COLERAIN
EST. 1794

Special Meeting of the Board of Trustees - Work Session May 25, 2021

May 25, 2021

1. **Opening of Meeting**
2. **Pledge of Allegiance** TIME
3. **Presentations**

   Administration

   a. Presentation and Discussion of Medical Insurance Options Including a Fully-Funded Model and a Self-Insured Model
4. **Adjournment**

COLERAIN

ADMINISTRATION

Department:	Administration
Department Director:	Jeff Weckbach, Assistant Township Administrator

Presentation and Discussion of Medical Insurance Options Including a Fully-Funded Model and a Self-Insured Model

Rationale:

Mr. Weckbach will lead a discussion of the township's options with respect to medical insurance for its employees.

SELF-FUNDING 201

Colerain Township

May 25th, 2021

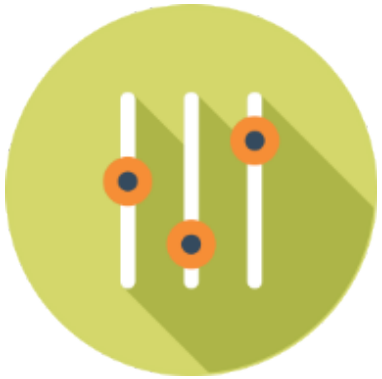
McGohanBrabender

Good, smart people effectively managing the entire health care dollar.

SETTING THE STAGE:

TODAY'S DISCUSSION

- SELF FUNDING DISCUSSION
- LOOKING BACK
- GOING FORWARD
- TRANSITION STRATEGY



Fully Insured

- Monthly Premium is paid to insurance company based on employees covered under the plan (i.e. single / family rate)

Self Funded

- Fixed Fees are billed on a monthly basis based on employees covered under the plan
- Claims paid are billed (depending on the administrator) on a weekly basis (reimbursement method)
- Some administrators will write checks directly out of the employer's bank account (versus reimbursement method)
- Integrated stop loss and Rx with Anthem as the reinsurer

SELF FUNDED

Employer keeps profit if claims are low

More flexibility in plan design

Cash flow could improve if claims are low

No State premium tax

Follows Federal law

Employer controls destiny

Benefit immediately from plan changes, wellness programs and healthy lifestyle activities

FULLY INSURED

Fixed monthly premium

Easy to predict for a 12 month period

Carrier takes the risk

Premium does not change regardless of claims paid

Low administration

No risk at termination – carrier handles run-out

Carrier is the claims fiduciary

SELF FUNDED

Cost fluctuate weekly/monthly

No looking glass – cannot predict what claims are going to be

Employer takes the risk

Claims become a major factor in the decision

Some additional administration

Risk when you change vendors (contracts)

Claims Fiduciary responsibilities - appeals

FULLY INSURED

Carrier keeps profits if claims are low

Limited flexibility in plan design

Cash flow is the same every month

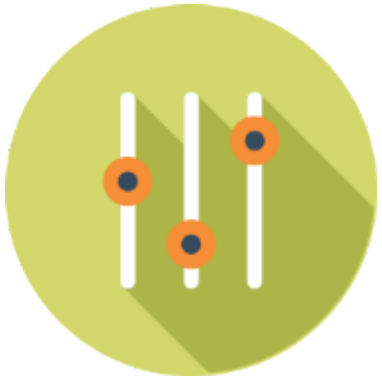
State premium tax applies

Follows state law

Carrier controls destiny

No wellness benefit until renewal - maybe

HOW IT WORKS: INCREASED INVOLVEMENT



- **Risk tolerance & funding:** Can the plan accept/afford to exceed expected cost in any given month/year?
- **Risk management:** Responsible for reinsurance/partial funding arrangements to protect plan against catastrophic claims.
- **Cost:** Underlying long term health issues.
- **Demographic issues:** High risk population (age/gender, industry, turnover)?
- **Engagement:** Is the plan sponsor willing to address population health management?
- **Compliance:** Plan sponsor must assume responsibilities for maintaining compliant documents not provided by the TPA/carrier.

Administrative Cost

- Cost per employee per month to administer the plan and pay claims – lights, building, people, systems, networks, etc.
- Known as "retention" under a fully insured program
- Profit margin reduced because of risk transfer
- No State Premium Tax

Specific Stop Loss

- Pay premium per employee per month to cover risk on **an individual**
- Known as "pooling" on a fully insured contract
- Limits employer liability over a "specific" level on an individual. $100,000 is Colerain Township's specific stop loss.
    - For example, if an individual has a catastrophic claim such as a pre-mature birth costing $1,000,000, the Township pays a maximum of $100,000
- It is Medical and RX
- It is a per member basis

Claims

- Colerain Township pays the claims
- Based on network discounts with Anthem
- Protected by specific and aggregate stop loss levels
- Covers 80-90% of the overall spend

FUNDING ANALYSIS

	A	B	C	D	E	F	G	H	I	J
Time Period	Monthly Premium	Medical Claims	Drug Claims	Claims Over $100,000 Pooling	Total Net Claims	Average Enrolled	Estimated Fixed Rate PEPM	Total Fixed Cost	Total Cost Self-Funded	Estimated Self-Funded Cost (Savings)
					(B + C - D)			(F X G)	(E + H)	(I - A)
February, 2018 - January,2019	$2,670,248	$1,519,933	$487,601	$913,472	$1,094,063	151	$143.02	$259,153	$1,353,216	($1,317,032)
February, 2019 - January,2020	$2,699,000	$1,222,188	$351,136	$496,467	$1,076,857	147	$165.56	$292,045	$1,368,902	($1,330,098)
February, 2020	$219,234	$47,573	$18,792		$66,365	147	$177.50	$26,092	$92,457	($126,777)
March, 2020	$215,290	$64,487	$18,920		$83,407	145	$177.50	$25,737	$109,144	($106,146)
April, 2020	$215,290	$47,204	$33,749		$80,953	145	$177.50	$25,737	$106,690	($108,600)
May, 2020	$213,931	$68,766	$30,319		$99,085	143	$177.50	$25,382	$124,467	($89,464)
June, 2020	$214,595	$69,498	$26,745		$96,243	144	$177.50	$25,560	$121,803	($92,792)
July, 2020	$211,614	$100,827	$32,114		$132,941	143	$177.50	$25,382	$158,323	($53,291)
August, 2020	$194,297	$63,616	$12,890		$76,506	147	$205.85	$30,259	$106,765	($87,532)
September, 2020	$191,877	$35,899	$15,592		$51,491	145	$205.85	$29,848	$81,339	($110,538)
October, 2020	$191,362	$70,416	$16,186		$86,602	145	$205.85	$29,848	$116,450	($74,912)
November, 2020	$191,362	$51,738	$19,321		$71,059	145	$205.85	$29,848	$100,907	($90,455)
December, 2020	$187,718	$75,166	$12,383		$87,549	142	$205.85	$29,230	$116,779	($70,939)
January, 2021	$192,945	$59,505	$25,075	$76,524	$8,056	148	$205.85	$30,465	$38,521	($154,424)
February, 2020 Plan Year to Date	$2,439,516	$754,695	$262,086	$76,524	$940,257	145	$191.71	$333,390	$1,273,647	($1,165,869)
3 Year Total	**$7,808,764**	**$3,496,816**	**$1,100,824**	**$1,486,463**	**$3,111,177**			**$884,588**	**$3,995,765**	**($3,812,999)**
Based on our calculations, your cost would have been less under a Self Funded plan.										

PROJECTED SELF-FUNDED SAVINGS

Medical / Stop Loss	Stop Loss	Contract Basis	Total Fixed Cost	$ Change	% Change	Expected Claims	Maximum Claims	Expected Funding	$ Change	% Change	Maximum Funding	$ Change	% Change
Current: Anthem	N/A	N/A	$2,327,462	N/A	N/A	N/A	N/A	$2,327,462	N/A	N/A	$2,327,462	N/A	N/A
Renewal: Anthem	N/A	N/A	$1,960,516	($366,946)	-15.8%	N/A	N/A	$1,960,516	($366,946)	-15.8%	$1,960,516	($366,946)	-15.8%
Revised Renewal: Anthem	N/A	N/A	$1,912,476	($414,986)	-17.8%	N/A	N/A	$1,912,476	($414,986)	-17.8%	$1,912,476	($414,986)	-17.8%
Anthem	$100,000	12/12	$428,101	($1,899,361)	-81.6%	$1,242,817	$1,553,522	$1,670,918	($656,544)	-28.2%	$1,981,623	($345,840)	-14.9%

- **Projected Annual Cost based on current enrollment of 149 : $1,670,918**
- **Projected Annual Savings based on current costs : $656,544**
- **Projected Annual Savings based on revised renewal in year one: $241,558**

SPECIFIC STOP LOSS SCENARIO

Specific Stop Loss - $100,000

Family of 3
Member #1 - $300,000 claim
Member #2 - $150,000 claim
Member #3 - $7,000 claim

$457,000 total paid for family

Per Member

ER Paid: $207,000
Member #1: $100,000
Member #2: $100,000
Member #3: $7,000

Reimbursement - $250,000
Member #1: $200,000
Member #2: $50,000
Member #3: $0

AGGREGATE STOP LOSS SCENARIO

Aggregate Stop Loss

- Pay premium per employee per month to cover risk on **the entire group**
- Limits employer liability on an "aggregate" basis (125% of expected claims)
- Combined medical and prescription drug
- Provides protection if claims for the entire group were unusually high for a 12-month period of time

AGGREGATE STOP LOSS SCENARIO

Aggregate Stop Loss – 125% 148 Life Group

Expected Claims:
$934.52 PEPM

Maximum Claims:
$1,108.29 PEPM

$1,242,817
Expected Claims

$1,553,522
Maximum Claims

$310,705 Gap

Stop Loss would not pick up until claims reached $1,553,523

Applies to Specific and Aggregate coverage

- Incurred in 12 months ; Paid in 12 months (12/12):
  - Also known as an "immature year"
  - Usually goes to a "paid" contract at renewal
- Paid (12/12 then 24/12 then 36/12, 48/12, etc.)
  - Also known as a "mature" year
  - Stays "paid"

Case is written on a 12/12 contract, then renews in the second year with a 24/12 (paid) contract

- RENEWAL: Next year when the contract renews, there will be a larger increase on the Stop loss insurance as there will be protection built in all the way back to the beginning of the contract. The contract goes from immature to mature and there is a larger price adjustment for this.

	Effective Date														First Renewal											
	-3	-2	-1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1st Year				I	I	I	I	I	I	I	I	I	I	I	I												
				P	P	P	P	P	P	P	P	P	P	P	P												
2ND Year				I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I
																P	P	P	P	P	P	P	P	P	P	P	P

I = Months during which claim is Incurred P = Months during which claim is Paid

Contract Details

- **Firm Rates:** The stop loss carrier provide a rate during the marketing process, but they will not firm up the rates or lock them in until 60-120 days in advance. Anthem rates are firm.

- **Lasers:** Any time you move self-funded or move stop loss carriers, the new carrier reserves the right to either not cover a high claimant or to impose a higher stop loss amount on that one person. Therefore, a high claimant could be cut out, meaning any claims on that person are solely covered by you with no stop loss insurance protection or they may say they won't cover the claim until you have paid $300K while everyone else keeps the $100K.

- **Mirroring:** This ensures the stop loss contract will actually cover all benefits that are in the Summary Plan Description/Certificate of Coverage

- **Stop Loss Reimbursement:** Any reimbursement for claims over the stop loss amount would be an immediate reimbursement.

ANNUAL AGENDA TIMELINE

DATE	ACTIVITY
MAY	25th BOARD OF TRUSTEES MEETING 26TH FINAL PLAN DESIGN / CONTRIBUTION DECISION DUE
JUNE	3rd RATES SET 8TH BOARD OF TRUSTEES MEETING 14th OPEN ENROLLMENT
JULY	DISTRIBUTE MEDICARE PART D & CHIP NOTICES AND SBC
AUGUST	1ST PLAN EFFECTIVE DATE / ID CARDS