

**Caroline County
Board of Supervisors Agenda
Executive Summary**

Meeting Date: December 14, 2021

Title: Reports/Presentations – Renewal of Employee Medical and Dental Insurance for the Period of March 1, 2022 through February 28, 2023

(Check Mark)

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|---|--|
| <input type="checkbox"/> Consent | <input type="checkbox"/> Closed Meeting |
| <input checked="" type="checkbox"/> Action | <input type="checkbox"/> Public Hearing |
| <input type="checkbox"/> No Action (Information Only) | <input type="checkbox"/> Ordinance |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> PowerPoint Presentation |

Background: The current plan year for the County’s employee health (medical) and dental insurance benefits will expire on February 28, 2022. As the Board will recall, the County converted to a self-funded health plan (self-insurance) several years ago and currently utilizes Anthem as its third-party administrator to manage claims and provide the actual medical and dental plans utilized by employees.

The average number of subscribers in the current plan year totals 314, of which 238 are County employees. The remaining enrollment consists of spouses and dependents of County employees and employees, spouses and dependents of the Caroline Detention Facility and the Town of Bowling Green.

The County currently offers two separate health care plans – 1) HealthKeepers Point of Service OA; and 2) KeyCare 25 PPO. The overwhelming majority of participants (304) have chosen the HealthKeepers plan. Only 10 participants have chosen the KeyCare plan.

Medical Renewal Calls for 22% Increase from Current Plan Year

Staff and the County’s benefits consultant, One Digital, remain largely satisfied with bundling all products and services through Anthem and recommend continuing this approach in the upcoming plan year.

Unfortunately, year to date expenses are running significantly over budget in the current plan year and One Digital’s renewal analysis calls for a 21.8% increase to the current

budget. Medical trend (the projected percentage increase in the cost to treat patients from one year to the next, assuming benefits remain the same) is rising 7.4% and nine (9) claimants have exceeded \$25,000 in expenses with four (4) claimants exceeding the individual stop loss threshold of \$100,000 (when costly reinsurance is triggered). As a result, the stop loss premium is increasing by 24.7%.

Last year, we were able to absorb a 3.2% increase without passing any additional cost on to either the County or its employees by utilizing a portion of the County's self-insurance fund balance. However, use of the self-insurance fund balance is no longer an option. The overall balance has decreased from \$1,661,160 in February 2021 to a balance of \$1,132,715 at the end of November 2021.

Options to Cover Cost Increase

The total projected premium cost for the new plan year is \$5,366,838 (this includes the contributions from both the County and employees), **an increase of \$960,567 over the current year**. Staff and One Digital have identified the following options to cover the increase:

Option #1

Retain existing plans with the County covering 75% of the cost increase and employees covering the remaining 25%.

Under Option #1, the County's estimated total premium contribution would increase from \$3,706,807 to \$4,427,072 in the next plan year, **or \$720,265 more than the current plan year**.

The employee's cumulative premium contributions would increase by an estimated \$240,302 to a total of \$939,766.

A table showing how Option #1 would affect the monthly cost for individual employees on the current HealthKeepers and KeyCare plans is attached (Attachment #1).

Option #2

Retain existing plans with the County covering 60% of the cost increase and employees covering the remaining 40%.

Under Option #2, the County's estimated total premium contribution would increase from \$3,706,807 to \$4,282,999 in the next plan year, **or \$576,192 more than the current plan year**.

The employee's cumulative premium contributions would increase by a total of \$384,375 to \$1,083,839 in the next plan year.

A table showing how Option #2 would affect the monthly cost for individual employees on the current HealthKeepers and KeyCare plans is attached (Attachment #2).

Option #3

Add a \$500 deductible to the HealthKeepers Point of Service plan (the current HealthKeepers plan has no deductible). The HealthKeepers POS plan with a \$500 deductible would become the new base plan. Employees would have the option of “buying up” to retain the current HealthKeepers POS plan with no deductible. The County’s contribution would remain the same regardless of which HealthKeepers plan employees choose.

Under Option #3, the County’s estimated total premium contribution would increase from \$3,706,807 to \$4,361,185, or **\$654,377 more than the current plan year.**

The employee’s cumulative premium contributions would increase by a total of \$218,788 to \$917,791.

A table showing the monthly impact to employees who remain on the HealthKeepers plan with or without a \$500 deductible is attached (Attachment #3). The KeyCare plan already includes a \$500 deductible. Attachment #3 also shows the monthly impact of Option #3 on the small number of employees who remain on the KeyCare plan.

Option #4

Option #4 is the same as Option #3 except the County would cover 60% of the cost increase with employees covering the remaining 40% (*note: there is very little difference from a cost impact standpoint between Option #3 and the County picking up a 75% of the cost increase. Thus, only the 60%/40% scenario is being presented*).

Under Option #4, the County’s estimated total premium contribution would increase from \$3,706,807 to \$4,230,284, or an additional \$523,477 more than the current plan year.

The employee’s total premium contribution would increase by a total of \$349,228 to \$1,048,692.

A table showing the monthly impact to employees who remain on the HealthKeepers with and without a \$500 deductible is attached (Attachment #4). Under this option, a \$500 deductible would automatically apply to the KeyCare plan. Attachment #4 also shows the monthly impact of Option #4 on the small number of employees who remain on the KeyCare plan.

Dental Renewal Rate Recommendation

The County also previously converted its dental plan from fully insured to self-insurance at the recommendation of our consultant.

Current year to date dental expenses are favorable and One Digital’s recommendation is to hold dental rates flat for the upcoming plan year.

Overall Budget Impact: The budget impact on the County will of course depend on which option the Board selects to cover the 22% cost increase. The cost impact of the various options presented is outlined above.

Because the plan year runs from March 1st to February 28th, the cost to provide medical insurance will be spread over four months in FY 2022 and eight months in FY 2023.

Analysis/Recommendation: A cost increase of this magnitude has to be absorbed by both the County and its employees. The challenge is to strike the proper balance. The financial impact on the County cannot be unlimited, particularly in light of the many other funding demands the Board of Supervisors faces with limited sustainable revenue growth. However, employees can only absorb so much of an increase before health insurance becomes unaffordable (particularly when inflation is eroding purchasing power and increasing the cost of living) and the County's ability to attract and retain employees is diminished.

Option #4 would give employees the option of paying a \$500 deductible and limiting the monthly cost increase for health insurance to \$29 for the Employee Only tier, \$69 for the Employee + Spouse tier, \$59 for the Employee + 1 Child tier and \$128 for the Employee + Children and Employee + Family tiers. Employees who do not want to pay a \$500 deductible can opt to avoid it by paying a higher monthly premium for a non-deductible plan.

This is still a significant increase for employees, particularly for family coverage. However, Option #4 will cost the County an estimated \$523,476 per year over the current year's cost.

Requested Action(s) of Board: Staff and our consultant recommend the following actions from the Board of Supervisors:

- 1) Select Anthem to act as third-party administrator for the March 1, 2022 through February 28, 2023 plan year;
- 2) Approve flat rates for dental coverage in the new plan year
- 3) Discuss and provide direction to staff on how to accommodate the increased cost of providing medical coverage in the new plan year

Mary Jones of One Digital will make a presentation and discuss the available options.

As open enrollment for the new plan year begins in early 2022, staff would like a decision on the renewal of coverage at the December 14th Board of Supervisors meeting if at all possible.

**ATTACHMENT #1
(OPTION #1)**

(Retain existing plans with the County covering 75% of the cost increase and employees covering the remaining 25%)

Estimated additional yearly cost to County- \$720,265

**MONTHLY COST INCREASE TO EMPLOYEES ON HEALTHKEEPERS PLAN
UNDER OPTION #1**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$45.36	\$69.42	\$24.06
Employee + Spouse	\$175.06	\$238.61	\$63.55
Employee + 1 Child	\$143.70	\$197.47	\$53.77
Employee + Children	\$412.24	\$538.87	\$126.63
Employee + Family	\$412.24	\$538.87	\$126.63

The table below shows how Option #1 would affect individual employees on the current KeyCare plan:

**MONTHLY COST INCREASE TO EMPLOYEES ON KEYCARE PLAN UNDER
OPTION #1**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$164.50	\$215.41	\$50.91
Employee + Spouse	\$403.40	\$518.22	\$114.82
Employee + 1 Child	\$343.84	\$442.60	\$98.76
Employee + Children	\$769.76	\$976.48	\$206.72
Employee + Family	\$769.76	\$976.48	\$206.72

**ATTACHMENT #2
(OPTION #2)**

(Retain existing plans with the County covering 60% of the cost increase and employees covering the remaining 40%)

Estimated additional yearly cost to County- \$576,192

**MONTHLY COST INCREASE TO EMPLOYEES ON HEALTHKEEPERS PLAN
UNDER OPTION #2**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$45.36	\$92.71	\$47.35
Employee + Spouse	\$175.06	\$280.33	\$105.27
Employee + 1 Child	\$143.70	\$234.35	\$90.65
Employee + Children	\$412.24	\$599.29	\$187.05
Employee + Family	\$412.24	\$599.29	\$187.05

**MONTHLY COST INCREASE TO EMPLOYEES ON KEYCARE PLAN UNDER
OPTION #2**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$164.50	\$238.70	\$74.20
Employee + Spouse	\$403.40	\$559.94	\$156.54
Employee + 1 Child	\$343.84	\$479.49	\$135.65
Employee + Children	\$769.76	\$1,036.90	\$267.14
Employee + Family	\$769.76	\$1,036.90	\$267.14

**ATTACHMENT #3
(OPTION #3)**

(Introduce new base County contribution to the current HealthKeepers plan while giving employees the option of lowering monthly premiums by adding a \$500 deductible to the plan)

Estimated additional yearly cost to County- \$654,377

**MONTHLY COST INCREASE TO EMPLOYEES ON HEALTHKEEPERS PLAN
UNDER OPTION #3 WITHOUT \$500 DEDUCTIBLE ADDED**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$45.36	\$80.07	\$34.71
Employee + Spouse	\$175.06	\$257.69	\$82.63
Employee + 1 Child	\$143.70	\$214.34	\$70.64
Employee + Children	\$412.24	\$566.50	\$154.26
Employee + Family	\$412.24	\$566.50	\$154.26

By converting to a plan **with a \$500 deductible**, the cost for the HealthKeepers Point of Service plan could be reduced as follows:

**MONTHLY COST INCREASE TO EMPLOYEES ON HEALTHKEEPERS PLAN
UNDER OPTION #3 WITH \$500 DEDUCTIBLE ADDED**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$45.36	\$53.64	\$8.28
Employee + Spouse	\$175.06	\$206.49	\$31.43
Employee + 1 Child	\$143.70	\$169.53	\$25.83
Employee + Children	\$412.24	\$485.85	\$73.61
Employee + Family	\$412.24	\$485.85	\$73.61

**MONTHLY COST INCREASE TO EMPLOYEES ON KEYCARE PLAN UNDER
OPTION #3**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$164.50	\$226.06	\$61.56
Employee + Spouse	\$403.40	\$537.30	\$133.90

Employee + 1 Child	\$343.84	\$459.47	\$115.63
Employee + Children	\$769.76	\$1,004.11	\$234.35
Employee + Family	\$769.76	\$1,004.11	\$234.35

**ATTACHMENT #4
(OPTION #4)**

(Option #4 is the same as Option #3 except the County would cover 60% of the cost increase with employees covering the remaining 40%)

Estimated additional yearly cost to County- \$523,476

**MONTHLY COST INCREASE TO EMPLOYEES ON HEALTHKEEPERS PLAN
UNDER OPTION #4 WITHOUT \$500 DEDUCTIBLE ADDED**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$45.36	\$101.23	\$55.87
Employee + Spouse	\$175.06	\$295.59	\$120.53
Employee + 1 Child	\$143.70	\$247.85	\$104.15
Employee + Children	\$412.24	\$621.40	\$209.16
Employee + Family	\$412.24	\$621.40	\$209.16

By converting to a plan with a \$500 deductible, the cost for the HealthKeepers Point of Service plan could be reduced as follows:

**MONTHLY COST INCREASE TO EMPLOYEES ON HEALTHKEEPERS PLAN
UNDER OPTION #4 WITH \$500 DEDUCTIBLE ADDED**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$45.36	\$74.80	\$29.44
Employee + Spouse	\$175.06	\$244.39	\$69.33
Employee + 1 Child	\$143.70	\$203.04	\$59.34
Employee + Children	\$412.24	\$540.74	\$128.50
Employee + Family	\$412.24	\$540.74	\$128.50

**MONTHLY COST INCREASE TO EMPLOYEES ON KEYCARE PLAN UNDER
OPTION #4**

Coverage Tier	Current Monthly Cost	New Monthly Cost	Total Monthly Increase to Employee
Employee Only	\$164.50	\$247.22	\$82.72
Employee + Spouse	\$403.40	\$575.21	\$171.81
Employee + 1 Child	\$343.84	\$492.98	\$149.14

Employee + Children	\$769.76	\$1,059	\$289.24
Employee + Family	\$769.76	\$1,059	\$289.24