

Self-Insurance Program Update – Regence BCBS and Delta Dental of WA

Background:

April 1, 2014 the County converted the Regence medical and Delta Dental of WA dental plan to self-insured plans. By changing to a self-insured plan we eliminated the State's 2% premium tax and the 2.3% Carrier tax. This is a savings of approximately \$441,000, plus a reduction in the administrative fee of \$56.72 per employee per month (pepm) or \$540,428 annually. On the dental side, we saved \$3.41 pepm or \$30,280 annually. That represents a combined savings of approximately \$1,000,000.

Key Points:

- The plan is doing fine from a funding point at this time
- Claims are running higher than expected
- The Reserve requirement is on track to be fully funded at year-end as approved by the State. We are approximately 56% funded at this time.

	Medical	Dental
IBNP	\$1,114,000	\$115,000
Contingency	<u>\$2,241,000</u>	<u>\$228,000</u>
Total Required	\$3,355,000	\$343,000

- Claims costs (utilization) has increased for both medical and dental
 - Medical:
 - Claims trend for our plan is running at 15%; industry trend is about 8-9%
 - There have been several large claims over our Stop Loss point, (\$175,000)
 - Continuing to have several large claims in 2015
 - Prescription drugs are seeing a slight increase in cost, mainly due to Specialty Drugs
 - Dental:
 - Claims trend for our plan is running at 3.5%; industry trend is 5%
 - Claims liability is limited due to the annual limits for covered services
 - We are seeing significant growth in claims in special restorative; mainly crowns

2015 Renewal

The 2015 renewals were based on claims experience for the 12 months ending June 30, 2014. A 6.5% increase (prior to plan changes) was approved by the Governing Board for the medical plan, and the dental plan renewed at 0%.

Increase in utilization

Since implementation, the plan's utilization has increased at an unexpected rate. The County's claims trend is running at 15% when comparing the recent 12 months to the prior 12 months. *The industry trend is 8-10%*. The key drivers are the increase in large claims. The categories of serious health conditions in our population are:

- Symptoms (diagnostic testing) to try and determine what is wrong with someone
- Cancer
- Musculoskeletal
- Digestive
- Circulatory
- Infectious

See handout "page " showing "four year claims over \$50,000".

Looking forward:

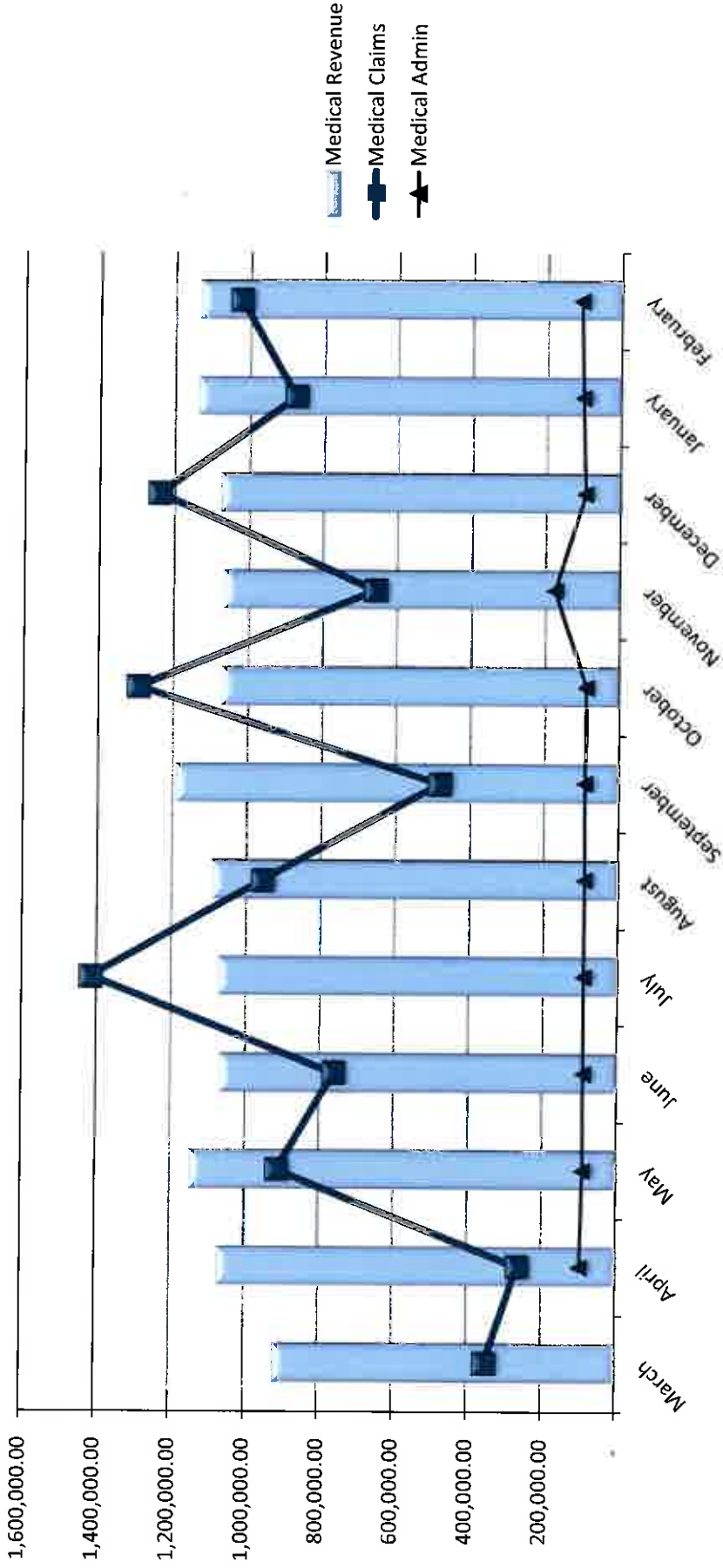
Going in to 2016 we are anticipating a large rate increase for the medical plan of at least 15%; but could be higher if the claims trend continues to increase. The dental plan will likely see a moderate increase around 5%.

The Cadillac Tax goes into effect in 2018. We will be working on ways to address the impending excise tax to reduce the impact on the County. At this point it is estimated at approximately \$750,000.

The Affordable Care Act – Shared Responsibility reporting takes effect this year, processes are being implemented to monitor eligibility; in January 2016 first federal reporting takes effect.

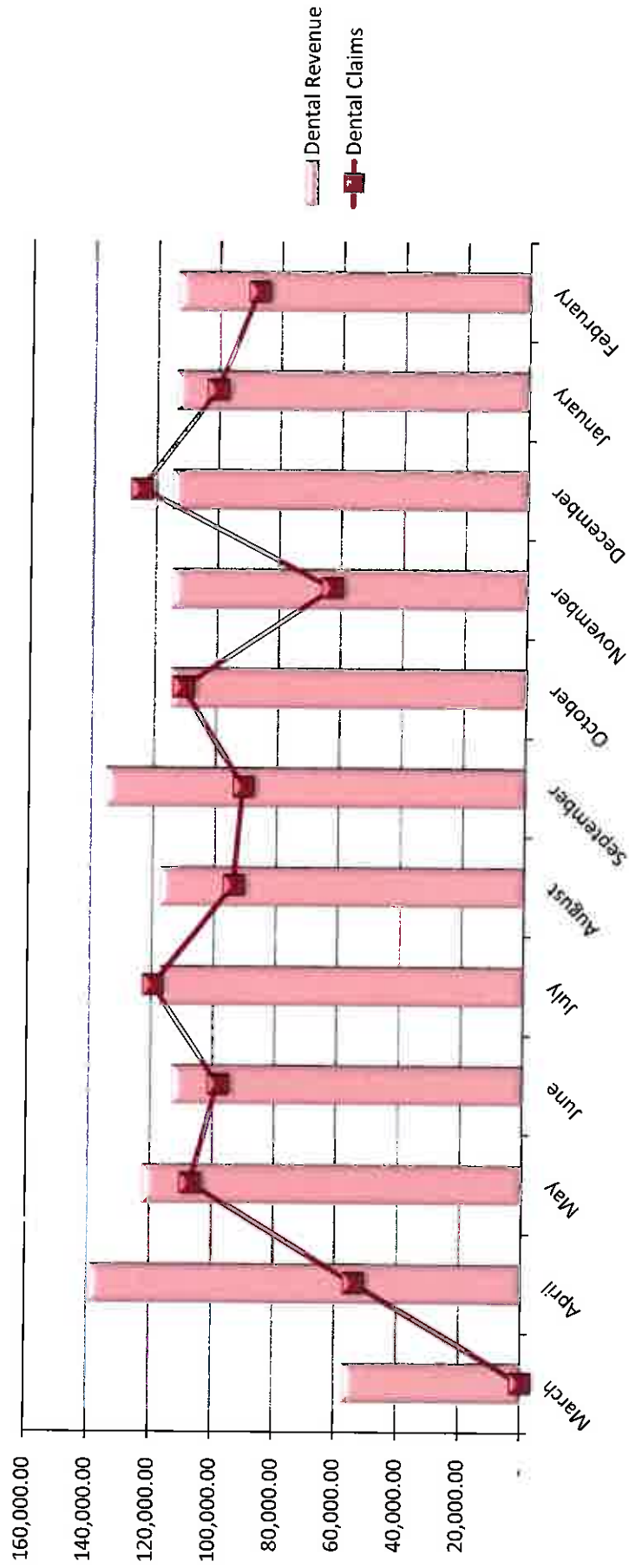
2014 - 15 Medical Revenue and Expenses (Claims & Admin)

April 1, 2015



2014 - 15 Dental Revenue and Expenses

April 1, 2015



2014 Self Insured Medical Experience Regence Aggregate Settlement Report



Member of the Regence Group of Companies

Aggregate Stop Loss Settlement

Contract Period: April 1, 2014 through December 31, 2014

Group Name: Clark County
Group ID: 60019995

Specific Threshold: \$175,000
 Aggregating Specific Threshold: \$0
 Specific Threshold: 125%
 Aggregating Specific Threshold: 85%
 Contract Basis: 9/9
 Covered Benefits: Med/Rx
 Specific Limit of Liability: Unaffiliated
 Contract Basis: 9/9
 Covered Benefits: Med/Rx
 Aggregate Limit of Liability: \$2,000,000

Expected Claims Cost (pepm): \$1,064.72

Aggregate Factor (pepm): \$1,330.90

Minimum Attachment Point: \$8,955,426.47

Net Paid Claims % of Expected: 100.6%

Net Paid Claims % of Maximum: 87.7%

Month/Year	(A) Contracts	(B) Members	(C) Paid Medical Claims	(D) Paid Rx Claims	(E) Specific Stop Loss Credits	(F) Extra-Contractual Credits	(G) Net Paid Claims	(H) Expected Claim Liability	(I) Maximum Claim Liability	(J) - (I) - (J) Aggregate Liability
4/2014	787	2,143	269,375.74	201,961.83	-	-	471,337.57	837,934.64	1,047,418.30	(576,080.73)
5/2014	792	2,145	538,784.44	219,316.72	-	-	758,101.16	843,258.24	1,054,072.80	(295,971.64)
6/2014	792	2,140	570,176.17	215,900.01	-	-	786,076.18	843,258.24	1,054,072.80	(267,996.62)
7/2014	793	2,133	1,142,221.55	230,020.20	-	-	1,372,241.75	844,322.96	1,055,403.70	316,838.05
8/2014	797	2,144	746,509.60	230,774.72	-	-	977,284.32	848,581.84	1,060,727.30	(83,442.98)
9/2014	798	2,153	797,876.75	207,357.94	(566.34)	-	1,005,034.59	849,646.58	1,062,058.20	(57,023.61)
10/2014	793	2,131	873,317.10	243,237.58	(3,797.11)	-	1,115,988.34	844,322.96	1,055,403.70	60,584.64
11/2014	797	2,134	896,013.83	220,810.21	(3,797.11)	-	913,026.93	848,581.84	1,060,727.30	(147,700.37)
12/2014	796	2,123	733,545.06	219,600.40	(15,133.39)	-	938,012.07	847,517.12	1,059,986.40	(121,984.33)
YTD	7,145	19,246	6,367,620.24	1,988,979.51	(19,496.84)	-	8,337,102.91	7,607,424.40	9,509,280.50	(1,172,177.59)

729,679

- Clark County's self insured medical claims were in excess of \$729,679 of the Expected Claims set by Regence's stop loss contract. This equates to 110% of Expected. Aggregate insurance kicks in at 125% of Expected.
- Regence's aggregate claims increase for 2015 is 27.4%, of which 18% is based on maturing from a first year 9/9 contract to a second year mature 12 month contract. This leaves 9% for trend, which is normal in the market. Their 2015 stop loss renewal was estimated using claims through August 2014.

Medical Claims Utilization Four Year Claims over \$50,000 History

All Plans Combined - Actives/COBRA & Retirees
Large Claims Over \$50,000
Regence BlueCross BlueShield of Oregon

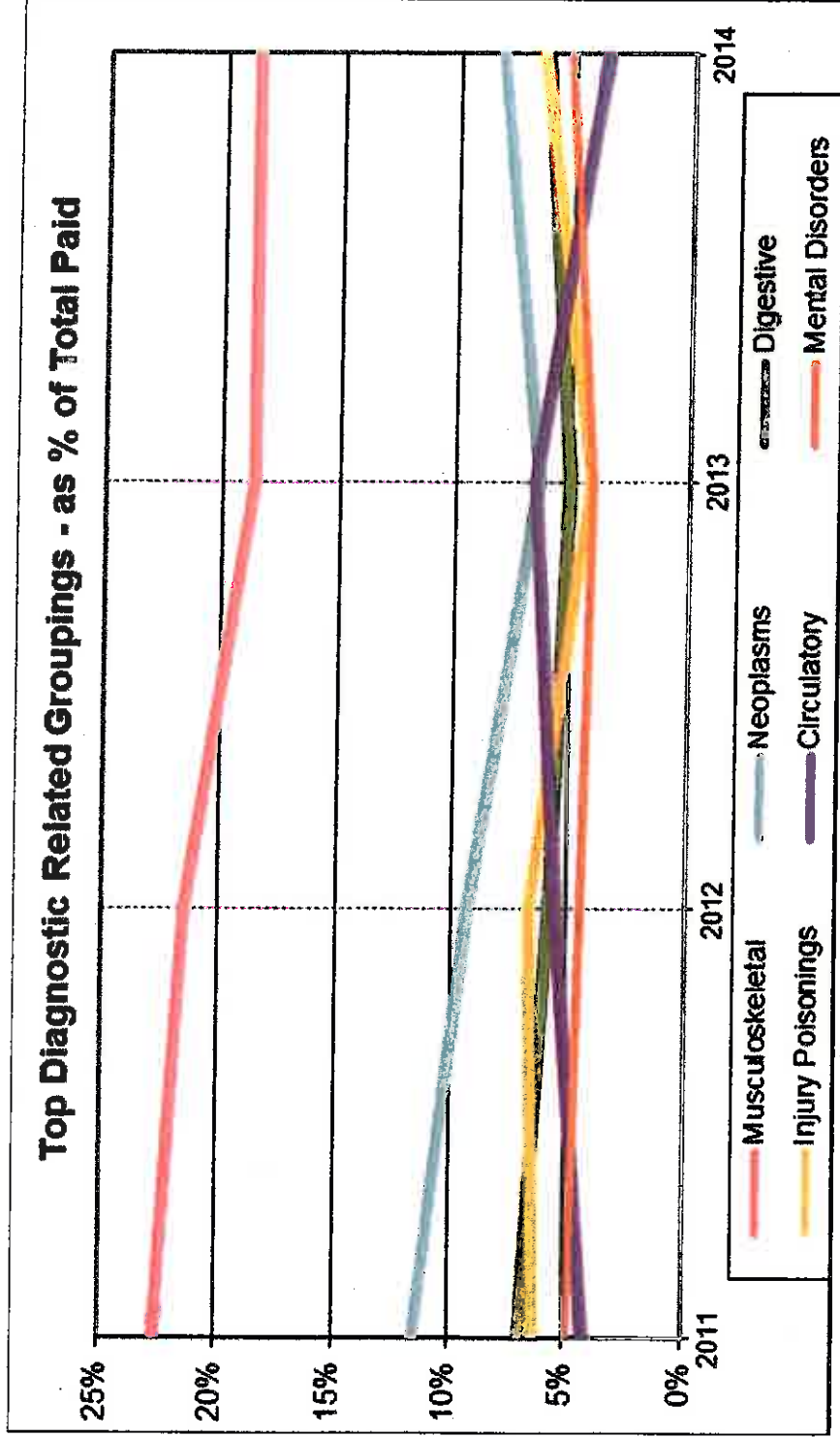
Fully Insured Pooling Level was \$175,000 and Self Insured Stop Loss Level is \$175,000.

2011	2012	2013	2014	2014 cont'd
\$307,965	\$228,491	\$1,135,824	\$433,617	Digestive
216,977	156,277	574,397	209,030	Circulatory
139,859	152,985	340,166	207,044	Cancer
135,349	122,474	173,898	160,530	Symptoms
112,557	102,360	141,784	167,204	Infectious
112,250	96,706	125,833	159,222	Complications
96,874	96,208	116,761	147,245	Complications
90,334	94,345	111,194	135,479	Kidney
90,121	90,067	102,853	125,860	Endocrine
77,421	88,910	100,372	123,014	Respiratory
74,395	81,414	96,303	121,095	Circulatory
73,140	79,778	92,028	106,898	Infectious
66,239	78,078	91,870	105,583	Cancer
61,452	76,647	90,109	101,614	Injury
60,952	74,054	88,779	97,404	Symptoms
59,744	68,904	85,333	94,316	Cancer
58,019	68,275	70,409	91,462	Musculoskeletal
55,329	64,359	70,207	83,096	Cancer
52,608	61,528	69,848	82,432	Symptoms
51,291	60,995	69,365	81,404	Digestive
51,112	57,817	68,981	81,091	Cancer
50,923	57,322	62,243	78,929	Symptoms
50,710	57,088	56,687	75,946	Symptoms
50,488	57,054	53,330	73,713	Symptoms
\$2,194,610	\$2,172,127	52,338	71,504	Musculoskeletal
24 Claims	24 Claims	50,089	70,807	Nervous
PMPM=\$79.79	PMPM=\$82.20	\$3,891,004		
	3% Increase	26 Claims		
		PMPM=\$109.56		
		33% Increase		

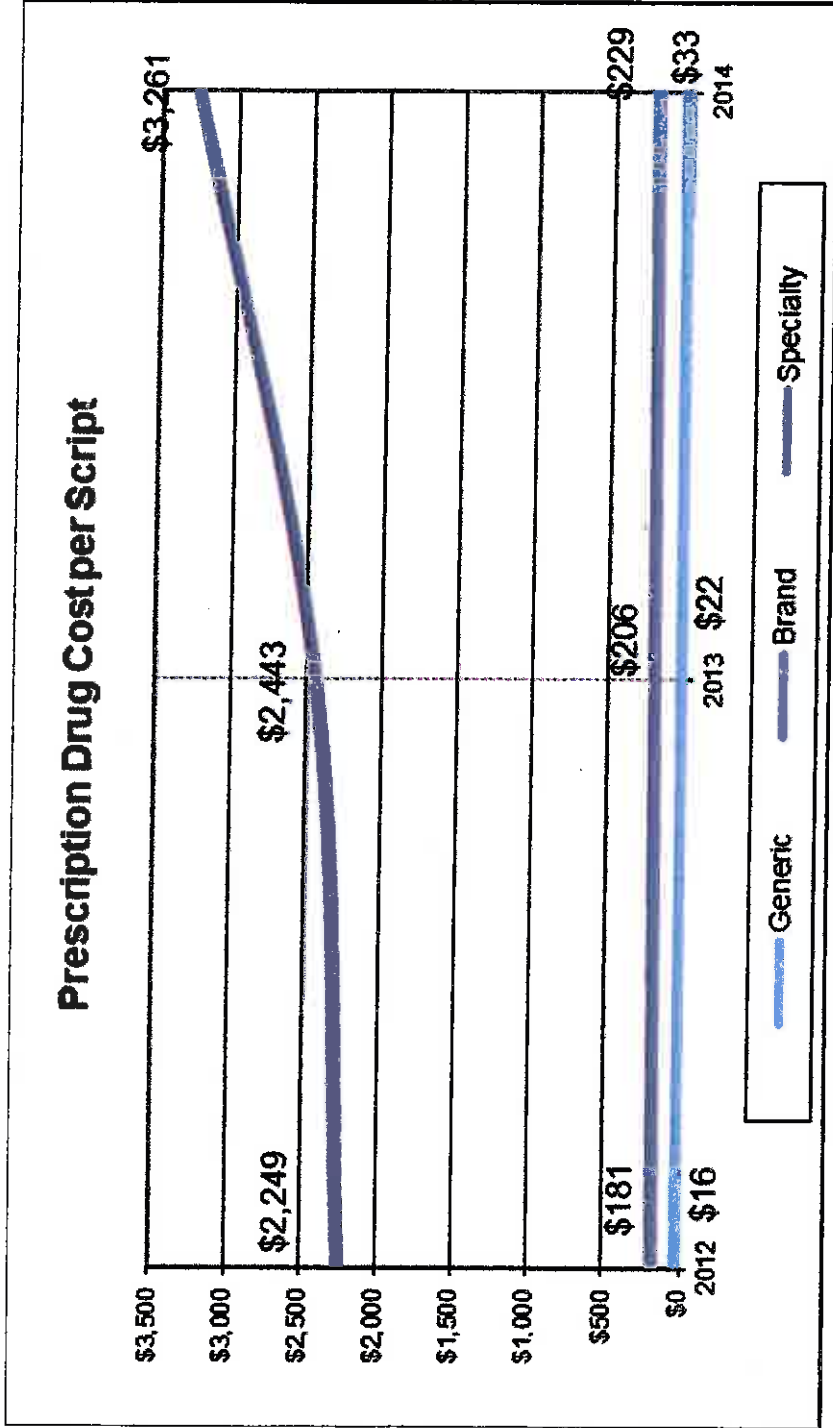
Top 7 Diagnosis Categories:
Symptoms: 9 for \$797,379
Cancer: 7 for \$685,616
Musculo: 7 for \$460,695
Digestive: 2 for \$514,921
Circulatory: 2 for \$330,191
Complicat n: 2 for \$306,467
Infectious: 2 for \$294,192
TOTAL: 31 for \$3,389,461

\$1M removed

Medical Claims Utilization



Medical Claims Utilization



Percent increases over time:

Generic:

2012 to 2013: increased 37.5%

2013 to 2014: increased 50.0%

Brand:

2012 to 2013: increased 13.8%

2013 to 2014: increased 11.2%

Specialty:

2012 to 2013: increased 8.6%

2013 to 2014: increased 33.5%

Self Insured Dental Experience Dental Plan Summary (Cost vs Budget)

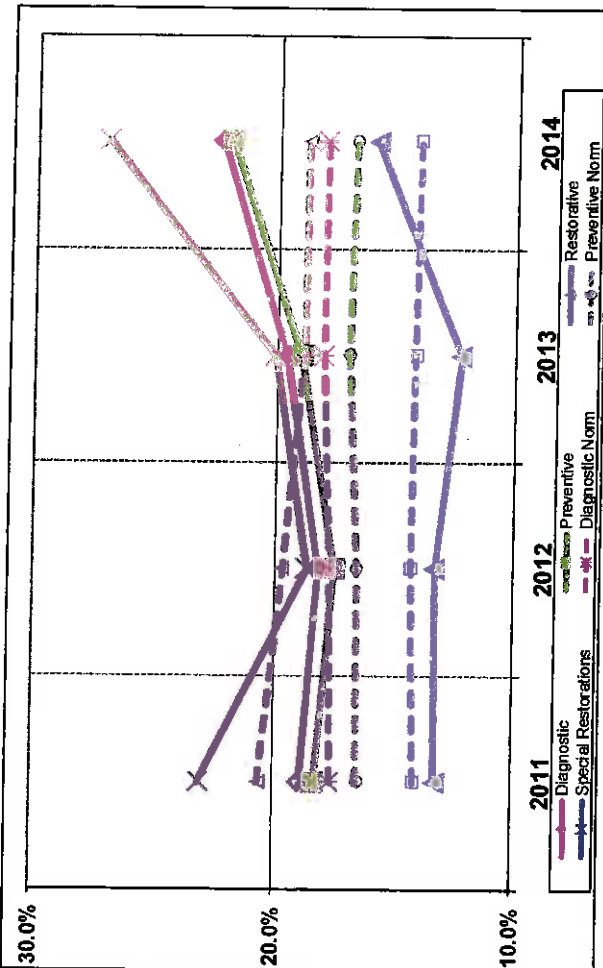
Month	Enrollment		Claims		Fixed Costs	Gross Plan Cost	Gross Budget	Loss Ratio Plan Cost / Budget	PEPM Cos Plan Cos / EEs
	EES	Mbrs	Paid Claims	Fixed Costs					
Apr 2014	1,008	0	\$54,063	\$10,332	\$64,395	\$119,675	53.8%	\$63.88	
May 2014	1,010	0	\$107,141	\$10,353	\$117,494	\$119,881	98.0%	\$116.33	
Jun 2014	1,007	0	\$98,424	\$10,322	\$108,746	\$119,419	91.1%	\$107.99	
Jul 2014	1,002	0	\$119,577	\$10,271	\$129,848	\$118,657	109.4%	\$129.59	
Aug 2014	1,012	0	\$93,925	\$10,373	\$104,298	\$119,901	87.0%	\$103.06	
Sep 2014	1,021	0	\$91,058	\$10,465	\$101,523	\$121,131	83.8%	\$99.44	
Oct 2014	1,022	0	\$110,854	\$10,476	\$121,330	\$121,225	100.1%	\$118.72	
Nov 2014	1,021	0	\$77,270	\$10,465	\$87,735	\$121,009	72.5%	\$85.93	
Dec 2014	1,019	0	\$110,258	\$10,445	\$120,703	\$120,593	100.1%	\$118.45	
Jan 2015									
Feb 2015									
Mar 2015									
YTD Total	1,014	0	\$862,570	\$93,501	\$956,071	\$1,081,491	88.4%	\$104.81	

- The difference between the Gross Budget and Gross Plan Cost is \$125,420 which should then be applied to the required IBNP reserves.
- Mercer estimates the medical reserve as of December 31, 2014 should be \$115,000 for future plan termination.
- An additional contingency reserve for unusual claims fluctuation is also required which Mercer estimates as an additional ~~\$115,000~~ *\$20k*
- Clark County maintains an accounting of claims, program expenses and reserve funding. Mercer reports data based on reports from Delta which may have different cut-off dates for claims payment months and may not match exactly to the County's accounting reports.

Dental Claims Utilization Historical Delta Dental of WA

Delta Dental of Washington
Dental Distribution of Charges
Historical Overview

	Plan Year 2011	Plan Year 2012	Plan Year 2013	Plan Year 2014
Diagnostic	18.9%	18.2%	19.6%	22.4%
Preventive	18.3%	17.5%	19.0%	22.0%
Restorative	13.2%	13.3%	12.3%	15.9%
Special Restorations	23.1%	18.7%	20.1%	27.1%
Diagnostic Norm	17.6%	17.7%	18.1%	18.0%
Preventive Norm	16.5%	16.6%	17.0%	16.8%
Restorative Norm	14.1%	14.3%	14.2%	14.1%
Spec. Restor. Norm	20.6%	19.7%	18.9%	18.8%



Special Restorations are Crowns and Crown Build-ups

Data is based on Allowed, not on Final Paid. Some expensive procedures will exceed the annual maximum plan benefit.