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STAFF REPORT BOARD MEETING DATE: AUGUST 9, 2016

DATE: July 27, 2016
TO: Board of County Commissioners
FROM: John Listinsky, Director of Human Resources/Labor Relations
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THROUGH: Kevin Schiller, Assistant County Manager
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SUBJECT: Recommendation to approve the FY 16/17 Health Benefits Program and CY 2017 Health Plans for employees, dependents and retirees at an approximate annual cost of \$56.9 million, and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program. (All Commission Districts)

SUMMARY

We are requesting that the Board of County Commissioners approve the Calendar Year 2017 Health Benefits Program for employees, dependents, and retirees at an approximate annual cost of \$56.9 million, and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program.

Strategic Objective supported by this item: Valued, Engaged Employee Workforce.

PREVIOUS ACTION

On May 12, 2015, the Board approved the FY 15/16 Program at an approximate annual cost of \$52.9 million and to change the Program from a fiscal to a calendar year basis effective January 1, 2016.

BACKGROUND

The Health Benefits Program consists of three (3) plans; a self-funded group health plan (PPO), a fully insured Health Maintenance Organization (HMO) plan, and a self-funded High Deductible Health Plan (HDHP) paired with a Health Savings Account (HSA). Current enrollment for active employees is approximately 30% in the PPO, 59% in the HMO, and 11% in the HDHP. The Program also offers self-funded dental, vision, and life insurance plans for all enrollees.

The Insurance Negotiations Committee (INC) was created pursuant to collective bargaining with the various employee associations and includes a member from each association, one member from management, and one non-voting retiree member.

The INC reviews the health plan renewals each year to provide input into plan design and review premiums in an effort to control costs while still providing a valuable benefit to employees. The Human Resources Benefits staff coordinated seven (7) meetings with INC to facilitate reviewing each of the health plans and on July 27, 2016 the INC voted on possible plan design changes. The final plan design changes approved and recommended for Calendar Year 2017 include the following:

Self-Funded Group Health Plan (PPO)

The renewal cost of the self-funded plan came in with an overall rate increase to the departments for employees with PPO coverage of 10.7%. The final vote by the INC resulted in the following plan design changes and reduced the increase to 8.9%:

- Increase primary care office visit from \$20 to \$25 co-pay
- Increase specialty pharmaceutical co-pay from \$40 co-pay to 20% co-insurance
- Increase Rx co-pays from \$5/\$25/\$40 to \$7/\$30/\$50
- Combine medical and prescription out-of-pocket maximums for a total maximum out-of-pocket cost of \$3350 individual and \$6700 family

Self-Funded High Deductible Health Plan (HDHP)

The renewal cost of the self-funded HDHP came in with an overall rate increase to the departments for employees with HDHP coverage of 15.8%. The final vote by the INC resulted in the following plan design changes and reduced the increase to 6.5%:

- Increase the family maximum out-of-pocket from \$5000 to \$6000
- Increase specialty pharmaceutical co-pay from \$40 co-pay to 20% co-insurance
- Increase Rx co-pays from \$5/\$25/\$40 to \$7/\$30/\$50
- Front load Washoe County Health Savings Account (HSA) contribution
- Increase Washoe County Health Savings Account (HSA) contribution to \$2000

Beginning in Plan Year 2017, the HDHP will be available to employees and retirees. Additionally, both active employees and retirees may select either Saint Mary's Hospital/Universal Health Network or Renown Hospital/Hometown Health network.

Fully-Insured Health Maintenance Organization (HMO)

INC requested proposals from other providers in addition to the current provider, Hometown Health. Two bids from other organizations were received. The Anthem Blue Cross bid came in 28.1% higher than current rates, the Prominence bid came in 13.7% higher than current rates; neither was considered a viable option for renewal.

The renewal cost of the fully-insured HMO through Hometown Health came in with an overall rate increase to the departments for employees with HMO coverage of 9.5%. The

combination of the County Human Resources staff and its consultant negotiating this increase down and the final vote by the INC resulted in the following plan design changes and an overall reduction in premium cost of -1.0%:

- Add a calendar year deductible: \$350 individual/\$700 family
- Increase maximum out-of-pocket from \$2500 individual/\$5000 family to \$3500 individual/\$7000 family
- Increase primary care office visit co-pay from \$25 to \$30
- Increase emergency room co-pay from \$100 to \$250
- Increase Rx co-pays from \$5/\$25/\$40 to \$7/\$30/\$50

FISCAL IMPACT

The funding for the recommended Health Benefits Program is built into the budget for FY 2016/2017 in Internal Service Fund 618.

The plan design changes voted on and recommended by the INC for Plan Year 2017 result in an overall health insurance premium increase of 3.4% (approximately \$1.58M) from Plan Year 2016.

The County and participants will experience an average increase of 8.9% in premiums for the self-funded PPO; an average 6.5% premium increase for the self-funded HDHP; and an average decrease in premiums of -1.0% for the HMO plan.

Compared to the initial calculations of rates for the three plans, the plan design changes voted on and recommended by the INC, combined with the renegotiation of rates for the HMO plan successfully negotiated by Human Resources staff and its consultant prior to plan design changes, produces a savings to active employees, retirees, Washoe County and other employers participating in Washoe County's Health Benefits Program of a combined estimated \$3.3M.

RECOMMENDATION

It is recommended that the Board of County Commissioners approve the FY 16/17 Health Benefits Program and CY 2017 Health Plans for employees, dependents and retirees at an approximate annual cost of \$56.9 million, and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be to Move to approve the FY 16/17 Health Benefits Program and CY 2017 Health Plans for employees, dependents and retirees at an approximate annual cost of \$56.9 million, and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program.