

## HOWARD COUNTY PUBLIC SCHOOL SYSTEM

### GENERAL ASSUMPTIONS - FY 2017

- No benefit changes assumed
- Assumed healthcare trends of: 3.5% medical/drug; 3.0% dental; and 5.0% vision (medical/drug down from 4.7% last year; dental down from 5.0% last year)
- Assumed trends for fixed costs: 10% for stop-loss; 3% for administration; Reinsurance fee done after CY2016
- Credit remains at \$420
- Fifty (50) new employees are added; 100 new retirees are added
- Retirees contribute, on average, 33.7% of total published costs.
- The current cost sharing scenario is used, 86.5%/13.5%; actual rate basis

### FY 2017 COST PROJECTIONS

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

##### A. Changes to Self-Insured Plan "Rates" (all are effective 1/1/17)

- |                        |       |
|------------------------|-------|
| 1. <i>Blue Choice</i>  | +7.4% |
| 2. <i>Aetna HMO</i>    | +8.4% |
| 3. <i>Aetna PPO</i>    | +4.3% |
| 4. <i>Delta dental</i> | +4.3% |
| 5. <i>VSP vision</i>   | +1.6% |

#### 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 '16 \$98,821,000
- B. Current Estimate for FY '16 \$96,596,000
- C. FY2017 Projection (different % changes are vs. IIIA and IIIB)

		<u>% Change</u>
Current Cost Sharing Scenario; no enrollment increase	\$100,126,000	1.3/3.7%
Current Cost Sharing Scenario; adding 100 retirees	\$101,272,000	2.5/4.8%

**IV. OTHER FACTORS/COMPONENTS**

- A. Total IBNR claim reserve is increasing to \$8,132,000 as of June 30, 2017 from \$7,432,000, which was last year's estimate for June 30, 2016. The large claim reserve is increasing from \$2,727,000 (our estimate from last year as of June 30, 2016) to \$2,843,000 as of June 30, 2017.
- B. Projections were done separately for each self-insured plan using CY15 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 2016 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 1/1/17 is 6.4%. Note that this is higher than trend due to the rate hold for 2016; it is essentially two years worth of the new medical trend.
- C. Delta dental is projected at a 4.3% increase. The VSP projection calls for a 1.6% increase.
- D. The number of covered employees and retirees increased 0.5% from last year; the proportion with dependents increased as well. Total estimated covered persons increased 1.3%. This increase, coupled with the trend and new employees/retirees, but moderated by the higher retiree and active employee average contribution percentage, is the reason for the 4.8% increase in projected budget.
- E. The exhibit showing the projected vs. actual results for CY15 is found on page 3.

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### Projected vs. Actual Costs for CY15

*Section A: Costs for the 6 months from 1/15-6/15*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 23,603,861	\$ 1,459,712	\$ 25,063,573	\$ 25,433,724
Aetna HMO/PPO	25,389,606	1,661,834	27,051,440	28,668,555
Delta Dental	2,108,714	97,080	2,205,794	2,304,092
VSP Vision	275,598	22,760	298,358	317,303
<b>Total</b>	<b>\$ 51,377,779</b>	<b>\$ 3,241,386</b>	<b>\$ 54,619,164</b>	<b>\$ 56,723,674</b>
Gain/Loss; as % of Income			\$ 2,104,509	3.7%

*Section B: Costs for the 6 months from 7/15-12/15*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 25,001,027	\$ 1,328,323	\$ 26,329,350	\$ 25,435,221
Aetna HMO/PPO	28,772,871	1,690,199	30,463,070	29,141,659
Delta Dental	2,240,892	98,213	2,339,105	2,323,542
VSP Vision	269,469	23,450	292,919	326,755
<b>Total</b>	<b>\$ 56,284,259</b>	<b>\$ 3,140,185</b>	<b>\$ 59,424,443</b>	<b>\$ 57,227,178</b>
Gain/Loss; as % of Income			\$ (2,197,266)	-3.8%

*Section C: Total Costs for the 12 months from 1/15-12/15*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 48,604,888	\$ 2,788,035	\$ 51,392,923	\$ 50,868,945
Aetna HMO/PPO	54,162,476	3,352,033	57,514,509	57,810,214
Delta Dental	4,349,606	195,293	4,544,899	4,627,634
VSP Vision	545,067	46,210	591,277	644,058
<b>Total</b>	<b>\$ 107,662,038</b>	<b>\$ 6,381,570</b>	<b>\$ 114,043,608</b>	<b>\$ 113,950,852</b>
Gain/Loss; as % of Income			\$ (92,756)	-0.1%

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Insurance Plan Rates for 1/1/17 - 12/31/17

**MEDICAL**

	<u>BlueChoice</u>	<u>Aetna HMO</u>	<u>Aetna PPO</u>
Individual	\$511.41	\$510.23	\$617.57
Parent/Child	998.85	994.10	1,203.00
Husband/Wife	1,125.52	1,118.62	1,353.96
Family	1,612.98	1,599.75	1,936.33
Medicare Supp	419.02	418.40	527.59

**OTHER PLANS**

Dental

	<u>Delta PPO</u>	<u>CIGNA DMO</u>	<u>VSP</u>
Individual	\$36.45	\$11.18	\$7.01
Parent/Child	56.35	25.07	9.54
Husband/Wife	78.61	19.00	14.02
Family	104.61	35.29	17.82
Medicare Supp	N/A	N/A	7.01

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

**HEALTH PLAN COST COMPARISON**

FISCAL YEARS 2016 & 2017

FISCAL YEAR 2016

FISCAL YEAR 2017

(7/1/15-12/31/15 ACTUAL  
1/1/16-6/30/16 PROJECTED)

(7/1/16-6/30/17 PROJECTED)

**All Plans, Rate-Based Costs**

w/o Addl. Retirees

w/Addl. Retirees

BlueChoice HMO	\$49,989,712	\$51,507,459	
Aetna HMO	18,092,390	19,437,246	
Aetna PPO	39,562,707	41,328,314	
Dental	5,318,330	5,587,290	
Vision	660,820	693,324	
<b>TOTAL PAID EXPENSE FOR BENEFITS</b>	<b>\$113,623,959</b>	<b>\$118,553,633</b>	<b>\$120,103,323</b>
<b>ADJUSTMENT FOR BUDGET VARIANCE</b>	<b>1,496,580</b>	<b>1,617,376</b>	
<b>ADJUSTED TOTAL</b>	<b>\$115,120,539</b>	<b>\$120,171,009</b>	<b>\$121,720,699</b>
<b>PERCENT INCREASE</b>		<b>4.4%</b>	

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

HEALTH PLAN COST COMPARISON

FISCAL YEARS 2016 & 2017

<b>EMPLOYEE COST SHARING</b>	<b>FISCAL YEAR 2016</b>	<b>FISCAL YEAR 2017</b>	
		w/o Addl. Retirees	w/Addl. Retirees
<b><u>VIP CREDITS</u></b>			
Waiver	\$1,163,625	\$1,161,000	
Other Credits	2,917,635	2,906,820	
<b>1) TOTAL CREDITS</b>	<b>\$4,081,260</b>	<b>\$4,067,820</b>	
<b><u>EMPLOYEE CONTRIBUTIONS</u></b>			
Medical	12,222,403	12,889,791	
Dental	\$5,161,030	\$5,429,716	
Vision	674,304	687,789	
Retirees	\$4,548,013	\$5,105,848	
<b>2) TOTAL EMPLOYEE CONTRIBUTIONS</b>	<b>\$22,605,751</b>	<b>\$24,113,145</b>	
<b>3) NET EE COST SHARING (2 MINUS 1)</b>	<b>\$18,524,491</b>	<b>\$20,045,325</b>	<b>\$20,441,627</b>
<b>4) TOTAL PAID EXPENSE FOR BENEFITS</b>	<b>\$115,120,539</b>	<b>\$120,171,009</b>	
<b>5) NET PAID EXPENSE FOR BENEFITS (4 MINUS 3)</b>	<b>\$96,596,049</b>	<b>\$100,125,684</b>	
<b>6) COST FOR 50 ADDITIONAL EMPLOYEES</b>	<b>N/A</b>	<b>\$523,750</b>	
<b>COST FOR 100 ADDITIONAL RETIREES</b>	<b>N/A</b>	<b>622,609</b>	
<b>7) TOTAL ACCRUED EXPENSE FOR BENEFITS (5 PLUS 6)</b>	<b>\$96,596,049</b>	<b>\$101,272,043</b>	
<b>INCREASE FROM PRIOR YEAR</b>		<b>\$4,675,995</b>	<b>4.8%</b>

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

**PROJECTED HEALTH COSTS**  
**Fiscal Year 2017 (7/1/16 - 6/30/17)**

	<u>Projected Components</u>	<u>Projected Totals</u>	<u>% Change From FY16 Projections</u>
<b><u>INSURANCE COSTS</u></b>			
Medical (active)	\$97,122,134		
Dental (includes Delta)	5,587,290		
Vision (includes VSP)	693,324		
<b>Total</b>		<b>\$103,402,748</b>	1.1%
<b><u>BENEFIT CREDITS</u></b>			
Participants	\$2,906,820		
Medical Waivers	1,161,000		
<b>Total</b>		<b>\$4,067,820</b>	-1.3%
<b>GROSS EMPLOYER COSTS</b>		<b>\$107,470,568</b>	1.0%
<b><u>EMPLOYEE CONTRIBUTIONS</u></b>			
Medical (active)	(\$12,889,791)		
Dental	(5,429,716)		
Vision	(687,789)		
<b>Total</b>		<b>(\$19,007,296)</b>	4.2%
<b>PROJECTED NET EMPLOYER COSTS</b>		<b>\$88,463,272</b>	0.3%
Cost for 50 Additional Employees	\$523,750		
Cost for 100 Additional Retirees	622,609		
Net Retiree Medical Cost, Current Retirees	10,045,037		
<b>ADDITIONAL COSTS</b>		<b>11,191,396</b>	
Adjustment for Budget Variance		1,617,376	
<b>PROJECTED NET REVISED COST</b>		<b>\$101,272,044</b>	2.5%
<b><u>EMPLOYEES (by Medical Participation, without new adds)</u></b>			
VIP-Participants	6,921		
Waivers	1,548		
Total	8,469		
Non-VIP	-		
Total	8,469		
<b>Net Cost per Active Employee</b>	<b>\$10,475</b>	<b>1.6%</b>	

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

**PROJECTED MEDICAL COSTS FOR ACTIVE EMPLOYEES**

Fiscal Year 2017 (7/1/16 - 6/30/17)

	<u>Ees</u>	<u>Insurance Costs</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
Aetna HMO	1,376	17,363,675	577,920	(2,304,947)	15,636,648
Aetna PPO	2,117	33,504,594	889,140	(4,445,939)	29,947,795
BlueChoice	3,428	46,253,865	1,439,760	(6,138,906)	41,554,719
<b>TOTAL</b>	<b>6,921</b>	<b>\$97,122,134</b>	<b>\$2,906,820</b>	<b>(\$12,889,791)</b>	<b>\$87,139,163</b>
Waivers	1,548	\$0	\$1,161,000	\$0	\$1,161,000

**PROJECTED MEDICAL COSTS FOR RETIREES**

Fiscal Year 2017 (7/1/16 - 6/30/17)

(The current retirees contribute, on average,  
33.7% 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	330	2,073,571	N/A	(698,793)	1,374,778
Aetna PPO	1,122	7,823,720	N/A	(2,636,594)	5,187,126
BlueChoice	890	5,253,594	N/A	(1,770,461)	3,483,133
<b>TOTAL CURRENT</b>	<b>2,342</b>	<b>\$15,150,885</b>	<b>\$0</b>	<b>(\$5,105,848)</b>	<b>\$10,045,037</b>

**OTHER PROJECTED HEALTH COSTS FOR ACTIVE EMPLOYEES**

Fiscal Year 2017 (7/1/16 - 6/30/17)

	<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	1,117	\$281,136	\$0	(\$280,918)	\$218
Delta PPO	6,826	5,306,154	0	(5,148,798)	157,356
<b>Total</b>	<b>7,943</b>	<b>\$5,587,290</b>	<b>\$0</b>	<b>(\$5,429,716)</b>	<b>\$157,574</b>
<b><u>VISION</u></b>					
VSP Vision	4,986	\$693,324	\$0	(\$687,789)	\$5,535



HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

IBNR RESERVE AS OF:	June 30, 2015	June 30, 2016	June 30, 2017
<b>ALL PLANS</b>			
1) Total Fiscal Year Paid Claims	\$103,771,054	\$109,703,850	\$113,725,594
2) Accrued Reserve	7,070,889	7,843,984	8,131,544
Percent of Paid Claims	6.8%	7.2%	7.2%
Number of Average Months	0.8	0.9	0.9
3) Previously Accrued Reserve as of 6/30/14	\$6,188,380	N/A	N/A
4) Reserve Change (2 minus 3)	\$882,509	\$773,095	\$287,560
5) Actual Claims Incurred Prior to 6/30/15 and Paid 7/1/15 - 12/31/15	\$7,656,677	N/A	N/A
6) Revised Reserve Estimate as of 6/30/15 Percent of Paid Claims	\$7,768,672 7.5%		
<b>SUMMARY</b>			
1) IBNR Accrued Reserve	\$7,070,889	\$7,843,984	\$8,131,544
2) IBNR Reserve Change	882,509	773,095	287,560
3) Accrued Large Claim Reserve	2,594,276	2,742,596	2,843,140
4) Large Claim Reserve Change	178,806	148,320	100,544
5) Total Reserves	9,665,165	10,586,580	10,974,684
6) Total Reserve Change	1,061,315	921,415	388,104