



County of Los Alamos

Council Meeting Staff Report

October 29, 2019

Agenda No.: D.

Indexes (Council Goals): * 2019 Council Goal - Investing in Infrastructure

Presenters: Harry Burgess

Legislative File: AGR0638-19

Title

Amendment No. 2 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 \$2,631,000.00, for the initial term plus first and second 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. 2 to existing Services Agreement No. AGR18-704, with Blue Cross Blue Shield of New Mexico for Employee Medical Insurance Benefits, in the form attached. I further move that Council approve Budget Revision 2020-13 as summarized on attachment B and that the attachment be made a part of the minutes of this meeting.

County Manager's Recommendation

The County Manager recommends that Council approve Amendment No. 2 to existing Services Agreement No. AGR18-704 with Blue Cross Blue Shield of New Mexico for Employee Medical Insurance Benefits and attached budget revision No. 2020-13.

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 606 eligible regular and limited-term employees, ninety (90) percent have elected to enroll. One-hundred and eighty-four (184) employees have "employee only" coverage. One-hundred and thirty-three (133) have "employee plus one" coverage. Two-hundred and twenty-eight (228) have "employee plus two or more" (family) coverage.

The County has offered three medical insurance coverage plans to its employees since 2002. Currently, three-hundred and ninety-four (394) employees are enrolled in the PPO plan with a co-pay of \$35. One hundred and fifteen (115) employees are enrolled in the PPO plan with a co-pay of \$45 and a lower premium. Thirty-six (36) 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.

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 Gibson & Frank, LLC.) to negotiate rates and identify the dollar amount needed to fund the County's Plan for the upcoming calendar year. For calendar year 2019, premium rates were established based on total funding needed for fixed administrative costs and claims expenses in the amount of \$7,792.965. For this renewal period Gibson & Frank, LLC. worked with Blue Cross and Blue Shield to negotiate the rates and initially provided the County Health Insurance Committee with a proposal of a 9.5% increase to the funding needed for calendar year 2020. The specific components that comprised this rate increase are as follows:

- a projected additional claims expense of approximately \$456,833 over plan year 2019;
- a decrease in the Claims Administration fee charged by Blue Cross and Blue Shield of New Mexico from \$30.26 to \$29.30 per covered employee per month as a reflection of a prescription drug rebate credit paid by Blue Cross and Blue Shield; and
- an increase to the combined Specific and Aggregate Stop Loss premium from \$709,091 (or \$119.86 per employee per month) to \$981,582 (or \$165.92 per employee per month).

In order to mitigate the proposed 9.5% increase, five different alternatives were considered by the County's Health Insurance Committee.

These alternatives included:

1. Eliminating the Blue 30 Options Plan - this plan allows access to out-of-network providers. Upon analysis of the out of network utilization, it was discovered that less than 1% of claims in this plan were for out-of-network services. The services that were out of network could have been performed by in network providers. This is the most expensive plan option currently offered this action would result in an estimated decrease of the projected premium by 0.5%;
2. Increasing Individual Stop Loss deductibles from \$125,000 to \$155,000 per person per year. This option provides for individual claims up to \$155,000 to be paid by the Plan and anything over that be covered by Stop Loss Insurance. The difference in premium between an individual Stop Loss deductible of \$125,000 and an individual Stop Loss deductible of \$155,000 is approximately \$230,000. Initiating this action would result in an additional 2.7% decrease to the projected premium;
3. Increasing participant deductible levels from \$350 for individual to \$500 for individual and \$750 for family to \$1,000 for family. This action would result in an estimated 2% decrease to the projected premium;
4. Using reserve funding to cover the entire projected increase in the amount of \$723,467, and;
5. Increasing both Employee and Employer bi-weekly insurance premiums by 6.3%.

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 alternatives 1, 2 and 5 forward for approval by Council. The recommendation was that there would be no changes to plan design and the current premiums would increase by approximately 6.3%.

Subsequent to the committee receiving employee feedback and deciding on which alternative(s) to propose to Council, an error was discovered in the renewal calculation provided by our consultant. Projected premiums for Administrative fees and combined Stop Loss premiums should have been

projected on 501 members rather than 493 members at a rate of \$134.93 per member rather than \$127.09 per member.

Upon correcting the calculations, the end result is a 6.7% increase to funding needed over 2019 funding. The difference between the 6.3% funding calculations and the 6.7% funding calculations is approximately \$32,000, however since we budget for this expense based on the number of county employees, the potential difference for our current budget is approximately \$12,000. Because the 6.3% increase to funding was previously communicated to employees, as well as the fact that we currently have a reserve balance in excess of our established goals, the recommendation is to use established funding reserves to cover the additional \$32,000. The projected reserves for the health insurance program at the end of FY20 are estimated to be three million, seven hundred thousand dollars (\$3,700,000.00), approximately \$1,200,000 above the fund's goals.

Alternatives

Council could choose to approve the medical plan, as presented, with the increase of 6.3% to both the Employer portion and the Employee portion of the bi-weekly premiums combined with budget adjustment 2020-13..

Council could choose to approve alternative three (3) or four (4) 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

The fiscal and staff impact is described in attachment B.

Attachments

A - AGR18-704-A2

B - Budget Revision 2020-13