

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**GENERAL ASSUMPTIONS - FY 2014**

- No benefit changes assumed
- Assumed healthcare trends of: 8.5% medical; 6.0% dental; and 5.0% vision (medical/vision same as last year; dental reduced from 7%)
- Assumed trends for fixed costs: 18% for stop-loss; for administration used RFP guarantees; added \$5.25 per member per month to 2014 fixed costs for PPACA Reinsurance fee
- Credit remains at \$420
- No new employees are added; 100 new retirees are added
- Retirees contribute, on average, 30.0% of total published costs.
- The current cost sharing scenario is used, 87%/13%; actual rate basis

**FY 2014 COST PROJECTIONS**

**I. "RATE" CHANGES (initial estimates)**

**A. Changes to Self-Insured Plan "Rates" (all are effective 1/1/14)**

- |                        |           |
|------------------------|-----------|
| 1. <i>Blue Choice</i>  | +8.5%     |
| 2. <i>Aetna HMO</i>    | +9.6%     |
| 3. <i>Aetna PPO</i>    | +11.2%    |
| 4. <i>Delta dental</i> | +6.0%     |
| 5. <i>VSP vision</i>   | no change |

**II. SUMMARY OF CHANGES TO EMPLOYEE COSTS**

**A. Non-VIP Contributions: Same percentage as rate changes**

**B. VIP Price Tags**

- |                   |                                 |
|-------------------|---------------------------------|
| 1. <i>Medical</i> | Same percentage as rate changes |
| 2. <i>Dental</i>  | Same percentage as rate changes |
| 3. <i>Vision</i>  | Same percentage as rate changes |

**III. SUMMARY OF HCPSS COSTS**

- A. **Final Estimate (From Last Year) for FY '13** \$84,271,000
- B. **Current Estimate for FY '13** \$84,830,000
- C. **FY2014 Projection (different % changes are vs. IIIA and IIIB)**

		<u>% Change</u>
Current Cost Sharing Scenario; no enrollment increase	\$95,512,000	13.3/12.6%
Current Cost Sharing Scenario; adding 100 retirees	\$96,140,000	14.1/13.3%

**IV. OTHER FACTORS/COMPONENTS**

- A. Total IBNR claim reserve is decreasing to \$7,522,000 as of June 30, 2014 from \$8,334,000, which was last year's estimate for June 30, 2013 (note that the updated estimate for June 30, 2012 is \$6,302,000). The large claim reserve is increasing from \$2,294,000 (our estimate from last year as of June 30, 2013) to \$2,602,000 as of June 30, 2014.
- B. Projections were done separately for each self-insured plan using CY12 as the base period, adjusting for IBNR changes and specific stop-loss recoveries, and projecting forward using the trends noted above. Note that these are only preliminary projections, and will be revised later in 2013 in preparation for fall open enrollment. At that time, strategic decisions can be made as to the relative increases by plan. Overall medical/drug increase for 1/1/14 is 9.5% (+8.5% without the reinsurance fee).
- C. Delta dental is projected at a 6% increase. The VSP projection calls for a no rate change.
- D. There are 140 (approximately 1.8%) more employees than at this time last year. The net cost per active employee is projected to increase by 9.2% (compared to last year's projection for FY13). The number of employees with health insurance increased 2.3%, while the number waiving coverage decreased 0.8%. The number of retirees increased by 169 from January 2012 to January 2013. Other enrollment changes of note (comparing January 2013 with January 2012): Increase in PPO enrollment jumped 4.7% vs. +1.4% in the two HMO plans; and the increase in enrollment for employees covering dependents was 3.5% vs. a <1% increase in enrollment for single coverage.
- E. The exhibit showing the projected vs. actual results for CY12 is found on page 3.

# HOWARD COUNTY PUBLIC SCHOOL SYSTEM

## Projected vs. Actual Costs for CY12

*Section A: Costs for the 6 months from 1/12-6/12*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 23,702,129	\$ 1,487,222	\$ 25,189,352	\$ 25,414,551
Aetna HMO/PPO	19,425,479	1,308,107	20,733,585	21,869,631
Delta Dental	2,046,353	87,616	2,133,968	2,176,146
VSP Vision	226,930	18,601	245,531	262,790
<b>Total</b>	<b>\$ 45,400,891</b>	<b>\$ 2,901,546</b>	<b>\$ 48,302,436</b>	<b>\$ 49,723,119</b>
Gain/as % of Income			\$ 1,420,682	2.9%

*Section B: Costs for the 6 months from 7/12-12/12*

Plan	Estimated Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 22,629,405	\$ 1,507,985	\$ 24,137,390	\$ 25,366,671
Aetna HMO/PPO	21,316,175	1,392,610	22,708,786	22,298,563
Delta Dental	1,909,069	58,803	1,967,871	2,192,333
VSP Vision	187,382	18,648	206,030	264,511
<b>Total</b>	<b>\$ 46,042,030</b>	<b>\$ 2,978,046</b>	<b>\$ 49,020,076</b>	<b>\$ 50,122,078</b>
Gain/as % of Income			\$ 1,102,001	2.2%

*Section C: Total Costs for the 12 months from 1/12-12/12*

Plan	Estimated Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 46,331,534	\$ 2,995,207	\$ 49,326,741	\$ 50,781,222
Aetna HMO/PPO	40,741,654	2,700,717	43,442,371	44,168,194
Delta Dental	3,955,421	146,418	4,101,839	4,368,479
VSP Vision	414,312	37,249	451,561	527,302
<b>Total</b>	<b>\$ 91,442,921</b>	<b>\$ 5,879,592</b>	<b>\$ 97,322,513</b>	<b>\$ 99,845,196</b>
Gain/as % of Income			\$ 2,522,683	2.5%

# THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

## Insurance Plan Rates for 1/1/14 - 12/31/14

### MEDICAL

	<u>BlueChoice</u>	<u>Aetna HMO</u>	<u>Aetna PPO</u>
Individual	\$516.61	\$515.48	\$658.32
Parent/Child	1,009.01	1,004.33	1,282.40
Husband/Wife	1,136.98	1,130.13	1,443.32
Family	1,629.39	1,616.21	2,064.13
Medicare Supp	423.29	422.71	562.41

### OTHER PLANS

	<u>Dental</u>		
	<u>Delta PPO</u>	<u>CIGNA DMO</u>	<u>VSP</u>
Individual	\$37.03	\$10.24	\$6.90
Parent/Child	57.24	22.95	9.39
Husband/Wife	79.86	17.40	13.80
Family	106.27	32.32	17.54
Medicare Supp	N/A	N/A	6.90

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**HEALTH PLAN COST COMPARISON**

**FISCAL YEARS 2013 & 2014**

**FISCAL YEAR 2013**

**FISCAL YEAR 2014**

(7/1/12-12/31/12 ACTUAL  
1/1/13-6/30/13 PROJECTED)

(7/1/13-6/30/14 PROJECTED)

**All Plans, Rate-Based Costs**

w/o Addl. Retirees

w/Addl. Retirees

BlueChoice HMO	\$50,492,246	\$53,988,499
Aetna HMO	13,187,294	15,259,797
Aetna PPO	33,331,344	37,231,254
Dental	4,941,237	4,913,292
Vision	530,042	547,116

**TOTAL PAID EXPENSE  
FOR BENEFITS**

**\$102,482,163**

**\$111,939,957**

**\$112,837,834**

**ADJUSTMENT FOR BUDGET  
VARIANCE**

(2,037,258)

940,221

**ADJUSTED TOTAL**

**\$100,444,905**

**\$112,880,178**

**PERCENT INCREASE**

**12.4%**

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**HEALTH PLAN COST COMPARISON**

**FISCAL YEARS 2013 & 2014**

<b>EMPLOYEE COST SHARING</b>	<b>FISCAL YEAR 2013</b>	<b>FISCAL YEAR 2014</b>	
		w/o Addl. Retirees	w/Addl. Retirees
<b><u>VIP CREDITS</u></b>			
Waiver	\$1,021,313	\$1,019,250	
Other Credits	2,818,620	2,834,580	
<b>1) TOTAL CREDITS</b>	<b>\$3,839,933</b>	<b>\$3,853,830</b>	
<b><u>EMPLOYEE CONTRIBUTIONS</u></b>			
Medical	10,585,608	11,868,310	
Dental	\$4,770,470	\$4,912,637	
Vision	538,581	547,120	
Retirees	\$3,560,263	\$3,894,187	
<b>2) TOTAL EMPLOYEE CONTRIBUTIONS</b>	<b>\$19,454,921</b>	<b>\$21,222,254</b>	
<b>3) NET EE COST SHARING (2 MINUS 1)</b>	<b>\$15,614,989</b>	<b>\$17,368,424</b>	<b>\$17,680,888</b>
<b>4) TOTAL PAID EXPENSE FOR BENEFITS</b>	<b>\$100,444,905</b>	<b>\$112,880,178</b>	
<b>5) NET PAID EXPENSE FOR BENEFITS (4 MINUS 3)</b>	<b>\$84,829,916</b>	<b>\$95,511,754</b>	
<b>6) COST FOR 0 ADDITIONAL EMPLOYEES</b>	N/A	\$0	
<b>    COST FOR 100 ADDITIONAL RETIREES</b>	N/A	628,693	
<b>7) TOTAL ACCRUED EXPENSE FOR BENEFITS (5 PLUS 6)</b>	<b>\$84,829,916</b>	<b>\$96,140,447</b>	
<b>INCREASE FROM PRIOR YEAR</b>		<b>\$11,310,530</b>	<b>13.3%</b>

**THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**PROJECTED HEALTH COSTS**

**Fiscal Year 2014 (7/1/13 - 6/30/14)**

	<u>Projected Components</u>	<u>Projected Totals</u>	<u>% Change From FY13 Projections</u>
<b><u>INSURANCE COSTS</u></b>			
Medical (active)	\$93,490,268		
Dental (includes Delta)	4,913,292		
Vision (includes VSP)	<u>547,116</u>		
<b>Total</b>		<b><u>\$98,950,676</u></b>	<b>11.2%</b>
<b><u>BENEFIT CREDITS</u></b>			
Participants	\$2,834,580		
Medical Waivers	<u>1,019,250</u>		
<b>Total</b>		<b><u>\$3,853,830</u></b>	<b>1.5%</b>
<b>GROSS EMPLOYER COSTS</b>		<b>\$102,804,506</b>	<b>10.8%</b>
<b><u>EMPLOYEE CONTRIBUTIONS</u></b>			
Medical (active)	(\$11,868,310)		
Dental	(4,912,637)		
Vision	<u>(547,120)</u>		
<b>Total</b>		<b><u>(\$17,328,067)</u></b>	<b>7.9%</b>
<b>PROJECTED NET EMPLOYER COSTS</b>		<b>\$85,476,439</b>	<b>11.4%</b>
Cost for 0 Additional Ees (VIP MISS)	\$0		
Cost for 100 Additional Retirees	628,693		
Net Retiree Medical Cost, Current Retirees	<u>9,095,095</u>		
<b>ADDITIONAL COSTS</b>		<b><u>9,723,788</u></b>	
Adjustment for Budget Variance		940,221	
<b>PROJECTED NET REVISED COST</b>		<b>\$96,140,447</b>	<b>14.1%</b>
<b><u>EMPLOYEES (by Medical Participation, without new adds)</u></b>			
<b>VIP-Participants</b>	6,749		
<i>Waivers</i>	<u>1,359</u>		
<i>Total</i>	8,108		
<b>Non-VIP</b>	<u>-</u>		
<b>Total</b>	8,108		
<b>Net Cost per Active Employee</b>	<b>\$10,613</b>	<b><u>% Change</u></b>	<b>9.2%</b>

**THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**PROJECTED MEDICAL COSTS FOR ACTIVE EMPLOYEES**

**Fiscal Year 2014 (7/1/13 - 6/30/14)**

	<u>Ees</u>	<u>Insurance Costs</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
Aetna HMO	1,115	14,106,385	468,300	(1,790,757)	12,783,928
Aetna PPO	1,899	29,709,937	797,580	(3,772,660)	26,734,857
BlueChoice	3,735	49,673,946	1,568,700	(6,304,893)	44,937,753
<b>TOTAL</b>	<b>6,749</b>	<b>\$93,490,268</b>	<b>\$2,834,580</b>	<b>(\$11,868,310)</b>	<b>\$84,456,538</b>
Waivers	1,359	\$0	\$1,019,250	\$0	\$1,019,250

**PROJECTED MEDICAL COSTS FOR RETIREES**

**Fiscal Year 2014 (7/1/13 - 6/30/14)**

**(The current retirees contribute, on average,  
30.0% of the cost.)**

	<u>Ees</u>	<u>Insurance Cost</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
<b>Current Retirees</b>					
Aetna HMO	191	1,153,412	N/A	(345,793)	807,619
Aetna PPO	1,063	7,521,317	N/A	(2,254,891)	5,266,426
BlueChoice	769	4,314,553	N/A	(1,293,503)	3,021,050
<b>TOTAL CURRENT</b>	<b>2,023</b>	<b>\$12,989,281</b>	<b>\$0</b>	<b>(\$3,894,187)</b>	<b>\$9,095,095</b>

**OTHER PROJECTED HEALTH COSTS FOR ACTIVE EMPLOYEES**

**Fiscal Year 2014 (7/1/13 - 6/30/14)**

	<u>Ees</u>	<u>Insurance Cost</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
<b><u>DENTAL</u></b>					
CIGNA DHMO	922	\$217,440	\$0	(\$217,534)	(\$94)
Delta PPO	6,079	4,695,852	0	(4,695,103)	749
<b>Total</b>	<b>7,001</b>	<b>\$4,913,292</b>	<b>\$0</b>	<b>(\$4,912,637)</b>	<b>\$655</b>
<b><u>VISION</u></b>					
VSP Vision	4,007	\$547,116	\$0	(\$547,120)	(\$4)



THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

**PROJECTED GROSS COSTS FOR BUS DRIVERS/COBRA/LOA**

**Fiscal Year 2014 (7/1/13 - 6/30/14)**

	<u>Ees</u>	<u>Insurance Cost</u>
Aetna HMO	5	36,633
Aetna PPO	7	33,328
BlueChoice	87	622,614
<b>TOTAL</b>	<b>99</b>	<b>\$692,575</b>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**RESERVE CALCULATIONS - ALL SELF-INSURED PLANS**

**IBNR RESERVE AS OF:**

**June 30, 2012**

**June 30, 2013**

**June 30, 2014**

**ALL PLANS**

1) Total Fiscal Year Paid Claims	\$87,194,132	\$95,051,501	\$104,074,431
2) Accrued Reserve	7,718,719	6,869,423	7,521,515
Percent of Paid Claims	8.9%	7.2%	7.2%
Number of Average Months	1.1	0.9	0.9
3) Previously Accrued Reserve as of 6/30/11	\$6,910,562	N/A	N/A
4) Reserve Change (2 minus 3)	\$808,157	(\$849,296)	\$652,092
5) Actual Claims Incurred Prior to 6/30/12 and Paid 7/1/12 - 12/31/12	\$5,925,990	N/A	N/A
6) Revised Reserve Estimate as of 6/30/12 Percent of Paid Claims	\$6,301,567 7.2%		

**SUMMARY**

1) IBNR Accrued Reserve	\$7,718,719	\$6,869,423	\$7,521,515
2) IBNR Reserve Change	808,157	(849,296)	652,092
3) Accrued Large Claim Reserve	2,125,040	2,376,288	2,601,861
4) Large Claim Reserve Change	222,103	251,248	225,573
5) Total Reserves	9,843,759	9,245,710	10,123,376
6) Total Reserve Change	1,030,260	(598,049)	877,665