



County of Los Alamos

Council Meeting Staff Report

October 18, 2022

Agenda No.: A.

Indexes (Council Goals): * 2022 Council Goal - Investing in Infrastructure

Presenters: Steven Lynne

Legislative File: AGR0892-22

Title

Approval of Amendment No. 5 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 \$6,222,000.00, for the initial term plus first, second, third and fourth renewal terms, for the Purpose of providing medical insurance benefits to eligible Los Alamos County employees and authorize the use of approximately \$206,000.00 in accumulated reserve funding towards expenses covered by the amendment.

Recommended Action

I move that Council approve Amendment No. 5 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 approximately \$206,000.00 of the increase to medical insurance premiums for calendar year 2023.

County Manager's Recommendation

The County Manager recommends that Council approve Amendment No. 5 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 approximately \$206,000.00 of the increase to medical insurance premiums for calendar year 2023.

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 613 eligible regular and limited-term employees, eighty (80) percent have elected to enroll. Two-hundred and seven (207) employees have "employee only" coverage. Ninety-seven (97) have "employee plus one" coverage. One-hundred and eighty-six (186) have "employee plus two or more" (family) coverage.

The County offers two medical insurance coverage plans to its employees. Currently, three-hundred and sixty-five (365) employees are enrolled in the PPO plan with a co-pay of \$35. One-hundred and twenty-three (123) 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 2023, premium rates were established based on total funding needed for fixed administrative costs in the amount of ONE MILLION ONE HUNDRED FORTY-FIVE THOUSAND SIX HUNDRED EIGHTY DOLLARS (\$1,145,680.00) and projected claims expenses in the amount of SEVEN MILLION ONE HUNDRED NINETY-SEVEN THOUSAND NINE HUNDRED FIFTY-TWO DOLLARS (\$7,197,952.00).

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 an 2.5% increase over the funding needed for calendar year 2022. The specific components that comprised this rate increase are as follows:

- a) a projected claims expense of approximately \$7,197,952, a difference of \$125,644 over calendar year 2022;
- b) a decrease in the Claims Administration fee charged by Blue Cross and Blue Shield of New Mexico from \$73,092 to \$26,498 as a reflection of a prescription drug rebate credit and medical rebate credit paid by Blue Cross and Blue Shield; and
- c) an increase to the combined Specific and Aggregate Stop Loss premium from \$992,703 to \$1,119,206.

A few different options were discussed by the Health Insurance Committee for mitigating the increase.

1. Eliminating the Blue 35 plan and moving all participants to the Blue 45 plan.
2. Using reserve funding to cover the entire projected increase in the amount of \$206,000.00.
3. Increasing both Employee and Employer bi-weekly insurance premiums by 2.5%.

After review of the available alternatives, the recommendation was made to bring alternative 2 forward for approval by Council as eliminating the Blue 35 plan would have the minimal impact on the projected increase and there are adequate fund reserves to absorb the \$206,000.00 increase.

Based on budgeted revenues in the amount of \$9,518,991.00, less the vacancy rate of 11.65%, our estimated Plan revenues for FY2023 will be \$8,410,029. The overall combined, estimated Plan expenses are \$8,378,000.00. This would allow for the use of approximately \$206,000.00 of accumulated reserves for the purpose of mitigating rates.

The estimated accumulated reserve for the Plan is currently \$3,101,146.00. Council has instructed staff to maintain accumulated reserves in the amount of 25% of projected claims. The total projected medical claims for calendar year 2023 are \$7,198,000.00. Therefore, the accumulated reserve level should be at a minimum of \$1,799,500.00. This allows for the use of up to \$1,301,646.00 of accumulated reserves for the purpose of mitigating rates.

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

Alternatives

Council could choose to approve the medical plan, as presented, with the increase of 2.5% to both the Employer portion and the Employee portion of the bi-weekly premiums.

Council could choose to increase employee and employer bi-weekly premiums by 2.5%.

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 \$2,880.00 per year per each employee, after the first 30 employees, who meet the definition of full-time.

Fiscal and Staff Impact/Planned Item

Employee benefits are included in the County's biennial budget. Based on budgeted revenues in the amount of \$9,518,991.00, less the vacancy rate of 11.65%, our estimated Plan revenues for FY2023 will be \$8,410,029. The overall combined, estimated Plan expenses are \$8,378,000.00. This would allow for the use of approximately \$206,000.00 of accumulated reserves for the purpose of mitigating rates.

Attachments

- A - AGR18-704-A5
- B - AGR18-704-A4
- C - AGR18-704-A3
- D - AGR18-704-A2
- E - AGR18-704-A1
- F - AGR 18 704 Blue Cross and Blue Shield FINAL
- G - Draft 2023 Medical Insurance Premiums