



LIMRiCC

**2015 Spring Meeting**

***April 30th, 2015***



# Meeting Agenda

- Claims Update
- 2016 Recommended Plan Changes
- Self-Funding vs Fully Insured & Why?
- ACA Reporting Updates

# Claim Review

LIMRiCC is running at a 77% combined loss ratio, \$602.78 PEPM (Per Employee Per Month)

HMO loss ratio is 103%, \$360.77 PEPM

HDPPO loss ratio is 68%, \$587.87 PEPM

PPO loss ratio is 62%, \$505.67 PEPM

Average covered employees is 636

Monthly Enrollment Exposure	Employees	January 2014 - December 2014 Projected Claims	Claims Paid		Net Paid Claims	Capitations	Monthly Net paid Claims + Capitation	Monthly Premium	Monthly Variance of Claims to Expected	Monthly Loss Ratio	YTD Claims to Premium Loss Ratio	Net Paid Claims PEPM
			Medical Payments	Pharmacy Payments								
			Medical Payments	Pharmacy Payments								
January-14	623	\$333,050	\$137,899	\$64,110	\$202,009	\$90,804	\$292,814	\$484,732	(\$40,237)	60%	60%	\$470.01
February-14	623	\$332,902	\$170,385	\$66,788	\$237,174	\$91,175	\$328,349	\$486,073	(\$4,553)	68%	64%	\$527.04
March-14	625	\$333,494	\$204,136	\$86,953	\$291,089	\$92,287	\$383,376	\$486,421	\$49,882	79%	69%	\$613.40
April-14	623	\$332,456	\$159,997	\$76,507	\$236,504	\$91,916	\$328,420	\$485,144	(\$4,037)	68%	69%	\$527.16
May-14	626	\$333,567	\$189,258	\$78,801	\$268,058	\$92,658	\$360,716	\$483,785	\$27,149	75%	70%	\$576.22
June-14	629	\$335,421	\$164,766	\$71,477	\$236,242	\$92,658	\$328,900	\$483,030	(\$6,521)	68%	70%	\$522.89
July-14	655	\$353,072	\$138,327	\$83,519	\$221,846	\$92,658	\$314,503	\$513,931	(\$38,569)	61%	68%	\$480.16
August-14	654	\$352,107	\$358,675	\$71,620	\$430,295	\$93,028	\$523,323	\$516,785	\$171,216	101%	73%	\$800.19
September-14	648	\$348,252	\$290,543	\$77,978	\$368,521	\$93,399	\$461,920	\$509,459	\$113,668	91%	75%	\$712.84
October-14	646	\$346,471	\$274,166	\$87,928	\$362,093	\$93,769	\$455,863	\$508,181	\$109,392	90%	76%	\$705.67
November-14	647	\$346,544	\$267,400	\$79,152	\$346,552	\$94,140	\$440,692	\$506,739	\$94,148	87%	77%	\$681.13
December-14												
Total:	6,999	\$3,747,335	\$2,355,550	\$844,832	\$3,200,383	\$1,018,491	\$4,218,874	\$5,464,280	\$471,539	77%	77%	\$602.78
Average:	636	\$340,667	\$214,141	\$76,803	\$290,944	\$92,590	\$383,534	\$496,753	\$42,867			

# Large Claim Report

Current Period Large Claim Totals		Year to Date	% of Paid Claims YTD
Total Dollar Claims above 50k		<u>\$531,678</u>	<u>14.2%</u>
# of Large Claims over 50k		<u>6</u>	

Large Claim Drilldown	Diagnostic Category	Amount Paid	% of Large Claims
Claimant 1		\$106,130	20%
Claimant 2		\$79,919	15%
Claimant 3		\$63,258	12%
Claimant 4		\$54,693	10%
Claimant 5		\$123,020	23%
Claimant 6		\$104,658	20%
Claimant 7			
<b>Total</b>		<u>\$531,678</u>	<u>100.00%</u>

LIMRiCC had 6 large claimants in the last reporting period (4 claims in the prior reporting period) accounting for 14.2% of the total claim costs.

- 4 Claimants were PPO
- 2 Claimants were HMO

# Plan Utilization Snapshot

**PPO** plan utilization shows :

- Overall decrease to **inpatient admissions** from the prior year of approximately 8.9%
- Cost PMPM (Per Member Per Month) for admissions increased by approx. 34%
- **Outpatient facility** remained about the same as the prior reporting period, costs for outpatient facility usage decreased
- **ER visits** decreased about 24%; however, PMPM increased slightly over the prior reporting period
- **In-network utilization** is strong at 99.9 %
- **Professional services** which includes doctor office visits remained about the same over the prior reporting period, however costs were up on a PMPM basis
- **Pharmacy** cost increased 19% overall; PMPM pharmacy paid is 8.5% higher than the prior reporting period
- **Generic Drug** utilization is 77.3% which is increased from the prior period by 1.2%, however it is still below BCBS benchmark by approximately 2%
- **Multi-brand usage** (brands with exact generic equivalents) was 3.6% for the current reporting period.
- 5 members received 28 specialty medications accounting for 25% of overall pharmacy costs.
- By increasing the Generic usage just 2% would result in a savings to the Rx claims for LIMRiCC of \$31,094

# Plan Utilization Snapshot (cont'd)

**HMO** plan utilization shows :

- Increase to **inpatient admissions** from the prior year of approximately 27%.
- Cost per admission increase slightly
- **Outpatient facility** usage increased 5.9%
- Paid per visit increased approximately 37%
- **ER visits** decreased about 18.2%
- Cost for ER visits decreased slightly
- **Pharmacy** cost per member increased slightly over the prior reporting period. The number of scripts per member increased slightly.
- **Generic Drug** utilization is 82.6%, up from the prior reporting period less than 1%. Increasing the generic dispensing rate by 2% would result in savings of \$28,518 for LIMRiCC.
- **Multi-brand usage** (brands with exact generic equivalents) was 1.2% for the current reporting period. (an increase over the prior reporting period)
- 5 members received 40 specialty medications accounting for 37.% of overall pharmacy costs.

# 2016 Renewal Projection

- » Projected claims for 2015 are \$4,013,591.76
- » Projected administrative expenses are around \$1.3 million
  - » Pooling Fee, Access Fee, Physician Service Fees, HMO Managed Care Fee & Risk is included in the administrative fee
- » Taxes/ACA fees are expected to be about \$204,678 or 4% of premium
- » Increase is expected to be between 3.5 – 5%
- » Estimate may increase or decrease based on additional claim months



**2016 Recommended  
Plan Changes**



# 2016 Recommended Plan Changes

- » Eliminate the \$500 deductible plan
  - » Cost is highest, few members are exceeding deductible
  - » Doesn't encourage consumerism
  - » The possibility of self-funding
- » Adding specialty co-pay for Rx (Prescription Drugs)
  - » Pharmacy trend is increasing due to new, expensive specialty medications
- » Increase Rx Out of Pocket (OPX)
  - » Pharmacy trend
- » Change effective & termination dates
  - » Effective date to 1 of month following date of hire
  - » Termination would be end of month for all plans
  - » Easier for payroll
- » HSA Offerings

# Health Care Reform Impact on Plan Designs

- » Groups in Fully Insured Pools must adhere to the same rules as similar sized groups
  - » For groups under 50 lives that means plans must be similar to those offered in the exchange for individuals and small group
  - » Have to offer plans that meet IL EHB (Essential Health Benefits). Mandates coverage on things such as pediatric dental services
  - » Rates have to be banded by age similar to the exchange offerings
- » BCBS may require pools such as LIMRiCC to be self-insured
- » If LIMRiCC remains fully insured for 2016 – build additional reserve for 2017 if funding change must be made

## Sample Blended Rates vs Age Rating

\$1500 Deductible Option		
	Blended	Age-Banded
30 year old	\$559.93	\$443.90
40 year old	\$559.93	\$499.82
50 year old	\$559.93	\$698.50

Options for small group are limited to EHB (Essential Health Benefits) for Illinois and must mirror offerings in the exchange

Blended Premiums do not change as an employee ages, Age rating increases each year as the employee ages (even if there is no renewal increase). Ages for Dependents are based on dependent ages as well.

LIMRiCC's average age is 45

# Current Rates

Medical	BlueCross BlueShield AM Best Rating: A								
	PPO			PPO			HMO		
	In Network	Out Network		In Network	Out Network		(Participating Provider)		
Provider Network	PPO			PPO			HMO Illinois		
Lifetime Maximum	Unlimited			Unlimited			Unlimited		
Individual Deductible	\$500	\$500		\$1,500	\$1,500		\$0		
Family Deductible	\$1,500	\$1,500		\$4,500	\$4,500		\$0		
Coinsurance	80%	60%		80%	60%		100%		
Coinsurance Limit Individual	\$1,000	\$3,000		\$1,000	\$3,000		\$1,500		
Coinsurance Limit Family	\$3,000	\$7,500		\$3,000	\$7,500		\$3,000		
Medical Out of Pocket Limit Ind.	\$1,500	\$3,500		\$2,500	\$4,500		\$1,500		
Medical Out of Pocket Limit Family	\$4,500	\$9,000		\$7,500	\$12,000		\$3,000		
Inpatient - Hospital / Physician	Ded then 80%	Ded then 60%		Ded then 80%	Ded then 60%		100%		
Inpatient Hospital Deductible	\$150	\$300		\$150	\$300		\$150 per admission deductible		
Preventative/Well Child Care	100%	Ded then 60%		100%	Ded then 60%		100%		
Physicians Services	\$20 Copay	Ded then 60%		\$20 Copay	Ded then 60%		\$20 Copay		
Specialist Copay	\$30 Copay	Ded then 60%		\$30 Copay	Ded then 60%		\$30 Copay		
Diagnostic Lab & X-Ray	Ded then 80%	Ded then 60%		Ded then 80%	Ded then 60%		100%		
Emergency Room	\$100 Copay, then 100%			\$100 Copay, then 80%			\$100 Copay		
Retail Rx Benefit	\$10/40/60	Copay then 75%		\$10/40/60	Copay then 75%		\$10/40/60		
RX Out of Pocket Limit Individual	\$500	NA		\$500	NA		\$500		
RX Out of Pocket Limit Family	\$1,500	NA		\$1,500	NA		\$1,000		
# Days Supply	34 Days			34 Days			34 Days		
Mail-Order Rx Benefit	\$20/80/120	N/A		\$20/80/120	N/A		\$20/80/120		
# Days Supply	90 Days			90 Days			90 Days		
Additional Information									
Health	EE	Rate	Total	EE	Rate	Total	EE	Rate	Total
Employee:	279	\$682.51	\$190,420.29	71	\$582.91	\$41,386.61	207	\$548.02	\$113,440.14
Employee + Spouse:	26	\$1,443.89	\$37,541.14	10	\$1,227.73	\$12,277.30	19	\$1,175.16	\$22,328.04
Employee + Child(ren):	11	\$1,385.24	\$15,237.64	0	\$1,178.24	\$0.00	15	\$1,105.66	\$16,584.90
Family:	17	\$2,143.18	\$36,434.06	8	\$1,822.91	\$14,583.28	20	\$1,710.63	\$34,212.60
<b>Total Monthly:</b>	<b>333</b>		<b>\$279,633.13</b>	<b>89</b>		<b>\$68,247.19</b>	<b>261</b>		<b>\$186,565.68</b>
<b>Total Monthly:</b>									<b>\$534,446.00</b>
<b>Total Annually:</b>									<b>\$6,413,352.00</b>

# Removing \$500 deductible option

Medical		BlueCross BlueShield AM Best Rating: A				
		PPO		HMO		
		In Network	Out Network	(Participating Provider)		
		PPO		HMO Illinois		
		Unlimited		Unlimited		
Provider Network						
Lifetime Maximum						
Individual Deductible		\$1,500	\$1,500			\$0
Family Deductible		\$4,500	\$4,500			\$0
Coinsurance		80%	60%			100%
Coinsurance Limit Individual		\$1,000	\$3,000			\$1,500
Coinsurance Limit Family		\$3,000	\$7,500			\$3,000
Medical Out of Pocket Limit Ind.		\$2,500	\$4,500			\$1,500
Medical Out of Pocket Limit Family		\$7,500	\$12,000			\$3,000
Inpatient - Hospital / Physician		Ded then 80%	Ded then 60%			100%
Inpatient Hospital Deductible		\$150	\$300			\$150 per admission deductible
Preventative/Well Child Care		100%	Ded then 60%			100%
Physicians Services		\$20 Copay	Ded then 60%			\$20 Copay
Specialist Copay		\$30 Copay	Ded then 60%			\$30 Copay
Diagnostic Lab & X-Ray		Ded then 80%	Ded then 60%			100%
Emergency Room		\$100 Copay, then 80%				\$100 Copay
Retail Rx Benefit		\$10/40/60	Copay then 75%			\$10/40/60
RX Out of Pocket Limit Individual		\$500	NA			\$500
RX Out of Pocket Limit Family		\$1,500	NA			\$1,000
# Days Supply		34 Days				34 Days
Mail-Order Rx Benefit		\$20/80/120	N/A			\$20/80/120
# Days Supply		90 Days	N/A			90 Days
Additional Information						
Health	EE	Rate	Total	EE	Rate	Total
Employee:	350	\$582.91	\$204,018.50	207	\$548.02	\$113,440.14
Employee + Spouse:	36	\$1,227.73	\$44,198.28	19	\$1,175.16	\$22,328.04
Employee + Child(ren):	11	\$1,178.24	\$12,960.64	15	\$1,105.66	\$16,584.90
Family:	25	\$1,822.91	\$45,572.75	20	\$1,710.63	\$34,212.60
<b>Total Monthly:</b>	<b>422</b>		<b>\$306,750.17</b>	<b>261</b>		<b>\$186,565.68</b>
<b>Total Monthly:</b>						<b>\$493,315.85</b>
<b>Total Annually:</b>						<b>\$5,919,790.20</b>

Shift the enrollment to the \$1500 plan  
 Monthly cost for HDHP and HMO is \$493,315.85  
 Annual cost is \$5,919,301.88  
 Approximate savings from current three plan offering \$494,051 annually.



**Self – Funding  
vs. Fully Insured**

# Funding Options

- » Self Funded
  - » Pool will assume portion of the risk for health benefits (pay out of claims)
  - » Administration costs are fixed and based on PEPM basis
  - » Stop Loss insurance is purchased to protect plan against catastrophic claims, both on the individual (specific) level and group (aggregate level)
  - » Allows for flexibility, plans are not bound by state mandates
  - » Tax savings (no premium tax), however will be responsible for ACA fees currently paid by BCBS
  - » Premiums are based on expected claims and administration fees (called premium equivalents)
  - » To build reserve to protect the pool you must build risk into premium rates
  - » To go self funded in 2017, it is recommended to have a minimum of 6 months (approximately 2 million) in reserve
  - » Currently approximately \$1.2 million in reserves
- » Fully Insured
  - » Insurance carrier assumes all the risk of the administration and claims
  - » All premiums are set at max funding with margins
    - you do not pay more in poor claim years
    - You do not get any money back in good claim years
  - » ACA requirements/reporting are handled by the carriers
  - » In small group, rates are banded by age (example on following page)

# Alternative Option – HSA

Quote from 1/1/2015 Renewal Presentation



Medical	BlueCross BlueShield AM Best Rating: A H.S.A. Option		
	In Network	Out Network	
Provider Network	H.S.A.		
Lifetime Maximum	Unlimited		
Individual Deductible	\$2,600		
Family Deductible	\$5,200		
Coinsurance	100%	80%	
Coinsurance Limit Individual			
Coinsurance Limit Family			
Medical Out of Pocket Limit Ind.	\$2,600	\$3,250	
Medical Out of Pocket Limit Family	\$5,200	\$8,250	
Inpatient - Hospital / Physician	Ded then 80%	Ded then 60%	
Inpatient Hospital Deductible	\$150	\$300	
Preventative/Well Child Care	100%	Ded then 60%	
Physicians Services	\$20 Copay	Ded then 60%	
Specialist Copay	\$30 Copay	Ded then 60%	
Diagnostic Lab & X-Ray	Ded then 80%	Ded then 60%	
Emergency Room	\$100 Copay, then 100%		
Retail Rx Benefit			
RX Out of Pocket Limit Individual	\$10/40/60	Copay then 75%	
RX Out of Pocket Limit Family			
# Days Supply	34 Days		
Mail-Order Rx Benefit	\$20/80/120	N/A	
# Days Supply	90 Days	N/A	
Additional Information			
Health	EE	Rate	Total
Employee:	0	\$507.07	\$0.00
Employee + Spouse:	0	\$1,068.00	\$0.00
Employee + Child(ren):	0	\$1,024.96	\$0.00
Family:	0	\$1,585.75	\$0.00
Total Monthly:	0		\$0.00

## 10 Reasons to **LOVE** a Health Savings Account

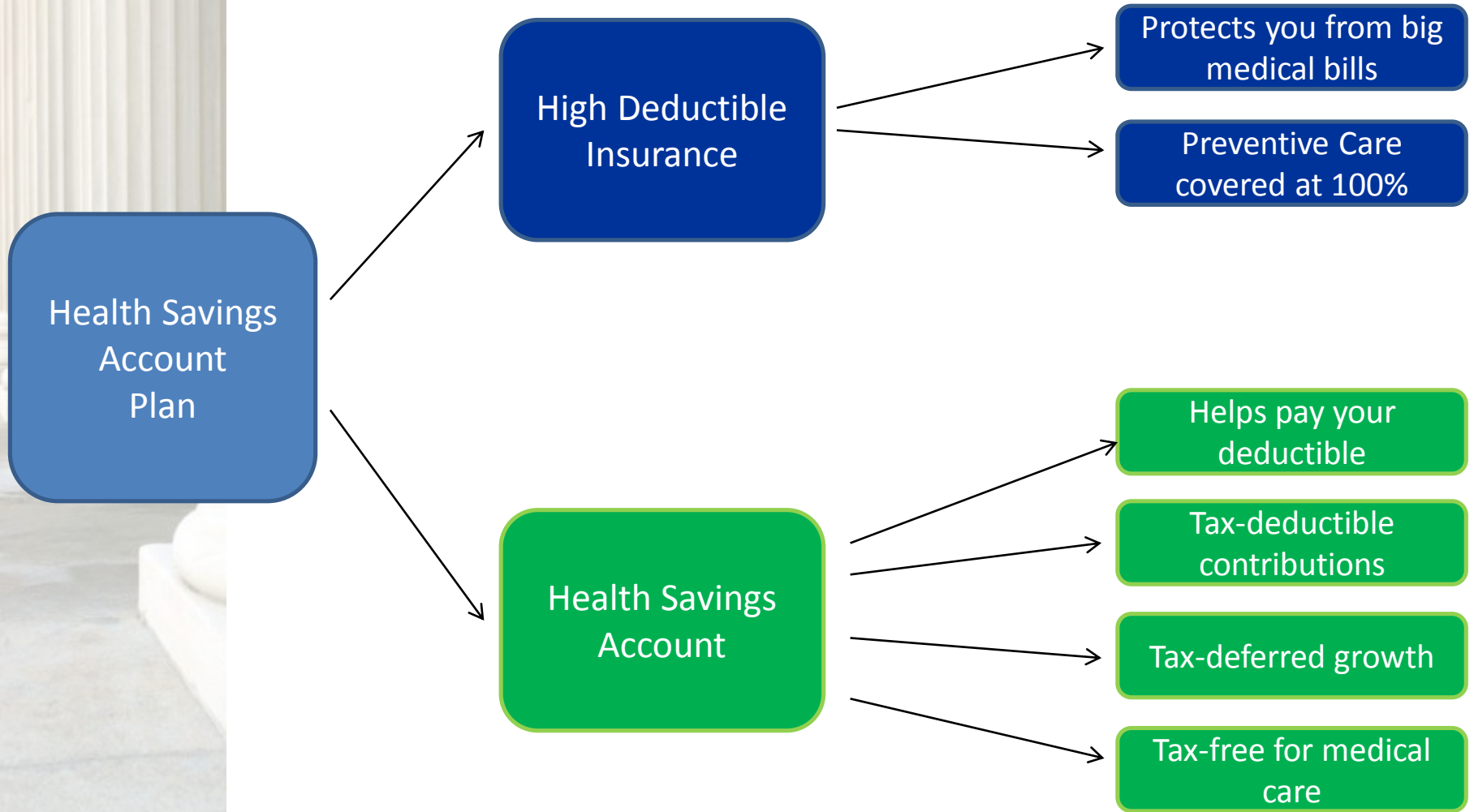
- HSA's fund health care needs
- HSA's utilize pretax funds
- HSA's come with premium savings
- HSA's offer expanded coverage options for consumers
- HSA's allow negotiation power to secure discounts on medical services
- HSA's offer control and choices regarding health care needs
- HSA's are portable
- HSA's create financial incentives for managing health care expenses
- HSA's are a powerful tool for retirement investing
- HSA's create a health-conscious community and put market forces to work that drive down health costs for everyone

\*The key of a successful HSA implementation is **EDUCATION**

\*The HSA deductible could be customized to make it lower for employees by funding the HSA



# How the HSA works



# Contribution Funding Examples

Example #1 Employer Pays 100% of HSA premium			
<u>Employee Only</u>	PPO \$500 Deductible	PPO \$1,500 Deductible	HSA - High Deductible PPO
Out-of-Pocket Max (In-Network)	1,500.00	2,500.00	2,600.00
RX Limit	500.00	500.00	-
Monthly Premium	682.51	582.91	507.07
Employee's Monthly Premium Cost	134.49	34.89	-
Employee's Annual Premium Cost	1,613.88	418.68	-
Employee's Total Cost (Assuming Out-of-Pocket Max is met)	<u>3,613.88</u>	<u>3,418.68</u>	<u>2,600.00</u>
Employer's Annual Cost	<u>6,576.24</u>	<u>6,576.24</u>	<u>6,084.84</u>

Example #2 Employer Pays 90% of All Plans			
<u>Employee Only</u>	PPO \$500 Deductible	PPO \$1,500 Deductible	HSA - High Deductible PPO
Out-of-Pocket Max (In-Network)	1,500.00	2,500.00	2,600.00
RX Limit	500.00	500.00	-
Monthly Premium	682.51	582.91	507.07
Employee's Monthly Premium Cost	68.25	58.29	50.71
Employee's Annual Premium Cost	819.01	699.49	608.48
Employee's Total Cost (Assuming Out-of-Pocket Max is met)	<u>2,819.01</u>	<u>3,699.49</u>	<u>3,208.48</u>
Employer's Annual Cost	<u>7,371.11</u>	<u>6,295.43</u>	<u>5,476.36</u>

# Contribution Funding Examples

## Example #3 Employer Pays 90% of All Plans

<u>Employee Only</u>	PPO \$500 Deductible	PPO \$1,500 Deductible	HSA - High Deductible PPO
Out-of-Pocket Max (In-Network)	1,500.00	2,500.00	2,600.00
RX Limit	500.00	500.00	-
Monthly Premium	682.51	582.91	507.07
Employee's Monthly Premium Cost	68.25	58.29	50.71
Employee's Annual Premium Cost	819.01	699.49	608.48
Employee's Total Cost (Assuming Minimum Plan Usage)	<u>969.01</u>	<u>849.49</u>	<u>1,628.48</u>
2 Office Visits, 2 Specialist and 2 drug			
Employer's Annual Cost	<u>7,371.11</u>	<u>6,295.43</u>	<u>5,476.36</u>

## Example #4 Employer Pays 95% HSA Plus Contributes to HSA Account

<u>Employee Only</u>	PPO \$500 Deductible	PPO \$1,500 Deductible	HSA - High Deductible PPO
Out-of-Pocket Max (In-Network)	1,500.00	2,500.00	2,600.00
RX Limit	500.00	500.00	-
Monthly Premium	682.51	582.91	507.07
Employee's Monthly Premium Cost	200.79	101.19	25.35
Employee's Annual Premium Cost	2,409.48	1,214.28	304.24
Employer's HSA Contribution			1,000.00
Employee's Total Cost (Assuming Out-of-Pocket Max is met)	<u>4,409.48</u>	<u>4,214.28</u>	<u>1,904.24</u>
Employer's Annual Cost	<u>5,780.64</u>	<u>5,780.64</u>	<u>6,780.60</u>

# Compliance Updates



# Cadillac Tax Estimate

	Premium 2015	Enrollment	2016	2017	2018	2018 Annual	Cadillac Threshold	Excess
<b>Tier</b>	<b>PPO</b>							
Single	\$655.61	261	\$721.17	\$793.29	\$872.62	\$10,471.40	\$10,200.00	\$271.40
EE & Spouse	\$1,386.99	22	\$1,525.69	\$1,678.26	\$1,846.08	\$22,153.00	\$27,500.00	-\$5,347.00
EE & Child	\$1,330.64	9	\$1,463.70	\$1,610.07	\$1,771.08	\$21,252.98	\$27,500.00	-\$6,247.02
Family	\$2,058.71	15	\$2,264.58	\$2,491.04	\$2,740.14	\$32,881.72	\$27,500.00	\$5,381.72

PPO Excise Amount Per Tier		Number of Enrolled	Total Excise Amount	Excise Tax
<b>Tier</b>				
Single	\$271.40	261	\$70,836.16	\$28,334.46
EE & Spouse	-\$5,347.00	22	-\$117,633.91	n/a
EE & Child	-\$6,247.02	9	-\$56,223.16	n/a
Family	\$5,381.72	15	\$80,725.74	\$32,290.30
<b>Total Estimated Cadillac Tax Liability in 2018</b>				<b>\$60,624.76</b>

- Estimated 10% renewal increase
- Threshold is \$10,200 for employee & \$27,500 for family (EE & 1 or more)
- Based on estimates only plan close to the Cadillac Tax is the \$500 deductible
- Exposure is possible \$60,624.76
- Excise tax is not deductible and paid by employers

# Section 6055 & 6056 Reporting

- Information is reported on forms **1095-B & 1095-C**
- Information is Transmitted on forms **1094-B & 1094-C**
  - **Section 6055: Reporting of Minimum Essential Coverage**
    - Insurers must report MEC offered to employees
    - Self-Insured Plans will report
    - Must include the name and tax id number (TIN) for primary insured, spouse and dependents. (must make reasonable effort to get and can use DOB if not available); Carrier will report information dependents.
  - **Section 6056: Reporting of Employer-Sponsored Coverage**
    - Assists the IRS in administering the employer shared responsibility provision
    - Report information about the health coverage they provided to their full time employee (see Reporting Requirements)

# Employer reporting requirements

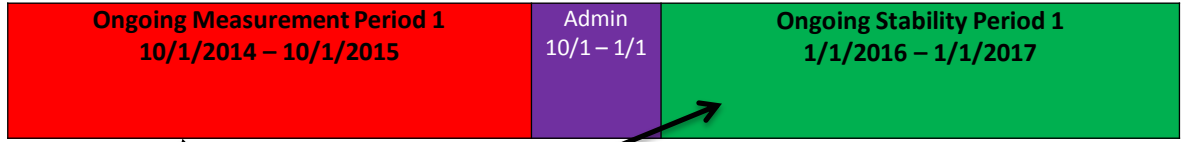
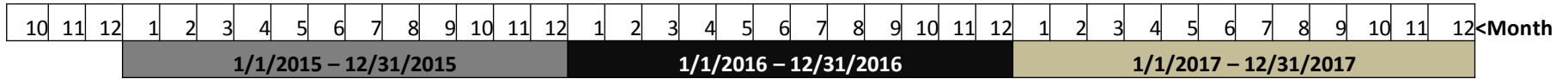
- LIMRiCC Libraries (over 50 ALE) will be responsible for filing form 1094C with the IRS.**
  - Form 1094C is a transmittal form
  - Must be filed by February 28th for year prior (March 31<sup>st</sup> if filing electronically)
  - Report aggregate data on plan offered (confirmation of MEC or minimum essential coverage statue),
  - Total employee count
  - Full-time employee count
- LIMRiCC Libraries (over 50 ALE) will be responsible for Parts 1 & 2 of form 1095C**
  - 1095C Forms are sent to employees before January 31<sup>st</sup> for year prior
  - Required to be mailed paper copies, unless approval is given to send electronically
  - Includes the months employee offered covered
  - Includes the lowest cost single coverage (for employees)
  - Part 3** will be filled out by BCBS and will have information regarding everyone covered on the plan.
- BCBS will be responsible for forms 1094B and 1095B, 1095B will be sent to employees (will they?)**

# Variable Hour Tracking

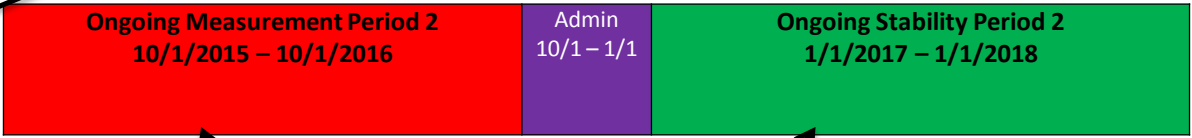
- All large libraries (50 ALE) should have a measurement period in place to track hours for offer of coverage
- Use the tracking tools to capture data for form 1095C that will go to each employee
- Sample measurement/stability periods on following slide



# Initial & Ongoing Measurement Periods



Employee Hours should be counted from 10/1/2014. If meet hour requirement to be a full-time employee (30/week) benefits are effective 1/1 after a 90 day admin period.



Measurement of the hours will begin again on 10/1/2015. If the EE meets the hours requirement they will again be offered benefits effective 1/1 after the 90 day admin period. There should be no break in coverage.

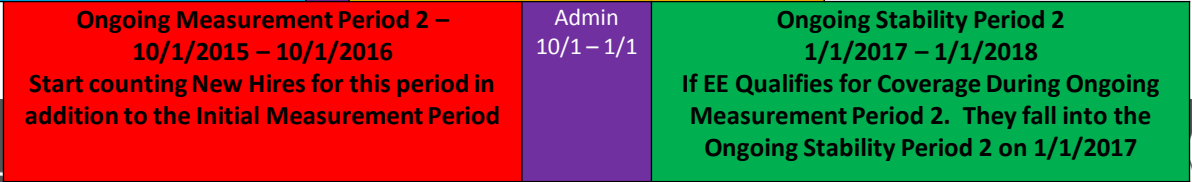
Measurement Period begins again 10/1/2016



Example of how to handle New Hires during the year. And how to transition from Initial to Ongoing Periods



If Employee does NOT qualify during OMP 2 the coverage terms effective 1/1/2017



- Measurement Period
- Admin Period
- Stability Period
- Initial Measurement
- Initial Stability

