544  
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## Council Meeting Staff Report

October 30, 2018

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<b>Agenda No.:</b>	A.
<b>Indexes (Council Goals):</b>	2018 Council Goal – Quality Governance – Operational Excellence – Maintain Quality Essential Services and Supporting Infrastructure Including Updated Enterprise Software and Permitting
<b>Presenters:</b>	Harry Burgess
<b>Legislative File:</b>	AGR0592-18

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### Title

Amendment No. 1 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 \$1,830,000.00, for the initial term plus first renewal term, 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. 1 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 further authorize the use of the Medical Plan Fund to absorb the increase to employee medical insurance premiums for calendar year 2019 only.**

### County Manager's Recommendation

The County Manager recommends that Council approve Amendment No. 1 to existing Services Agreement No. AGR18-704 with Blue Cross Blue Shield of New Mexico for Employee Medical Insurance Benefits, as well as the use of the Medical Plan Fund to absorb the increase to employee medical insurance premiums, for calendar year 2019 only.

### 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 currently self-funded. Premiums collected from both the County and the Employees fund both claims and any administrative fees associated with the Plan, including fees required by the Affordable Care Act. The Plan has very high participation. Of approximately 619 eligible regular and limited-term employees, eighty-one (81) percent have elected to enroll. One-hundred and sixty-two (162) employees have "employee only" coverage. One-hundred and twelve (112) have "employee plus one" coverage. Two-hundred and twenty-six (226) have "employee plus two or more" (family) coverage.

The County has simultaneously offered three medical insurance coverage plans to its employees since 2002. Currently, three-hundred and sixty-six (366) employees are enrolled in the PPO plan with a co-pay of \$35. Ninety-five (95) employees are enrolled in the PPO plan with a co-pay of \$45 and a lower premium. Thirty-nine (39) employees are enrolled in the PPO/Options plan, which has a co-pay of \$30 and provides coverage when the participant prefers or needs medical services from providers that are not included in the PPO provider network.

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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. This amendment would renew the Stop Loss Agreement for the first renewal period under the original term of the contract. As the ASA was approved for a two (2) calendar year term, it will not go through the renewal process until Fall of 2019.

This first amendment to Agreement AGR18-704, since its inception, proposes to amend the Agreement for the following:

- ☐ Incorporate negotiated date and premium revisions to the Stop Loss Application and the Benefit Program Application ("ASO BPA");
- ☐ extend the term for an additional one (1) year period for the Stop Loss Agreement, as allowed for in the original terms and conditions;
- ☐ incorporate the calendar year 2019 Pharmacy Benefit Manager (PBM) Fee Schedule to identify the Per Employee Per Month (PEPM) pharmacy rebate credit of \$26.74 PEPM;
- ☐ incorporate the calendar year 2019 Blue Cross and Blue Shield of New Mexico Performance Guarantees; and
- ☐ incorporate the calendar year 2019 Network Discount Guarantee.

The compensation originally stipulated in AGR18-704 was for the first two (2) years of the Administrative Services Agreement (ASA) and for a one (1) year of the term only for the Stop Loss Agreement. Beginning with year two (2) of the Stop Loss Agreement, and for any subsequent renewal periods, compensation for the benefit was to be strictly based upon rate negotiations with contractor and Council approval of said negotiations.

For each renewal period, staff works with the County's benefits consultant, now Gibson & Frank, LLC., to negotiate rates and identify the dollar amount needed to fund the County's Plan for upcoming calendar year. **Note:** A 5% increase was budgeted during the FY19 preparation in anticipation of increased costs.

For calendar year 2018, premium rates were established based on total funding needed, for fixed administrative costs and claims expenses, in the amount of \$7,643,240. For this renewal period Gibson & Frank, LLC., worked with Blue Cross and Blue Shield to negotiate the rates and ultimately provided the County Health Insurance Committee with a proposal of a 1.96% increase to the funding needed for calendar year 2019. The specific components that comprise this rate increase are as follows:

- ☐ a projected additional claims expense of approximately \$465,035 over plan year 2018;
- ☐ a decrease in the Claims Administration fee charged by Blue Cross and Blue Shield of New Mexico from \$37.00 to \$30.26 per covered employee per month as a reflection of a prescription drug rebate credit paid by Blue Cross and Blue Shield;
- ☐ an increase to the combined Specific and Aggregate Stop Loss premium from \$669,836, or \$107.76 per employee per month, to \$711,821, or \$118.40 per employee per month;

Cumulatively, the total funding needed, based on the changes to these individual components, is \$7,792,965 or an additional 1.96% recommended increase to funding over calendar year 2018.

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In evaluating the proposal from Gibson & Frank, LLC., three different alternatives were considered by the County's Health Insurance Committee to address the proposed increase to funding.

These alternatives included:

1. Eliminate the Blue 30 Options Plan - this plan allows access to out of network providers, this action would result in an estimated decrease of the premium by 0.6%;
2. Increase deductibles from \$350 per year for individual and \$700 per year for family to \$500 per year for individual and \$1,000 per year for family, resulting in an estimated 1.3%; and
3. Increasing both Employee and Employer bi-weekly insurance premiums by 1.96%.

After review of the available alternatives, including presentations of these stated options to employees and receipt of their feedback, the recommendation was made to bring the current Plan design forward for approval by Council with no changes to the Plan. This recommendation therefore includes an overall increase in costs of 1.96%. The decision to recommend no changes to the plan is largely due to the fact that no salary increases have been afforded to non-represented employees during the current fiscal year, and the proposed changes to the plan were perceived as further reductions in employee compensation. The recommendation for the Medical Plan Fund to also absorb the employee's portion of this year's increase (again 1.96%) further recognizes this lack of salary increases, yet is also based upon the fact that the fund balance has increased over time due to our claims experience. The current reserves are estimated to be approximately two million, six hundred thousand dollars (\$2,600,000.00). The approximate annual amount of the Employee portion, to be absorbed by the reserve fund for calendar year 2019 only, is thirty thousand dollars (\$30,000.00).

In summary, since the County opted to move to a self-insured medical plan, we have consistently experienced rates lower than industry trend. Nationally, the average growth rate to medical cost trend for 2019 is projected to be 6.0% (source: Price/Waterhouse Coopers/Health Research Institute Survey). This year, although the preliminary renewal rates came back at an 11.9% increase to funding, we were able to aggressively negotiate a rate increase of only 1.96%.

### **Alternatives**

Council could choose to approve the medical plan, as presented, with no changes to the Plan other than the increase of 1.96% to both the Employer portion and the Employee portion of the bi-weekly premiums.

Council could choose to approve alternatives one (1) and two (2) above.

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 per year per each employee who meets the definition of full-time.

### **Fiscal and Staff Impact/Planned Item**

For FY 2019, a 5% increase was included in the budget for the County's portion of the Medical Premiums. This 5% amounts to \$340,000.00.

This proposed renewal calls for an increase to actual calendar year 2019 employer paid premiums of one hundred twenty thousand dollars (\$120,000.00), which equates to an approximate 1.96% increase over calendar year 2018. As compared to the information above, the proposed renewal rates will save approximately \$220,000 of the budgeted amount.

This action would constitute an exception, for calendar year 2019 only, to the previous Council action that defined the Employer/Employee ratio of 80%/20% for medical, dental, vision and basic life insurance premium rates for full-time regular employees. The impact is minimal, however, as the insurance premium rate ratio for 2019 would be 80.351% Employer/19.62% Employee.

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## Attachments

A. AGR17-704-A1 with Blue Cross and Blue Shield of New Mexico;