

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**GENERAL ASSUMPTIONS - FY 2018**

- No benefit changes assumed
- Assumed healthcare trends of: 4.0% medical/drug; 3.0% dental; and 4.0% vision (medical/drug up from 3.5% last year; dental same as last year; vision reduced from 5% last year)
- Assumed trends for fixed costs: 10% for stop-loss; administrative fees from Kelly RFP
- Assumed cost reduction for prescription plan of 24% in total effective July 1, 2016 (considering greater discounts and higher rebates)
- Credit remains at \$420
- 100 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 2018 COST PROJECTIONS**

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

**A. Changes to Self-Insured Plan "Rates" (all are effective 1/1/18)**

- |                        |       |
|------------------------|-------|
| 1. <i>Blue Choice</i>  | +4.9% |
| 2. <i>Aetna HMO</i>    | +6.6% |
| 3. <i>Aetna PPO</i>    | +0.4% |
| 4. <i>Delta dental</i> | +0.4% |
| 5. <i>VSP vision</i>   | +4.0% |

**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 '17 \$101,272,000
- B. Current Estimate for FY '17 \$95,747,000
- C. FY2018 Projection (different % changes are vs. IIIA and IIIB)

		<u>% Change</u>
Current Cost Sharing Scenario; no enrollment increase	\$97,894,000	(3.3%)/2.2%
Current Cost Sharing Scenario; adding 100 employees/100 retirees	\$99,525,000	(1.7%)/3.9%

**IV. OTHER FACTORS/COMPONENTS**

- A. Total IBNR claim reserve is increasing to \$8,561,000 as of June 30, 2018 from \$8,132,000, which was last year's estimate for June 30, 2017. The large claim reserve is increasing from \$2,843,000 (our estimate from last year as of June 30, 2017) to \$2,890,000 as of June 30, 2018.
- B. Projections were done separately for each self-insured plan using CY16 as the base period, adjusting for IBNR changes and specific stop-loss recoveries, and projecting forward using the trends noted above as well as the projected RFP savings. Note that these are only preliminary projections, and will be revised later in 2017 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 1/1/18 is 3.5%.
- C. Delta dental is projected at a 0.4% increase. The VSP projection calls for a 4.0% increase.
- D. The number of covered employees and retirees decreased 0.3% from last year; the proportion with dependents increased only modestly. Total estimated covered persons decreased 0.5%.
- E. The exhibit showing the projected vs. actual results for CY16 is found on page 3.

## HOWARD COUNTY PUBLIC SCHOOL SYSTEM

### Projected vs. Actual Costs for CY16

*Section A: Costs for the 6 months from 1/16-6/16*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 26,103,609	\$ 1,245,202	\$ 27,348,812	\$ 25,076,426
Aetna HMO/PPO	28,042,991	1,593,683	29,636,673	30,623,800
Delta Dental	2,232,781	100,928	2,333,709	2,435,873
VSP Vision	295,741	26,357	322,098	346,611
<b>Total</b>	<b>\$ 56,675,122</b>	<b>\$ 2,966,169</b>	<b>\$ 59,641,291</b>	<b>\$ 58,482,711</b>
Gain/Loss; as % of Income			\$ (1,158,581)	-2.0%

*Section B: Costs for the 6 months from 7/16-12/16*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 24,374,870	\$ 1,235,162	\$ 25,610,032	\$ 24,798,455
Aetna HMO/PPO	28,351,669	1,546,176	29,897,845	29,936,717
Delta Dental	2,236,567	100,418	2,336,985	2,418,540
VSP Vision	292,155	25,995	318,150	348,908
<b>Total</b>	<b>\$ 55,255,261</b>	<b>\$ 2,907,750</b>	<b>\$ 58,163,011</b>	<b>\$ 57,502,619</b>
Gain/Loss; as % of Income			\$ (660,393)	-1.1%

*Section C: Total Costs for the 12 months from 1/16-12/16*

Plan	Actual Claims	Fixed Costs	Total Costs	Premiums based on "Rates"
Blue Choice HMO	\$ 50,478,479	\$ 2,480,364	\$ 52,958,844	\$ 49,874,881
Aetna HMO/PPO	56,394,660	3,139,858	59,534,518	60,560,517
Delta Dental	4,469,348	201,345	4,670,693	4,854,413
VSP Vision	587,896	52,352	640,248	695,519
<b>Total</b>	<b>\$ 111,930,383</b>	<b>\$ 5,873,920</b>	<b>\$ 117,804,303</b>	<b>\$ 115,985,330</b>
Gain/Loss; as % of Income			\$ (1,818,973)	-1.6%

THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Insurance Plan Rates for 1/1/18 - 12/31/18

**MEDICAL**

	<u>BlueChoice</u>	<u>Aetna HMO</u>	<u>Aetna PPO</u>
Individual	\$520.93	\$507.12	\$585.84
Parent/Child	1,017.44	988.04	1,141.21
Husband/Wife	1,146.48	1,111.81	1,284.41
Family	1,643.00	1,590.00	1,836.87
Medicare Supp	426.73	415.84	500.45

**OTHER PLANS**

	<u>Dental</u>		<u>VSP</u>
	<u>Delta PPO</u>	<u>CIGNA DMO</u>	
Individual	\$35.78	\$11.18	\$6.86
Parent/Child	55.31	25.07	9.35
Husband/Wife	77.17	19.00	13.74
Family	102.70	35.29	17.46
Medicare Supp	N/A	N/A	6.86

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

**HEALTH PLAN COST COMPARISON**

FISCAL YEARS 2017 & 2018

FISCAL YEAR 2017	FISCAL YEAR 2018
(7/1/16-12/31/16 ACTUAL 1/1/17-6/30/17 PROJECTED)	(7/1/17-6/30/18 PROJECTED)

All Plans, Rate-Based Costs		<u>w/o Addl. Retirees</u>	<u>w/Addl. Retirees and Employees</u>
BlueChoice HMO	\$49,979,639	\$51,506,768	
Aetna HMO	18,710,650	19,392,353	
Aetna PPO	40,661,166	40,948,840	
Dental	5,505,726	5,570,904	
Vision	681,627	688,902	
<b>TOTAL PAID EXPENSE FOR BENEFITS</b>	<b>\$115,538,808</b>	<b>\$118,107,767</b>	<b>\$120,216,117</b>
<b>ADJUSTMENT FOR BUDGET VARIANCE</b>	<b>(1,194,646)</b>	<b>(396,701)</b>	
<b>ADJUSTED TOTAL</b>	<b>\$114,344,162</b>	<b>\$117,711,066</b>	<b>\$119,819,416</b>
<b>PERCENT INCREASE</b>		<b>2.9%</b>	

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**HEALTH PLAN COST COMPARISON**

**FISCAL YEARS 2017 & 2018**

<b>EMPLOYEE COST SHARING</b>	<b>FISCAL YEAR 2017</b>	<b>FISCAL YEAR 2018</b>	
			w/o Addl. Retirees and Employees
<b><u>VIP CREDITS</u></b>			
Waiver	\$1,252,125	\$1,282,500	
Other Credits	2,878,155	2,868,600	
<b>1) TOTAL CREDITS</b>	<b>\$4,130,280</b>	<b>\$4,151,100</b>	
<b><u>EMPLOYEE CONTRIBUTIONS</u></b>			
Medical	12,282,378	12,851,806	
Dental	\$5,148,324	\$5,361,532	
Vision	701,266	705,758	
Retirees	\$4,595,109	\$5,049,504	
<b>2) TOTAL EMPLOYEE CONTRIBUTIONS</b>	<b>\$22,727,077</b>	<b>\$23,968,600</b>	
<b>3) NET EE COST SHARING (2 MINUS 1)</b>	<b>\$18,596,797</b>	<b>\$19,817,500</b>	<b>\$20,287,480</b>
<b>4) TOTAL PAID EXPENSE FOR BENEFITS</b>	<b>\$114,344,162</b>	<b>\$117,711,066</b>	
<b>5) NET PAID EXPENSE FOR BENEFITS (4 MINUS 3)</b>	<b>\$95,747,365</b>	<b>\$97,893,565</b>	
<b>6) COST FOR 0 ADDITIONAL EMPLOYEES</b>	N/A	\$1,036,000	
<b>    COST FOR 100 ADDITIONAL RETIREES</b>	N/A	595,646	
<b>7) TOTAL ACCRUED EXPENSE FOR BENEFITS (5 PLUS 6)</b>	<b>\$95,747,365</b>	<b>\$99,525,211</b>	
<b>INCREASE FROM PRIOR YEAR</b>		<b>\$3,777,846</b>	<b>3.9%</b>

Note: Credits and employee/retiree cost sharing are estimated based on a current snapshot; actual results will differ

**THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**PROJECTED HEALTH COSTS**  
**Fiscal Year 2018 (7/1/17 - 6/30/18)**

	<u>Projected Components</u>	<u>Projected Totals</u>	<u>% Change From FY17 Projections</u>
<b><u>INSURANCE COSTS</u></b>			
Medical (active)	\$96,864,270		
Dental (includes Delta)	5,570,904		
Vision (includes VSP)	688,902		
<b>Total</b>		<b>\$103,124,076</b>	<b>-0.3%</b>
<b><u>BENEFIT CREDITS</u></b>			
Participants	\$2,868,600		
Medical Waivers	1,282,500		
<b>Total</b>		<b>\$4,151,100</b>	<b>2.0%</b>
<b>GROSS EMPLOYER COSTS</b>		<b>\$107,275,176</b>	<b>-0.2%</b>
<b><u>EMPLOYEE CONTRIBUTIONS</u></b>			
Medical (active)	(\$12,851,806)		
Dental	(5,361,532)		
Vision	(705,758)		
<b>Total</b>		<b>(\$18,919,097)</b>	<b>-0.5%</b>
<b>PROJECTED NET EMPLOYER COSTS</b>		<b>\$88,356,079</b>	<b>-0.2%</b>
Cost for 100 Additional Ees (VIP MISS)	\$1,036,000		
Cost for 100 Additional Retirees	595,646		
Net Retiree Medical Cost, Current Retirees	9,934,187		
<b>ADDITIONAL COSTS</b>		<b>11,565,833</b>	
Adjustment for Budget Variance		(396,701)	
<b>PROJECTED NET REVISED COST</b>		<b>\$99,525,211</b>	<b>-1.7%</b>
<b><u>EMPLOYEES (by Medical Participation, without new adds)</u></b>			
VIP-Participants	6,830		
Waivers	1,710		
<b>Total</b>	<b>8,540</b>		
Non-VIP	-		
<b>Total</b>	<b>8,540</b>		
<b>Net Cost per Active Employee</b>	<b>\$10,360</b>	<b><u>% Change</u></b>	<b>-1.1%</b>

**THE HOWARD COUNTY PUBLIC SCHOOL SYSTEM**

**PROJECTED MEDICAL COSTS FOR ACTIVE EMPLOYEES**

**Fiscal Year 2018 (7/1/17 - 6/30/18)**

	<u>Ees</u>	<u>Insurance Costs</u>	<u>Benefit Credits</u>	<u>Employee Price Tag</u>	<u>Net Employer Cost</u>
Aetna HMO	1,327	17,093,522	557,340	(2,268,657)	15,382,205
Aetna PPO	2,167	33,427,987	910,140	(4,433,955)	29,904,172
BlueChoice	3,336	46,342,761	1,401,120	(6,149,195)	41,594,686
<b>TOTAL</b>	<b>6,830</b>	<b>\$96,864,270</b>	<b>\$2,868,600</b>	<b>(\$12,851,806)</b>	<b>\$86,881,064</b>
Waivers	1,710	\$0	\$1,282,500	\$0	\$1,282,500

**PROJECTED MEDICAL COSTS FOR RETIREES**

**Fiscal Year 2018 (7/1/17 - 6/30/18)**

**(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><u>Current Retirees</u></b>					
Aetna HMO	382	2,298,831	N/A	(774,706)	1,524,125
Aetna PPO	1,136	7,520,853	N/A	(2,534,527)	4,986,325
BlueChoice	903	5,164,007	N/A	(1,740,270)	3,423,737
<b>TOTAL CURRENT</b>	<b>2,421</b>	<b>\$14,983,691</b>	<b>\$0</b>	<b>(\$5,049,504)</b>	<b>\$9,934,187</b>

**OTHER PROJECTED HEALTH COSTS FOR ACTIVE EMPLOYEES**

**Fiscal Year 2018 (7/1/17 - 6/30/18)**

	<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	1,040	\$262,236	\$0	(\$262,029)	\$207
Delta PPO	6,826	5,308,668	0	(5,099,503)	209,165
<b>Total</b>	<b>7,866</b>	<b>\$5,570,904</b>	<b>\$0</b>	<b>(\$5,361,532)</b>	<b>\$209,372</b>
<b><u>VISION</u></b>					
VSP Vision	4,995	\$688,902	\$0	(\$705,758)	(\$16,856)



HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

IBNR RESERVE AS OF:	June 30, 2016	June 30, 2017	June 30, 2018
<b>ALL PLANS</b>			
1) Total Fiscal Year Paid Claims	\$109,703,850	\$113,725,594	\$115,607,581
2) Accrued Reserve	7,843,984	8,421,461	8,560,824
Percent of Paid Claims	7.2%	7.4%	7.4%
Number of Average Months	0.9	0.9	0.9
3) Previously Accrued Reserve as of 6/30/15	\$7,070,889	N/A	N/A
4) Reserve Change (2 minus 3)	\$773,095	\$577,478	\$139,363
5) Actual Claims Incurred Prior to 6/30/16 and Paid 7/1/16 - 12/31/16	\$8,343,467	N/A	N/A
6) Revised Reserve Estimate as of 6/30/16 Percent of Paid Claims	\$8,403,313 7.7%		
<b>SUMMARY</b>			
1) IBNR Accrued Reserve	\$7,843,984	\$8,421,461	\$8,560,824
2) IBNR Reserve Change	773,095	577,478	139,363
3) Accrued Large Claim Reserve	2,742,596	2,843,140	2,890,190
4) Large Claim Reserve Change	148,320	100,544	47,050
5) Total Reserves	10,586,580	11,264,601	11,451,013
6) Total Reserve Change	921,415	678,021	186,412