

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: May 16, 2017 **Approx Start Time:** 10 a.m. **Approx Length:** 30 min

Presentation Title: Self-Insurance Fund: Benefits Administration Fee

Department: Human Resources

Presenters: Kristi Durham, Benefits Manager

Other Invitees: Evelyn Minor-Lawrence, HR Director

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

This is primarily an informational update about the benefits administration fee. During the presentation, the Board will be asked for their preferences regarding timing and content of future Board communications from staff on benefit matters.

EXECUTIVE SUMMARY:

There are significant costs associated with providing and administering a comprehensive benefits program to County employees and their families. The Self-Insurance Fund does not receive General Fund support. Revenue comes from premiums and fees paid by departments, employees and retirees. Our focus today is on the benefits administration fee, which is assigned to medical benefit-eligible employees and paid for by departments on a per-employee per-month (PEPM) basis.

Although there has been a fee determination model in place, it has historically generated approximately half of the revenue needed to cover the administrative costs of the benefits program. The contingency fund has been utilized to bridge the gap. However, the contingency fund is not a sustainable option, as it nears depletion due to medical and disability claims volatility, rising administrative costs and a self-funded reserve requirement.

The benefits administration fee determination model has been updated to reflect actual and projected costs and departments have received communication regarding FY 2017-2018 increases to the fee. The fee increase will take effect in two stages: first, rising from \$33 PEPM to \$74 PEPM effective 7/1/2017; and effective 1/1/2018 rising to \$100 PEPM for a fiscal year average of \$87 PEPM.

In future fiscal years, the benefits administration fee will also include the amount needed to establish the actuarially established claims reserves for the self-funded dental, medical and disability plans.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$726,144 in projected revenue for current budget

What is the funding source? Departments

STRATEGIC PLAN ALIGNMENT

- How does this item align with your Department’s Strategic Business Plan goals?

By 2017 the Benefits Program will have a plan in place to address the rising cost of medical claims.

- How does this item align with the County’s Performance Clackamas goals?

Build trust through good government.

LEGAL/POLICY REQUIREMENTS: Adherence to current labor contracts. Statutory requirement to include retirees in benefits risk pool and health plans.

PUBLIC/GOVERNMENTAL PARTICIPATION: NA

OPTIONS: NA

RECOMMENDATION: NA

ATTACHMENTS:

1. Self-Insurance Fund Benefits Administration Fee FY 17-18 presentation

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

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| For information on this issue or copies of attachments, please contact Kristi Durham @ 503-742-5470. |
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Department of Human Resources (HR)

Self-Insurance Fund 760: Benefits Administration Fee

Kristi Durham, Benefits Manager

Evelyn Minor-Lawrence, Human Resources Director

The Mission of the Department of Human Resources is to provide services to County Departments and Agencies so they have the resources to provide high quality services to achieve their strategic goals.

Benefits Program Administration

- ▶ General Fund Support = None
- ▶ Other Sources of Revenue
 - Premiums and fees paid by departments, employees and retirees for health and welfare programs

Benefits Program Administration

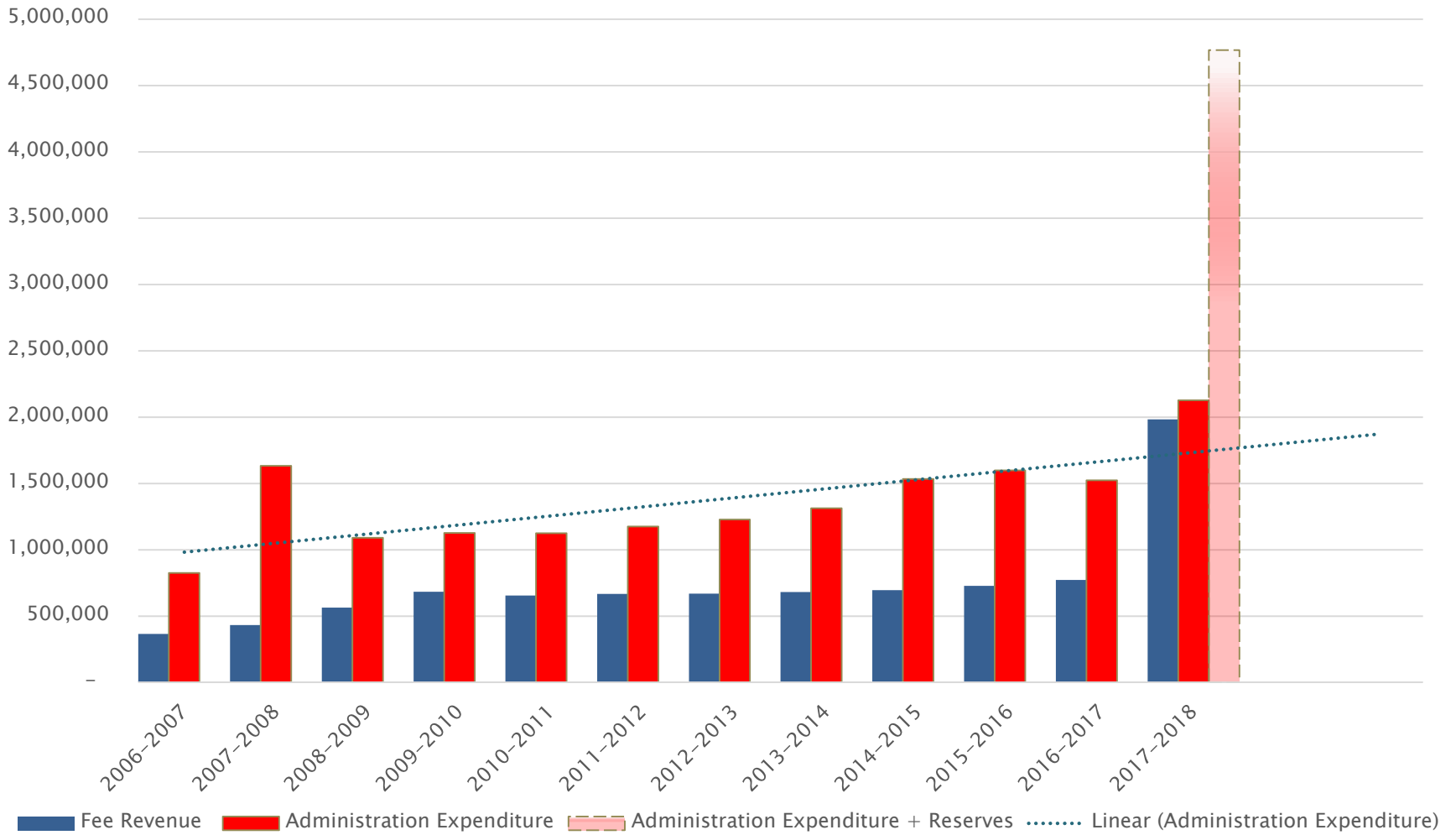
Significant Issues/Changes

- ▶ Benefits administration fee model has not kept pace with actual program expenses
- ▶ Benefits administration fees paid by County departments and other agencies to increase significantly in the next fiscal years to reflect actual program costs and reserves

Benefits Administration Fee History

| FY | Ben Admin Fee (per employee per month) |
|-----------|--|
| 2006-2007 | 16.92 |
| 2007-2008 | 20.00 |
| 2008-2009 | 25.00 |
| 2009-2010 | 30.00 |
| 2010-2011 | 30.00 |
| 2011-2012 | 30.45 |
| 2012-2013 | 31.00 |
| 2013-2014 | 31.00 |
| 2014-2015 | 31.50 |
| 2015-2016 | 32.00 |
| 2016-2017 | 33.00 |
| 2017-2018 | 87.00 |

Benefits Administration Fee: Revenues to Expenditures



Benefits Program Administration: Key Cost Drivers

- ▶ Anticipated increases without increased revenue

| Category | Annual Increase <i>(10-year period)</i> |
|----------------------------------|---|
| Overhead | 5% |
| Disability Claims Administration | 7% |
| Professional Services | 4% |
| Reimbursement Spending Acct Ad | 6% |

Benefits Program Administration: Key Cost Drivers

- ▶ Adding benefits and administration without increased revenue

| Category | FY Implemented | Annual Increase <i>(post implementation)</i> |
|-------------------------|-----------------------|--|
| HRA/VEBA Administration | 2011-2012 | 14% |
| Public Transit Subsidy | 2013-2014 | 9% |
| Software Maintenance | 2013-2014 | 2% |

Benefits Program Administration: Key Cost Drivers

- ▶ Increased disability and medical spend (beyond charged premiums)

| Category | 2014-2015 | 2015-2016 |
|--|-----------|-------------|
| Self-insured Disability Admin & Claims | (46,686) | (44,436) |
| Self-insured Medical Admin & Claims | 570,034 | (1,498,331) |
| Self-Insurance Administration | (319,094) | (244,352) |

Reserves Funding

Current Self-Funded Reserves Requirements

| Reserves Analysis Date | FY | Dental Reserves Required | Disability Reserves Required | Medical Reserves Required | Total Reserves | 3-Year Admin Fee Increase - Base <i>(per employee per month)</i> |
|------------------------|-----------|--------------------------|------------------------------|---------------------------|---------------------|---|
| 6/30/2016 | 2016/2017 | 190,000.00 | 50,485.00 | 2,398,000.00 | 2,638,485.00 | 38.57 |

Self-Funded Reserves Projected Increases

| Reserves Analysis Date | FY | Dental Reserves | Disability Reserves | Medical Reserves | Combined Reserves | 3-Year Projected Admin Fee Increase <i>(base + 3% annual increase)</i> | |
|------------------------|-----------|--|---------------------|------------------|-------------------|---|--|
| 6/30/2017 | 2017/2018 | Stated in General Fund | | | | | |
| 6/30/2018 | 2018-2019 | 5,700.00 | 1,514.55 | 71,940.00 | 79,154.55 | 42.05 | |
| 6/30/2019 | 2019-2020 | 5,871.00 | 1,559.99 | 74,098.20 | 81,529.19 | 42.15 | |
| 6/30/2020 | 2020-2021 | 6,047.13 | 1,606.79 | 76,321.15 | 83,975.06 | 42.26 | |
| 6/30/2021 | 2021-2022 | Stated in Self-Insurance Fund 760 | | | | | |

Benefits Administration Fee: A Look Ahead

| FY | Ben Admin Fee <i>(per employee per month)</i> | Reserves <i>(per employee per month)</i> | Total <i>(per employee per month)</i> |
|------------|---|--|---|
| 2017-2018 | 87.00 | 0 | 87.00 |
| 2018-2019* | 99.84 | 42.05 | 141.89 |
| 2019-2020* | 106.83 | 42.15 | 148.98 |

*Estimated for illustrative purposes only