

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

GENERAL ASSUMPTIONS - FY 2015

- No benefit changes assumed
- Assumed healthcare trends of: 6.5% medical/drug; 5.0% dental; and 5.0% vision (medical/drug down from 8.5% as last year; dental reduced from 6%)
- Assumed trends for fixed costs: 15% for stop-loss; for administration used RFP guarantees; added \$3.67 per member per month to 2015 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, 86.6%/13.4%; actual rate basis

FY 2015 COST PROJECTIONS

I. "RATE" CHANGES (initial estimates)

A. Changes to Self-Insured Plan "Rates" (all are effective 1/1/15)

- | | |
|------------------------|-----------|
| 1. <i>Blue Choice</i> | +1.9% |
| 2. <i>Aetna HMO</i> | +8.0% |
| 3. <i>Aetna PPO</i> | +7.2% |
| 4. <i>Delta dental</i> | +2.2% |
| 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 '14** \$96,140,000
- B. **Current Estimate for FY '14** \$86,408,000
- C. **FY2015 Projection (different % changes are vs. IIIA and IIIB)**

		<u>% Change</u>
Current Cost Sharing Scenario; no enrollment increase	\$93,937,000	(2.3)/8.7%
Current Cost Sharing Scenario; adding 100 retirees	\$94,560,000	(1.6)/9.4%

IV. OTHER FACTORS/COMPONENTS

- A. Total IBNR claim reserve is decreasing to \$6,612,000 as of June 30, 2015 from \$7,522,000, which was last year's estimate for June 30, 2014 (note that the updated estimate for June 30, 2013 is \$5,956,000). The large claim reserve is decreasing from \$2,602,000 (our estimate from last year as of June 30, 2014) to \$2,581,000 as of June 30, 2015.
- B. Projections were done separately for each self-insured plan using CY13 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 2014 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 1/1/15 is 4.6% (+3.9% without the reinsurance fee).
- C. Delta dental is projected at a 2.2% increase. The VSP projection calls for a no rate change.
- D. There are 216 (approximately 2.7%) more employees than at this time last year. The net cost per active employee is projected to decrease by 2.7% (compared to last year's projection for FY14). The number of employees with health insurance increased 1.6%, while the number waiving coverage increased 8.0%. The number of retirees increased by 136 from January 2013 to January 2014. Other enrollment changes of note (comparing January 2014 with January 2013): the PPO enrollment increased 5.7% vs. flat enrollment in the two HMO plans; and the increase in enrollment for employees covering dependents was 1.9% vs. a 0.9% increase in enrollment for single coverage.
- E. The exhibit showing the projected vs. actual results for CY13 is found on page 3.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Projected vs. Actual Costs for CY13

Section A: Costs for the 6 months from 1/13-6/13

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 22,564,902	\$ 1,376,689	\$ 23,941,591	\$ 26,509,817
Aetna HMO/PPO	22,081,927	1,347,347	23,429,273	25,277,571
Delta Dental	2,075,473	91,493	2,166,966	2,281,331
VSP Vision	221,634	19,731	241,365	274,915
Total	\$ 46,943,936	\$ 2,835,259	\$ 49,779,195	\$ 54,343,634
Gain/as % of Income			\$ 4,564,439	8.4%

Section B: Costs for the 6 months from 7/13-12/13

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 21,542,179	\$ 1,374,592	\$ 22,916,770	\$ 26,171,335
Aetna HMO/PPO	22,711,236	1,329,777	24,041,013	25,551,068
Delta Dental	1,974,038	92,228	2,066,266	2,296,414
VSP Vision	215,848	20,313	236,161	281,237
Total	\$ 46,443,301	\$ 2,816,909	\$ 49,260,210	\$ 54,300,054
Gain/as % of Income			\$ 5,039,843	9.3%

Section C: Total Costs for the 12 months from 1/13-12/13

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 44,107,081	\$ 2,751,281	\$ 46,858,361	\$ 52,681,152
Aetna HMO/PPO	44,793,163	2,677,124	47,470,287	50,828,639
Delta Dental	4,049,511	183,720	4,233,231	4,577,745
VSP Vision	437,482	40,044	477,526	556,152
Total	\$ 93,387,237	\$ 5,652,169	\$ 99,039,406	\$ 108,643,688
Gain/as % of Income			\$ 9,604,282	8.8%

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Insurance Plan Rates for 1/1/15 - 12/31/15

MEDICAL

	<u>BlueChoice</u>	<u>Aetna HMO</u>	<u>Aetna PPO</u>
Individual	\$485.38	\$508.17	\$634.62
Parent/Child	948.02	990.09	1,236.23
Husband/Wife	1,068.25	1,114.10	1,391.36
Family	1,530.89	1,593.28	1,989.82
Medicare Supp	397.70	416.71	542.17

OTHER PLANS

	<u>Dental</u>		
	<u>Delta PPO</u>	<u>CIGNA DMO</u>	<u>VSP</u>
Individual	\$35.70	\$10.24	\$6.90
Parent/Child	55.18	22.95	9.39
Husband/Wife	76.98	17.40	13.80
Family	102.44	32.32	17.54
Medicare Supp	N/A	N/A	6.90

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

HEALTH PLAN COST COMPARISON

FISCAL YEARS 2014 & 2015

FISCAL YEAR 2014

FISCAL YEAR 2015

(7/1/13-12/31/13 ACTUAL
1/1/14-6/30/14 PROJECTED)

(7/1/14-6/30/15 PROJECTED)

All Plans, Rate-Based Costs		<u>w/o Addl. Retirees</u>	<u>w/Addl. Retirees</u>
BlueChoice HMO	\$51,257,098	\$51,209,067	
Aetna HMO	15,328,086	16,737,177	
Aetna PPO	36,363,162	38,826,834	
Dental	4,864,206	5,002,488	
Vision	566,923	586,728	
TOTAL PAID EXPENSE FOR BENEFITS	\$108,379,475	\$112,362,294	\$113,252,161
ADJUSTMENT FOR BUDGET VARIANCE	(5,873,266)	(825,273)	
ADJUSTED TOTAL	\$102,506,209	\$111,537,021	\$112,426,888
PERCENT INCREASE		8.8%	

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

HEALTH PLAN COST COMPARISON

FISCAL YEARS 2014 & 2015

EMPLOYEE COST SHARING	FISCAL YEAR 2014	FISCAL YEAR 2015	
		w/o Addl. Retirees	w/Addl. Retirees
<u>VIP CREDITS</u>			
Waiver	\$1,080,563	\$1,101,000	
Other Credits	2,868,285	2,879,520	
1) TOTAL CREDITS	\$3,948,848	\$3,980,520	
<u>EMPLOYEE CONTRIBUTIONS</u>			
Medical	10,851,519	12,024,595	
Dental	\$4,944,629	\$5,001,847	
Vision	576,825	586,726	
Retirees	\$3,673,840	\$3,967,884	
2) TOTAL EMPLOYEE CONTRIBUTIONS	\$20,046,812	\$21,581,052	
3) NET EE COST SHARING (2 MINUS 1)	\$16,097,965	\$17,600,532	\$17,910,209
4) TOTAL PAID EXPENSE FOR BENEFITS	\$102,506,209	\$111,537,021	
5) NET PAID EXPENSE FOR BENEFITS (4 MINUS 3)	\$86,408,244	\$93,936,489	
6) COST FOR 0 ADDITIONAL EMPLOYEES	N/A	\$0	
 COST FOR 100 ADDITIONAL RETIREES	N/A	623,085	
7) TOTAL ACCRUED EXPENSE FOR BENEFITS (5 PLUS 6)	\$86,408,244	\$94,559,574	
INCREASE FROM PRIOR YEAR		\$8,151,329	9.4%

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

PROJECTED HEALTH COSTS

Fiscal Year 2015 (7/1/14 - 6/30/15)

	<u>Projected Components</u>	<u>Projected Totals</u>	<u>% Change From FY14 Projections</u>
<u>INSURANCE COSTS</u>			
Medical (active)	\$93,537,976		
Dental (includes Delta)	5,002,488		
Vision (includes VSP)	586,728		
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Total		\$99,127,192	0.2%
<u>BENEFIT CREDITS</u>			
Participants	\$2,879,520		
Medical Waivers	1,101,000		
		<hr/>	
Total		\$3,980,520	3.3%
GROSS EMPLOYER COSTS		\$103,107,712	0.3%
<u>EMPLOYEE CONTRIBUTIONS</u>			
Medical (active)	(\$12,024,595)		
Dental	(5,001,847)		
Vision	(586,726)		
		<hr/>	
Total		(\$17,613,169)	1.6%
PROJECTED NET EMPLOYER COSTS		\$85,494,543	0.0%
Cost for 0 Additional Ees (VIP MISS)	\$0		
Cost for 100 Additional Retirees	623,085		
Net Retiree Medical Cost, Current Retirees	9,267,218		
		<hr/>	
ADDITIONAL COSTS		9,890,303	
Adjustment for Budget Variance		(825,273)	
PROJECTED NET REVISED COST		\$94,559,574	-1.6%
<u>EMPLOYEES (by Medical Participation, without new adds)</u>			
VIP-Participants	6,856		
<i>Waivers</i>	<u>1,468</u>		
<i>Total</i>	8,324		
Non-VIP	<u>-</u>		
Total	8,324		
Net Cost per Active Employee	\$10,316	<u>% Change</u>	-2.8%

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

PROJECTED MEDICAL COSTS FOR ACTIVE EMPLOYEES

Fiscal Year 2015 (7/1/14 - 6/30/15)

	<u>Ees</u>	<u>Insurance Costs</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
Aetna HMO	1,222	15,370,361	513,240	(1,977,213)	13,906,388
Aetna PPO	2,008	31,276,479	843,360	(4,023,159)	28,096,680
BlueChoice	3,626	46,891,136	1,522,920	(6,024,223)	42,389,833
TOTAL	6,856	\$93,537,976	\$2,879,520	(\$12,024,595)	\$84,392,901
Waivers	1,468	\$0	\$1,101,000	\$0	\$1,101,000

PROJECTED MEDICAL COSTS FOR RETIREES

Fiscal Year 2015 (7/1/14 - 6/30/15)

**(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>
<u>Current Retirees</u>					
Aetna HMO	234	1,366,816	N/A	(409,771)	957,044
Aetna PPO	1,110	7,550,355	N/A	(2,263,596)	5,286,759
BlueChoice	815	4,317,931	N/A	(1,294,516)	3,023,415
TOTAL CURRENT	2,159	\$13,235,102	\$0	(\$3,967,884)	\$9,267,218

OTHER PROJECTED HEALTH COSTS FOR ACTIVE EMPLOYEES

Fiscal Year 2015 (7/1/14 - 6/30/15)

	<u>Ees</u>	<u>Insurance Cost</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
<u>DENTAL</u>					
<i>CIGNA DHMO</i>	1,039	\$244,776	\$0	(\$244,889)	(\$113)
<i>Delta PPO</i>	6,289	4,757,712	0	(4,756,958)	754
Total	7,328	\$5,002,488	\$0	(\$5,001,847)	\$641
<u>VISION</u>					
<i>VSP Vision</i>	4,308	\$586,728	\$0	(\$586,726)	\$2

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

PROJECTED GROSS COSTS FOR BUS DRIVERS/COBRA/LOA

Fiscal Year 2015 (7/1/14 - 6/30/15)

	<u>Ees</u>	<u>Insurance Cost</u>
Aetna HMO	6	53,339
Aetna PPO	8	36,879
BlueChoice	95	642,259
TOTAL	109	\$732,478

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RESERVE CALCULATIONS - ALL SELF-INSURED PLANS

IBNR RESERVE AS OF:

June 30, 2013

June 30, 2014

June 30, 2015

ALL PLANS

1) Total Fiscal Year Paid Claims	\$92,985,966	\$96,618,818	\$103,227,504
2) Accrued Reserve	6,869,423	6,188,380	6,611,662
Percent of Paid Claims	7.4%	6.4%	6.4%
Number of Average Months	0.9	0.8	0.8
3) Previously Accrued Reserve as of 6/30/12	\$7,718,719	N/A	N/A
4) Reserve Change (2 minus 3)	(\$849,296)	(\$681,043)	\$423,283
5) Actual Claims Incurred Prior to 6/30/13 and Paid 7/1/13 - 12/31/13	\$5,595,792	N/A	N/A
6) Revised Reserve Estimate as of 6/30/13 Percent of Paid Claims	\$5,955,698 6.4%		

SUMMARY

1) IBNR Accrued Reserve	\$6,869,423	\$6,188,380	\$6,611,662
2) IBNR Reserve Change	(849,296)	(681,043)	423,283
3) Accrued Large Claim Reserve	2,376,288	2,415,470	2,580,688
4) Large Claim Reserve Change	251,248	39,182	165,217
5) Total Reserves	9,245,711	8,603,850	9,192,350
6) Total Reserve Change	(598,048)	(641,861)	588,500