

Prepared For:  
**Warren County**

**PRESENTED BY:**

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**Prepared by:**  
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## Warren County June 14, 2017 Planning Agenda

1. Meeting objectives
  - a. Overview of the current health/Rx plans
  - b. Understanding how Self-insurance works
  - c. Risk
    - i. With today's plans
    - ii. With Self-Insurance
  - d. Solutions
  - e. Timelines/Expectations for Committee members under a self-insured plan
2. Rx Reinsurance/Stop Loss
  - a. Fully insured medical, with self-insured RX, with NO RX reinsurance protection (current)
  - b. Fully insured medical, with self-insured RX, with stand-alone Rx reinsurance protection
  - c. Self-insured Medical and RX combined
3. Self-Insured plan considerations
  - a. Advantages
    - i. Elimination of insurance carrier trend
    - ii. Elimination of carrier margin
    - iii. Elimination of certain ACA taxes (HIT coming back in 2018=2.3% extra)
    - iv. Claims avoidance tactics are available
    - v. Best in class vendor selection
    - vi. No employee disruption (other than new ID card)
    - vii. Positive cash flow due to immature claims in the first year
    - viii. Pulling RX under stop loss (protection)
  - b. Disadvantages
    - i. Risk
    - ii. Cash flow
    - iii. Possible lasers for known High Cost Claimants
    - iv. Pulling the Terminal Liability trigger (1<sup>st</sup> year only). Roughly \$1m

4. Claim avoidance (applicable when self-insured)
  - a. Remedy One consulting
  - b. 4<sup>th</sup> tier RX w/coupon
  - c. Mail order incentives
  - d. Incentive driven provider options
  - e. Referenced based pricing

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## MINIMUM PREMIUM vs. SELF-FUNDED

Components of Minimum Premium Contract	Components of Self-Funded Contract (see separate illustration)
<p><b>Minimum Premium:</b> The fixed portion of premium that accounts for all retention costs: administrative fees, risk charge, pooling fee, broker commission, reserve requirement. (Ex. \$74.95 Single Rate)</p>	<p><b>Fixed Cost:</b> Administrative fees, stop-loss insurance, broker commission, ACA fees.</p>
<p><b>Employer Liability:</b> Claims component of premium. The maximum liability is 105% of expected claims cost. (Ex. \$532.54 Single Rate)</p>	<p><b>Medical Claims:</b> Claims incurred by Warren County</p>
<p><b>Self-Funded Prescription:</b> Claims incurred by Warren County. (Ex. \$143.26 Single Premium Equivalent)</p>	<p><b>Self-Funded Prescription:</b> Claims incurred by Warren County</p>
<p><b>Terminal Liability:</b> An estimate of run-out claims. Terminal liability is due upon termination of the minimum premium funding arrangement. (Ex. \$54.86 Single Rate)</p>	<p>N/A</p>
<p><b>Premium Equivalents:</b> Employee Only: \$675.80 Employee + 1: \$1,385.38 Family: \$1,942.69</p>	<p><b>Premium Equivalents:</b> To Be Determined</p>
<p><b>Advantage</b></p> <ul style="list-style-type: none"> <li>• Minimal risk on Blue Shield portion.</li> </ul>	<p><b>Advantage</b></p> <ul style="list-style-type: none"> <li>• Eliminate carrier trend, margin, and most ACA taxes.</li> <li>• Claims avoidance tactics are available.</li> <li>• Positive cash flow in first year.</li> <li>• Pulling Rx claims under reinsurance.</li> </ul>
<p><b>Disadvantage</b></p> <ul style="list-style-type: none"> <li>• No reinsurance/stoploss protection on Rx.</li> <li>• Limited ability to set up claims avoidance.</li> <li>• ACA taxes/fees wrapped into health insurance rates.</li> </ul>	<p><b>Disadvantage</b></p> <ul style="list-style-type: none"> <li>• Risk.</li> <li>• Cash flow.</li> <li>• Possible lasers for known high cost claimants.</li> <li>• Terminal liability is triggered in year 1.</li> </ul>

# Warren County Prescription Stoploss Analysis

December 1, 2017 Effective Date



Carrier		Option 1 Rx Reins (Gerber)
Lasers		None
<b><u>Specific Stoploss</u></b>		
Specific Stop Loss Deductible		\$100,000
Maximum Annual Benefit Amount/Individual		\$1,000,000
Contract Type (Incurred/Paid)		12/12
<b><u>Specific Premium</u></b>		
741	Per Employee Per Month	\$16.75
Monthly Specific Premium		\$12,412
Annual Specific Premium		\$148,941
<b><u>Aggregate Stoploss</u></b>		
<b>Aggregate Factors (Includes)</b>		Rx Only
Contract Type		12/12
Policy Year Maximum		\$2,000,000
Maximum Eligible Claim Expense/Individual		\$100,000
290	Employee Only	\$164.00
203	Employee + One	\$336.50
248	Employee + Family	\$470.75
Est. Aggregate Attachment Point (125%)		\$2,791,386
<b><u>Aggregate Premium</u></b>		
741	Per Employee Per Month	\$4.75
Monthly Aggregate Premium		\$3,520
Annual Aggregate Premium		\$42,237
<b>Total Annual Rx Stop Loss Costs</b>		<b>\$191,178</b>
<b>or Approximately 1.5% of total health insurance costs.</b>		

This quote is valid through July 1, 2017.

Specific stoploss must be sold with aggregate stoploss.

Aggregate stoploss can be sold stand alone (without specific stoploss).

Excluded Drugs: Hemophilia Factors

# Warren County

## Prescription Equivalents Analysis

December 1, 2017 Effective Date



	Self-Funded Rx Premium Equivalents Renewal Estimate Only Express Scripts				Fully-Insured Rx Rates Estimate Only BSNENY
<b>Benefits</b>					
<b>Prescription Drugs</b>	<i>Self-Funded through Express Scripts</i>				<i>Self-Funded through Express Scripts</i>
Deductible	None				None
Generic / Brand / Non-Formulary	\$10/\$30/\$50				\$10/\$30/\$50
Annual Prescription Maximum	Integrated with medical OOP max				Integrated with medical OOP max
Mail-Order (90 Day Supply)	2.5 X Copay				2.5 X Copay
<b>Stoploss</b>	No stoploss in place for self-funded Rx as of 06/04/2017.				Rx would be covered with medical claims under fully-insured \$250,000 specific stoploss
<b>Prescription Equivalents</b>	Counts	Current Premium Equivalents	Projected Renewal PE's as of June 2017	Projected Renewal PE's as of June 2017 With Rx Stoploss Cost Added In	Counts Illustrative rates are quoted on a first year basis.
Employee Only	290	\$143.26	\$143.26	\$154.49	290 \$161.09
Employee + 1	203	\$293.69	\$293.69	\$316.70	203 \$322.18
Family	248	\$411.85	\$411.85	\$444.12	248 \$442.99
<b>Estimated Monthly Premium</b>		\$203,303	\$203,303	\$219,235	\$221,980
<b>Estimated Annual Premium</b>		\$2,439,639	\$2,439,639	\$2,630,817	\$2,663,762
<b>Percentage Change From Current</b>			0.0%	7.8%	9.2%
	Projected Renewal Equivalents based on Moderate Calculation				An additional \$118,081 in Terminal Liability would need to be accrued.

BK 6/8/17

**Warren County**  
**Self-Funded Prescription Premium Equivalents**



**Current Equivalents: December 1, 2016 - November 30, 2017**

	Census	Current Equivalents
Employee	290	\$143.26
Employee + 1	203	\$293.69
Family	248	\$411.85
a	Incurred Claims During Experience Period (05/01/2016 - 04/30/2017)	\$2,004,343
b	Total Equivalents X Membership	\$2,439,639
c	Premium Equivalents Cover Total Cost By (b-a)	\$435,297 or 122%
<b>PMPM Incurred Claims Cost</b>		<b>\$100.73</b>

**Renewal Equivalents: December 1, 2017 - November 30, 2018**

	Census	Aggressive -6.7% from Current	Moderate 0.0% from Current	Conservative 9.0% from Current
Employee	290	\$133.64	\$143.26	\$156.15
Employee + 1	203	\$273.97	\$293.69	\$320.12
Family	248	\$384.20	\$411.85	\$448.92
a	Projected Claims Costs	\$2,275,846	\$2,275,846	\$2,275,846
b	Total Equivalents X Membership	\$2,275,846	\$2,439,639	\$2,659,207
c	Premium Equivalents Cover Total Cost By (b-a)	\$0 or 100%	\$163,793 or 107%	\$383,360 or 117%
<b>Projected PMPM Claims Cost</b>		<b>\$114.73</b>		

**Aggressive Premium Equivalents:** An aggressive premium equivalent setting is created to cover projected claims and provide a 0% cushion for unexpected claim spikes.

**Moderate Premium Equivalents:** An moderate premium equivalent setting is created to cover projected claims and provide a 7% cushion for unexpected claim spikes.

**Conservative Premium Equivalents:** An conservative premium equivalent setting is created to cover projected claims and provide a 17% cushion for unexpected claim spikes.

# Warren County

## Self-Funded Analysis - WITH IMMATURE CLAIMS

December 1, 2017 Effective Date



Fully Insured Medical/Self-Funded Prescription	Fully Insured Cost Through BSNEY
Annual Medical Premium (Projected 12/01/2017 - 11/30/2018)	\$10,211,309
Self-Funded Prescription Claims**	\$2,224,981
Medical Expense Reimbursement Plan (MERP) (75% Payout)	\$10,125
<b>Total Annual Fully Insured Cost</b>	<b>\$12,446,415</b>
Self-Funded Medical & Rx Cost (Estimates Only)	BSNEY (Immature Claims)
Projected Annual Claims (assuming similar plan design)	\$9,127,126
Medical Expense Reimbursement Plan (MERP)	\$10,125
ASO Annual Admin Cost	\$548,622
Stoploss Annual Cost	\$841,344
<i>Specific Stoploss Deductible</i>	<b>\$100,000</b>
<i>Contract Type (Incurred/Paid)</i>	12/12
<i>Estimated Aggregate Attachment Point</i>	125%
<b>Total Estimated Self-Funded Cost</b>	<b>\$10,527,217</b>
Year 1 Projected Savings	
Estimated Dollar Savings From Fully Insured Premium	-\$1,919,199
Percent Savings From Fully Insured Premium	-15.42%
Terminal Liability (as of April 2017)	
	\$933,325

\*Fully insured premium estimated based on BSNEY 19 month effective trend of 12.9%.

\*\* Trended claims PMPM 8% to calculate claims projection.