Northwestern Lehigh School District
Finance Committee Meeting
January 8, 2014

Eric Dove- Elite Group Consulting
Leslie Frisbie-Business Administrator

Overview of Healthcare

Agenda

- Consortium Overview
- PPACA (Federal Healthcare Reform)
- 14-15 Renewal
- NWL Current Plans
- Healthcare Trends
- Non-Discrimination Rules

What is the LCSC?
Lehigh County Schools Consortium

- Consortium purchasing for Medical, Rx, & Dental
- Designated representatives from each participating school (excluding Allentown SD)
- Fully insured Medical and Rx plans through Highmark Blue Shield
- Highmark program includes a unique Settlement Feature (Retrospective Credit Arrangement)
- Self-funded Dental through United Concordia
- Rate changes are implemented on an annual basis effective July 1st (Fiscal Year July-June)
- Administrative fees are negotiated and fixed per employee per month (PEPM)
- Group is 100% credible based on it's own claims experience

Lehigh County Schools Consortium (LCSC) Participating Schools

- Lehigh County Schools
  - Catasauqua
  - East Penn
  - IU
  - LCTI
  - LCCC
  - Northern Lehigh
  - **Northwestern Lehigh**
  - Parkland
  - Salisbury
  - Southern Lehigh
  - Whitehall-Coplay

Consortium Facts (14-15)

- Total Contracts: 4,615
- Total Claims: $73,706,095
- Administrative Fees: $2,260,987
- PPACA taxes: $3,685,305
- Rate Stabilization Fund Projection: $10,096,508 (estimated through 6/30/2015)

Retrospective Credit Arrangement

- Insured Medical Policy
- 100% Credible => LCSC Experience is used to project future premium requirements
- Annual Settlement: Surplus or Deficit added to Rate Stabilization Fund
- Settlement period is October 1st through September 30th (annually)
- The Rate Stabilization Fund is owned by the LCSC
  - ✓ If Highmark Partnership ceases, Highmark would return any final surplus finds or the Consortium would owe Highmark any final deficit balance

Rate Stabilization Fund

- A Surplus in the Rate Stabilization Fund can be used to mitigate premium increases.
  - ✓ Premiums will be deliberately priced lower than the sum of projected claims cost, administrative costs and taxes with the intent of reducing the fund balance.
  - ✓ Once the surplus is used, future premium increases will be higher than they would otherwise be had no fund balance surplus been used.
- A Deficit in the Rate Stabilization Fund can be used magnify future premium increases.
  - ✓ Premiums will be deliberately priced higher than the sum of projected claims cost, administrative costs and taxes with the intent of recovering the fund balance deficit.
  - ✓ Once the deficit is recovered, future premium increases will be lower than they would otherwise be had no "deficit recovery" applied.

Medical Premium: ACA Taxes/Fees

- New costs effective 1/1/2014
- LCSC had to "pay" ½ year taxes as part of the 7/2013 renewal
  - ✓ Transitional Reinsurance Fee
  - ✓ Patient Centered Outcome Research Initiative
  - ✓ Insurance Industry Fee
- Highmark built the taxes into the renewal premium and is responsible for remitting the monies

ACA: Additional Benefit Costs

Year	Universal Impact	Large Business Impact
2010	•Choice of PCP and OB/GYN Access •Emergency Services •Lifetime and Annual Limits •Pre-Ex under age 19 •Preventive Services •No Rescissions	•Dependents to Age 26 •Early Retiree Reinsurance Program •Nondiscrimination
2011	•Medical Benefit Ratio	•Over the counter Rx reimbursements
2012	•Summary of Benefits and Coverage •Women's preventive Services	•PCORI Fee •Summary of Benefits and Coverage
2013		•W2 Reporting of Benefits •FSA Contribution Limits •Notices to employees about exchanges (delayed)

ACA: Additional Benefit Costs Cont.

Year	Universal Impact	Large Business Impact
2014	•Exchanges go into effect •Essential Health Benefits •Guaranteed availability for adults •Community Rating by class	•Employer shared Responsibility (delayed) •Wellness Program Rewards •Health Insurer Fee •Reinsurance Program Contribution
2016		•SHOP to 100 lives
2017		•SHOP over 100 lives
2018		•Excise Tax

LCSC Reform Costs

Renewal Date	Item	LCSC Additional Financial Impact
Jul-11 2011-2012	Autism and Dependents to Age 26	$836,093
Jul-12 2012-2013	Dependents to Age 26	$319,617
Jul-13 2013-2014	PCORI, Health Insurer Fee and Transitional Reinsurance Fee	$1,231,973
Jul-14 2014-2015	PCORI, Health Insurer Fee and Transitional Reinsurance Fee	$3,685,305

LCSC ACA Taxes

Renewal Date	ACA Taxes	% of Required Premium
Jul-11 2011-2012	$-	0.0%
Jul-12 2012-2013	$-	0.0%
Jul-13 2013-2014	$1,231,973	1.7%
Jul-14 2014-2015	$3,685,305	4.6%

Medical Premium: Components

- ✓ Claims
- ✓ Administrative Fees
- ✓ ACA Taxes/Fees
  - ✓ Impacted LCSC with the July 1, 2013 Renewal
  - ✓ ACA Taxes effective Jan 2014

LCSC Renewal History

Renewal Date	Highmark Standard Increase	LCSC Increase	Final Increase
Jul-11 2011-2012	8.11%	4.15%	5.94%
Jul-12 2012-2013	5.17%	-0.44%	0.00%
Jul-13 2013-2014	16.32%	12.79%	6.83%
Jul-14 2014-2015	24.28%	18.20%	*15.00%*

Proposed

Composition of the 14-15 Recommended Increase

LCSC Preliminary Increase:	18.2%
Projected Annual Increase in Claims Cost	7.0%
Increase in ACA Fees/Taxes	3.4%
Eliminate prior RSF Applications	6.8%

Recommendation: Use $2,156,173 of RSF to suppress LSDC Preliminary 18.2% increase and implement a 15.0% increase.

Assuming historical claims trend of 7%, and no further application of fund balance, this would suggest an expected increase of 10-11% effective July 1, 2015

Note: Actual increase for a given District will vary by product, plan design and enrollment mix.

NWL 2013-14

PLAN	Employee Contribution	13-14 Annual Premium
PPO A	16-18% of premium	Single-$7,646 Family-$20,089
PPO B	8-9% of premium	*4.6% ↓
PPO C	4-5% of premium	*8.3% ↓
PPO D (teachers ONLY)	1% of premium	*19% ↓

* Compared to PPO A annual premiums

NWL Medical Plan Designs

Feature	*PPO A*	*PPO B*	*PPO C*	*PPO D*
In-Network Deductible	$0	$250/500	$500/1000	$1000/2000
In-Network Coinsurance	100%	100%	100%	80%/20%
In-Network Out of Pocket Max	$0	$0	$0	$1500/3000
Copay-Office Visits	$10	$15	$20	$20

NWL Rx Plan Designs

Retail Copay 30-day Pharmacy	Tier 1 Generic	Tier 2 Formulary	Tier 3 Brand
Rx Plan A (49) Teachers/Admin	$10	$25	$45
Rx Plan A (53) Support	$10	$20	$40

NWL Enrollment

PPO A	
Single	29
Parent & Child	1
Parent & Children	1
H&W	24
Family	18
TOTAL	73
% TOTAL	30.0%

PPO C	
Single	23
Parent & Child	1
Parent & Children	1
H&W	10
Family	17
TOTAL	52
% TOTAL	21.4%

PPO B	
Single	35
Parent & Child	8
Parent & Children	3
H&W	16
Family	51
TOTAL	113
% TOTAL	46.5%

PPO D	
Single	3
Parent & Child	-
Parent & Children	-
H&W	1
Family	1
TOTAL	5
% TOTAL	2.1%

TOTAL EE's	243

Enrollment as of 9/30/13

Estimated Premiums as of Sept 30, 2013 (2013-14)

	Contracts	Annual Cost
Individual	90	$624,093
Parent and Child	10	$143,259
Parent and Children	5	$77,487
Two Person	51	$877,560
Family	87	$1,574,795
Total	**243**	**$3,297,194**

Excise (Cadillac) Tax Estimates 2018

- Cadillac Threshold
  - Single $10,200
  - Family $27,500
- Based on the current enrollment in the district plans and trending premiums:
  - PPO A $24,442
  - PPO B $7,291
  - PPO C $714
  - PPO D $0
    - **TOTAL estimated Tax: $32,447**

Trends in Healthcare

- From 2003-2013, average Healthcare Premiums have increased by 182%
- The average premium for single coverage in 2013 is $490 per month or $5,884 per year. The average premium for family coverage is $1,363 per month or $16,351 per year
- The 2013 average monthly worker contributions for employer groups are $83.25 per month for Single Coverage and $380.42 per month for Family Coverage ($999 and $4,565 per year respectively)
- In 2013, covered workers on average contribute 18% of the premium for single coverage and 29% of the premium for family coverage
- The average in-network individual deductible for PPO plans is $799
- Eighty-one percent of covered workers are enrolled in plans with three, four, or more tiers of cost sharing for prescription drugs. The average drug copayments for first-tier drugs is $10, second-tier drugs is $29, third-tier drugs is $52, and the fourth-tier is $80

Non-Discrimination Rules

- Under ACA, full-insured group health plans will have to comply with federal nondiscrimination rules. These rules prohibit discrimination in favor of highly compensated employees.
- Internal Revenue Code section 105(h)
- Final regulations have not yet been released
- Penalties:
  - Excise tax of $100 per day per individual discriminated against for each day that the plan is out of compliance
  - Civil penalty of $100 per individual discriminated against for each day plan is out of compliance
  - Excise tax is capped at the lesser of $500,000 or 10% of employer's prior year health plan costs.
- Approximately 48 support staff on benefits
- 12-13 health care costs approximately $3,000,000

Where do we go next?

- Current contracts expire June 30, 2015
  - No significant changes can be made until 2015-16
- Target new plan designs & try to eliminate some of the lower deductible plans (PPO A & PPO B)
- Look at higher employee contribution structures (while being cognizant of PPACA & Non-Discrimination testing rules)

- **GOAL**: Get **ALL** plans under the Cadillac tax thresholds for 2018 and minimize impact of increasing healthcare costs!