

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

GENERAL ASSUMPTIONS - FY 2016

- No benefit changes assumed
- Assumed healthcare trends of: 4.7% medical/drug; 5.0% dental; and 5.0% vision (medical/drug down from 6.5% last year)
- Assumed trends for fixed costs: 10% for stop-loss; 2% for administration; added \$2.25 per member per month to 2016 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 2016 COST PROJECTIONS

I. "RATE" CHANGES (initial estimates)

A. Changes to Self-Insured Plan "Rates" (all are effective 1/1/16)

- | | |
|------------------------|-----------|
| 1. <i>Blue Choice</i> | +5.7% |
| 2. <i>Aetna HMO</i> | +9.3% |
| 3. <i>Aetna PPO</i> | +3.2% |
| 4. <i>Delta dental</i> | +3.1% |
| 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 '15** \$94,560,000
- B. **Current Estimate for FY '15** \$92,835,000
- C. **FY2016 Projection (different % changes are vs. IIIA and IIIB)**

| | | <u>% Change</u> |
|--|--------------|-----------------|
| Current Cost Sharing Scenario; no enrollment increase | \$98,190,000 | 3.8/5.8% |
| Current Cost Sharing Scenario; adding 100 retirees | \$98,821,000 | 4.5/6.4% |

IV. OTHER FACTORS/COMPONENTS

- A. Total IBNR claim reserve is increasing to \$7,432,000 as of June 30, 2016 from \$6,612,000, which was last year's estimate for June 30, 2015 (note that last year was a decrease from the year before). The large claim reserve is increasing from \$2,581,000 (our estimate from last year as of June 30, 2015) to \$2,727,000 as of June 30, 2016.
- B. Projections were done separately for each self-insured plan using CY14 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 2015 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 1/1/16 is 5.3%.
- C. Delta dental is projected at a 3.1% increase. The VSP projection calls for a no rate change.
- D. There are 261 (approximately 3.1%) more employees than at this time last year. The net cost per active employee is projected at essentially the same level as last year's projection for FY15. This is due to the lowering of the trend used for the actual 2015 renewal compared to our original projection at this time last year. The number of employees with health insurance increased 2.5%, while the number waiving coverage increased 6.4%. This also helped moderate the per head costs. Other enrollment changes of note (comparing January 2015 with January 2014): the PPO enrollment increased 1%; the Aetna HMO increased 7%; while the CareFirst decreased 1%. The increase in enrollment for employees covering dependents was 3% vs. a 2% decrease in enrollment for single coverage.
- E. The exhibit showing the projected vs. actual results for CY14 is found on page 3.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Projected vs. Actual Costs for CY14

Section A: Costs for the 6 months from 1/14-6/14

| Plan | Actual Claims | Fixed Costs | Total Costs | Premiums based on "Rates" |
|---------------------|----------------------|---------------------|----------------------|---------------------------|
| Blue Choice HMO | \$ 23,455,817 | \$ 1,403,168 | \$ 24,858,985 | \$ 25,813,576 |
| Aetna HMO/PPO | 24,507,185 | 1,526,177 | 26,033,362 | 27,336,877 |
| Delta Dental | 2,048,519 | 94,432 | 2,142,950 | 2,366,282 |
| VSP Vision | 241,343 | 21,329 | 262,672 | 295,410 |
| Total | \$ 50,252,863 | \$ 3,045,106 | \$ 53,297,970 | \$ 55,812,146 |
| Gain/as % of Income | | | \$ 2,514,176 | 4.5% |

Section B: Costs for the 6 months from 7/14-12/14

| Plan | Actual Claims | Fixed Costs | Total Costs | Premiums based on "Rates" |
|---------------------|----------------------|---------------------|----------------------|---------------------------|
| Blue Choice HMO | \$ 23,572,418 | \$ 1,387,850 | \$ 24,960,268 | \$ 25,599,935 |
| Aetna HMO/PPO | 24,997,423 | 1,532,483 | 26,529,907 | 27,684,739 |
| Delta Dental | 2,197,755 | 94,909 | 2,292,663 | 2,381,296 |
| VSP Vision | 246,742 | 21,886 | 268,628 | 302,251 |
| Total | \$ 51,014,338 | \$ 3,037,128 | \$ 54,051,466 | \$ 55,968,220 |
| Gain/as % of Income | | | \$ 1,916,755 | 3.4% |

Section C: Total Costs for the 12 months from 1/14-12/14

| Plan | Actual Claims | Fixed Costs | Total Costs | Premiums based on "Rates" |
|---------------------|-----------------------|---------------------|-----------------------|---------------------------|
| Blue Choice HMO | \$ 47,028,235 | \$ 2,791,018 | \$ 49,819,253 | \$ 51,413,511 |
| Aetna HMO/PPO | 49,504,608 | 3,058,661 | 52,563,269 | 55,021,616 |
| Delta Dental | 4,246,273 | 189,340 | 4,435,614 | 4,747,578 |
| VSP Vision | 488,085 | 43,215 | 531,300 | 597,661 |
| Total | \$ 101,267,202 | \$ 6,082,234 | \$ 107,349,435 | \$ 111,780,366 |
| Gain/as % of Income | | | \$ 4,430,931 | 4.0% |

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Insurance Plan Rates for 1/1/16 - 12/31/16

MEDICAL

| | <u>BlueChoice</u> | <u>Aetna HMO</u> | <u>Aetna PPO</u> |
|---------------|-------------------|------------------|------------------|
| Individual | \$503.26 | \$514.04 | \$610.54 |
| Parent/Child | 982.94 | 1,001.52 | 1,189.33 |
| Husband/Wife | 1,107.60 | 1,126.97 | 1,338.57 |
| Family | 1,587.29 | 1,611.68 | 1,914.32 |
| Medicare Supp | 412.35 | 421.52 | 521.59 |

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 2015 & 2016

FISCAL YEAR 2015

FISCAL YEAR 2016

(7/1/14-12/31/14 ACTUAL
1/1/15-6/30/15 PROJECTED)

(7/1/15-6/30/16 PROJECTED)

All Plans, Rate-Based Costs

| | | <u>w/o Addl. Retirees</u> | <u>w/Addl. Retirees</u> |
|--|----------------------|---------------------------|-------------------------|
| BlueChoice HMO | \$50,514,135 | | |
| Aetna HMO | 16,813,974 | \$51,734,556 | |
| Aetna PPO | 38,074,279 | 18,346,760 | |
| Dental | 5,056,575 | 39,284,569 | |
| Vision | 610,288 | 5,214,906 | |
| | | 633,852 | |
| TOTAL PAID EXPENSE FOR BENEFITS | \$111,069,251 | \$115,214,643 | \$116,115,001 |
| ADJUSTMENT FOR BUDGET VARIANCE | (1,757,116) | 975,871 | |
| ADJUSTED TOTAL | \$109,312,135 | \$116,190,514 | \$117,090,872 |
| PERCENT INCREASE | | 6.3% | |

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

HEALTH PLAN COST COMPARISON

FISCAL YEARS 2015 & 2016

| EMPLOYEE COST SHARING | FISCAL YEAR 2015 | FISCAL YEAR 2016 | |
|---|-------------------------|-------------------------|---------------------|
| | | w/o Addl. Retirees | w/Addl. Retirees |
| <u>VIP CREDITS</u> | | | |
| Waiver | \$1,153,875 | \$1,171,500 | |
| Other Credits | 2,932,440 | 2,950,080 | |
| 1) TOTAL CREDITS | \$4,086,315 | \$4,121,580 | |
| <u>EMPLOYEE CONTRIBUTIONS</u> | | | |
| Medical | 11,132,015 | 12,400,366 | |
| Dental | \$5,159,857 | \$5,214,275 | |
| Vision | 622,069 | 633,850 | |
| Retirees | \$3,649,852 | \$3,873,341 | |
| 2) TOTAL EMPLOYEE CONTRIBUTIONS | \$20,563,794 | \$22,121,832 | |
| 3) NET EE COST SHARING (2 MINUS 1) | \$16,477,479 | \$18,000,252 | \$18,313,580 |
| 4) TOTAL PAID EXPENSE FOR BENEFITS | \$109,312,135 | \$116,190,514 | |
| 5) NET PAID EXPENSE FOR BENEFITS (4 MINUS 3) | \$92,834,656 | \$98,190,262 | |
| 6) COST FOR 0 ADDITIONAL EMPLOYEES | N/A | \$0 | |
| COST FOR 100 ADDITIONAL RETIREES | N/A | 630,431 | |
| 7) TOTAL ACCRUED EXPENSE FOR BENEFITS (5 PLUS 6) | \$92,834,656 | \$98,820,693 | |
| INCREASE FROM PRIOR YEAR | | \$5,986,037 | 6.4% |

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

PROJECTED HEALTH COSTS

Fiscal Year 2016 (7/1/15 - 6/30/16)

| | <u>Projected Components</u> | <u>Projected Totals</u> | <u>% Change From FY15 Projections</u> |
|--|---------------------------------|-----------------------------|---|
| <u>INSURANCE COSTS</u> | | | |
| Medical (active) | \$96,446,136 | | |
| Dental (includes Delta) | 5,214,906 | | |
| Vision (includes VSP) | 633,852 | | |
| Total | | \$102,294,894 | 3.2% |
| <u>BENEFIT CREDITS</u> | | | |
| Participants | \$2,950,080 | | |
| Medical Waivers | 1,171,500 | | |
| Total | | \$4,121,580 | 3.5% |
| GROSS EMPLOYER COSTS | | \$106,416,474 | 3.2% |
| <u>EMPLOYEE CONTRIBUTIONS</u> | | | |
| Medical (active) | (\$12,400,366) | | |
| Dental | (5,214,275) | | |
| Vision | (633,850) | | |
| Total | | (\$18,248,491) | 3.6% |
| PROJECTED NET EMPLOYER COSTS | | \$88,167,983 | 3.1% |
| Cost for 0 Additional Ees (VIP MISS) | \$0 | | |
| Cost for 100 Additional Retirees | 630,431 | | |
| Net Retiree Medical Cost, Current Retirees | 9,046,408 | | |
| ADDITIONAL COSTS | | 9,676,839 | |
| Adjustment for Budget Variance | | 975,871 | |
| PROJECTED NET REVISED COST | | \$98,820,693 | 4.5% |
| <u>EMPLOYEES (by Medical Participation, without new adds)</u> | | | |
| VIP-Participants | 7,024 | | |
| Waivers | 1,562 | | |
| Total | 8,586 | | |
| Non-VIP | - | | |
| Total | 8,586 | | |
| Net Cost per Active Employee | \$10,306 | % Change | -0.1% |

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

PROJECTED MEDICAL COSTS FOR ACTIVE EMPLOYEES

Fiscal Year 2016 (7/1/15 - 6/30/16)

| | <u>Ees</u> | <u>Insurance Costs</u> | <u>Benefit Credits</u> | <u>Employee Price Tag</u> | <u>Net Employer Cost</u> |
|--------------|--------------|----------------------------|----------------------------|-------------------------------|----------------------------------|
| Aetna HMO | 1,326 | 16,766,974 | 556,920 | (2,157,721) | 15,166,173 |
| Aetna PPO | 2,081 | 32,190,020 | 874,020 | (4,136,789) | 28,927,251 |
| BlueChoice | 3,617 | 47,489,142 | 1,519,140 | (6,105,856) | 42,902,426 |
| TOTAL | 7,024 | \$96,446,136 | \$2,950,080 | (\$12,400,366) | \$86,995,850 |
| Waivers | 1,562 | \$0 | \$1,171,500 | \$0 | \$1,171,500 |

PROJECTED MEDICAL COSTS FOR RETIREES

Fiscal Year 2016 (7/1/15 - 6/30/16)

**(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 | 256 | 1,579,786 | N/A | (473,620) | 1,106,166 |
| Aetna PPO | 1,058 | 7,094,549 | N/A | (2,126,946) | 4,967,603 |
| BlueChoice | 769 | 4,245,414 | N/A | (1,272,775) | 2,972,639 |
| TOTAL CURRENT | 2,083 | \$12,919,749 | \$0 | (\$3,873,341) | \$9,046,408 |

OTHER PROJECTED HEALTH COSTS FOR ACTIVE EMPLOYEES

Fiscal Year 2016 (7/1/15 - 6/30/16)

| | <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> | 1,088 | \$252,084 | \$0 | (\$252,204) | (\$120) |
| <i>Delta PPO</i> | 6,480 | 4,962,822 | 0 | (4,962,071) | 751 |
| Total | 7,568 | \$5,214,906 | \$0 | (\$5,214,275) | \$631 |
| <u>VISION</u> | | | | | |
| <i>VSP Vision</i> | 4,617 | \$633,852 | \$0 | (\$633,850) | \$2 |

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

PROJECTED GROSS COSTS FOR BUS DRIVERS/COBRA/LOA
Fiscal Year 2016 (7/1/15 - 6/30/16)

| | <u>Ees</u> | <u>Insurance Cost</u> |
|--------------|------------|---------------------------|
| Aetna HMO | 5 | 42,150 |
| Aetna PPO | 7 | 33,328 |
| BlueChoice | 98 | 678,890 |
| TOTAL | 110 | \$754,368 |

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RESERVE CALCULATIONS - ALL SELF-INSURED PLANS

IBNR RESERVE AS OF:

June 30, 2014

June 30, 2015

June 30, 2016

ALL PLANS

| | | | |
|--|---------------------|---------------|---------------|
| 1) Total Fiscal Year Paid Claims | \$96,696,164 | \$103,771,054 | \$109,069,429 |
| 2) Accrued Reserve | 6,188,380 | 7,070,889 | 7,431,916 |
| Percent of Paid Claims | 6.4% | 6.8% | 6.8% |
| Number of Average Months | 0.8 | 0.8 | 0.8 |
| 3) Previously Accrued Reserve as of 6/30/13 | \$6,869,423 | N/A | N/A |
| 4) Reserve Change (2 minus 3) | (\$681,043) | \$882,509 | \$361,028 |
| 5) Actual Claims Incurred Prior to 6/30/14 and Paid 7/1/14 - 12/31/14 | \$6,783,364 | N/A | N/A |
| 6) Revised Reserve Estimate as of 6/30/14 Percent of Paid Claims | \$6,984,287 7.2% | | |

SUMMARY

| | | | |
|--------------------------------|-------------|-------------|-------------|
| 1) IBNR Accrued Reserve | \$6,188,380 | \$7,070,889 | \$7,431,916 |
| 2) IBNR Reserve Change | (681,043) | 882,509 | 361,028 |
| 3) Accrued Large Claim Reserve | 2,415,470 | 2,594,276 | 2,726,736 |
| 4) Large Claim Reserve Change | 39,182 | 178,806 | 132,459 |
| 5) Total Reserves | 8,603,850 | 9,665,165 | 10,158,652 |
| 6) Total Reserve Change | (641,861) | 1,061,315 | 493,487 |