COUNTY OF ALBEMARLE

EXECUTIVE SUMMARY

AGENDA TITLE: Medical and Dental Insurance Programs **SUBJECT/PROPOSAL/REQUEST:** Request approval of the proposed 2014-2015 health and dental contracts, coverage and proposed rate structure **STAFF CONTACT(S):** Foley, Letteri, Davis, Gerome **PRESENTER (S): Lorna Gerome** **LEGAL REVIEW:** Yes	**AGENDA DATE:** June 11, 2014 **ACTION:** X **INFORMATION:** **CONSENT AGENDA:** **ACTION:** **INFORMATION:** **ATTACHMENTS:** Yes **REVIEWED BY:** J C Foley

BACKGROUND:
In November 2000, the Board of Supervisors and School Board (Boards) approved a Total Compensation Strategy to target employee salaries at 100% of an adopted market median and benefits slightly above market levels. Medical insurance and the Virginia Retirement System are the largest components of the benefits piece of that strategy. The information provided in the attached Memorandum from the Health Care Executive Committee (HCEC) to the County Executive and Superintendent (Attachment A) details the analysis of the medical and dental programs and prior actions taken to meet the benefits target.

STRATEGIC PLAN:
Goal 7. Promote a valued and responsive County workforce that ensures excellent customer service

DISCUSSION:

Each year the HCEC, with the assistance of a health care consultant, evaluates the Health Insurance plan's claims experience, trends in health care costs, policy design issues, market conditions as related to insurance benefits and insurance regulations or policy mandates imposed by State or Federal law. The mandates in the Affordable Care Act have particular relevance to this and future years of the plan.

The attached Memorandum outlines the HCEC's recommendations for the County's Medical and Dental Insurance program based on the following objectives:

- offer affordable options that meet varying needs of employees and their families;
- maintain reserves at approximately 25% of claims;
- ensure plans are in compliance with the Affordable Care Act; and
- maintain the Boards' competitive position for benefits (slightly above market).

Based on this year's evaluation process, the HCEC has recommended a number of plan design changes as well as premium adjustments to ensure continued solvency and sustainability of the County's health care reserve fund and compliance with Federal and State mandates. Some of these changes, particularly those involving premium adjustments and the possibility of deductables, were foreshadowed last year during board work sessions, and the anticipation of these changes was communicated to employees. Additional plan design changes and additional premium adjustments are also recommended to be effective in plan year 2016, which staff believes should be carefully evaluated over the next few months in preparation for work sessions with the Boards in late Summer or early Fall. The additional time will also allow staff to communicate and engage employees in advance of implementing any approved additional changes.

At this time, staff recommends that the Boards approve the implementation of an 8% increase in the County's contribution for health care and an 8% increase in employee contributions as discussed in the joint meeting of the Boards in October 2013 and included in the proposed budget. Staff also recommends that we phase in the implementation of deductables. Specifically, staff recommends the implementation of a $250 deductable, effective January of 2015, to bring the plan into alignment with market and allow additional time for employee communications regarding the change. Staff also recommends that the Boards direct staff to evaluate additional policy modifications, including out of pocket maximums, co-pays, deductibles and premium adjustments as proposed by the HCEC and as may be necessary or advisable to maintain a competitive and sustainable health insurance program. Other modifications may also be necessary to avoid the "Cadillac Tax" (effective January 2018) as required by the Affordable Care Act, which is based on total plan cost for individual coverage. The plan, for example, may need to have changes made to its subsidies for the dependent portion, including the subsidy formula, the rate for children and spouses, and the subsidy provided to part-time employees and retirees. The HCEC will develop these recommendations in the late summer/early fall time frame in preparation for a joint board presentation and discussion in October. Delaying the implementation of all of these proposed changes would reduce the County's reserve balance to below target levels in the short term, but would restore the reserves within a two-year period.

BUDGET IMPACT:
The 8% increase in the County's (employer's) contribution was included in the County Executive's and Superintendent's proposed FY15 budget. Future budgetary impacts will be dependent upon future plan changes as may be approved by the Boards in the Fall.

RECOMMENDATION:

Medical Plan:

1. Continue to offer the Basic and Plus plans through Coventry.
    a. Both plans are Point-Of-Service Plans with the same benefit coverage.
2. Increase the Board contribution by 8% for the new plan-year beginning on October 1, 2014.
3. Set full-time employee premiums (8% increase) at the rates shown in Attachment A.
4. Implement a $250 deductable effective January 1, 2015.
5. Retain a self-insured medical plan with Specific-Claim-Stop-Loss insurance to limit the County's liability against any single large claim.

Dental Plan:

1. Continue the contract with United Concordia.
2. Continue to offer the Basic and High Options with no change in benefit design.
3. Reduce the current rates for the new plan year beginning on October 1, 2014.
4. Approve the employee premiums as shown in Attachment A.
5. Continue the dental rate holiday (which began in February 2014) through September 2014 for all dental enrollees for this period, regardless of hire date.

ATTACHMENTS:
Attachment A: HCEC Memorandum to County Executive and Superintendent
Attachment B: Health and Dental Premium Recommendations