



ALBUQUERQUE PUBLIC SCHOOLS

2019 Benefit Plan Recommendations Board of Education Finance Committee

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 Segal Consulting

- **The Healthcare Landscape Facing APS**
- **2019 Benefit Plan Recommendations**
- **Appendix**

New Mexico Health Insurance Exchange

- Proposed 2019 individual market premium changes based on filings submitted to the New Mexico Office of Superintendent of Insurance

New Mexico Marketplace (beWellnm) Carriers	2019 Proposed Rate Change	2018 Approved Rate Change ¹
Molina Healthcare of New Mexico	-0.4%	56.6%
CHRISTUS Health Plan	14.9%	49.2%
New Mexico Health Connections	14.54%	28.2%
Blue Cross Blue Shield of New Mexico	9.2%	26.1%
Presbyterian Health Plan	18.5%	n/a ²

- **APS has not had a rate increase in the last 3 years.** During the same time period, NMPSIA's rate increases have been:
 - 4.00% increase to both plans effective 10/1/2015
 - 8.30% increase to High, 7.15% increase to Low effective 10/1/16
 - 3.98% increase to High, 1.82% increase to Low effective 10/1/17
 - 4.00% increase to High, 0.70% decrease to Low effective 10/1/18
- Elsewhere around the country, proposed 2019 individual market premium charges range from 0.7% in Pennsylvania to 30.2% in Maryland (reported statewide averages)³

¹ Includes adding the cost of ACA's cost-sharing reductions (CSR) to silver plan premiums.

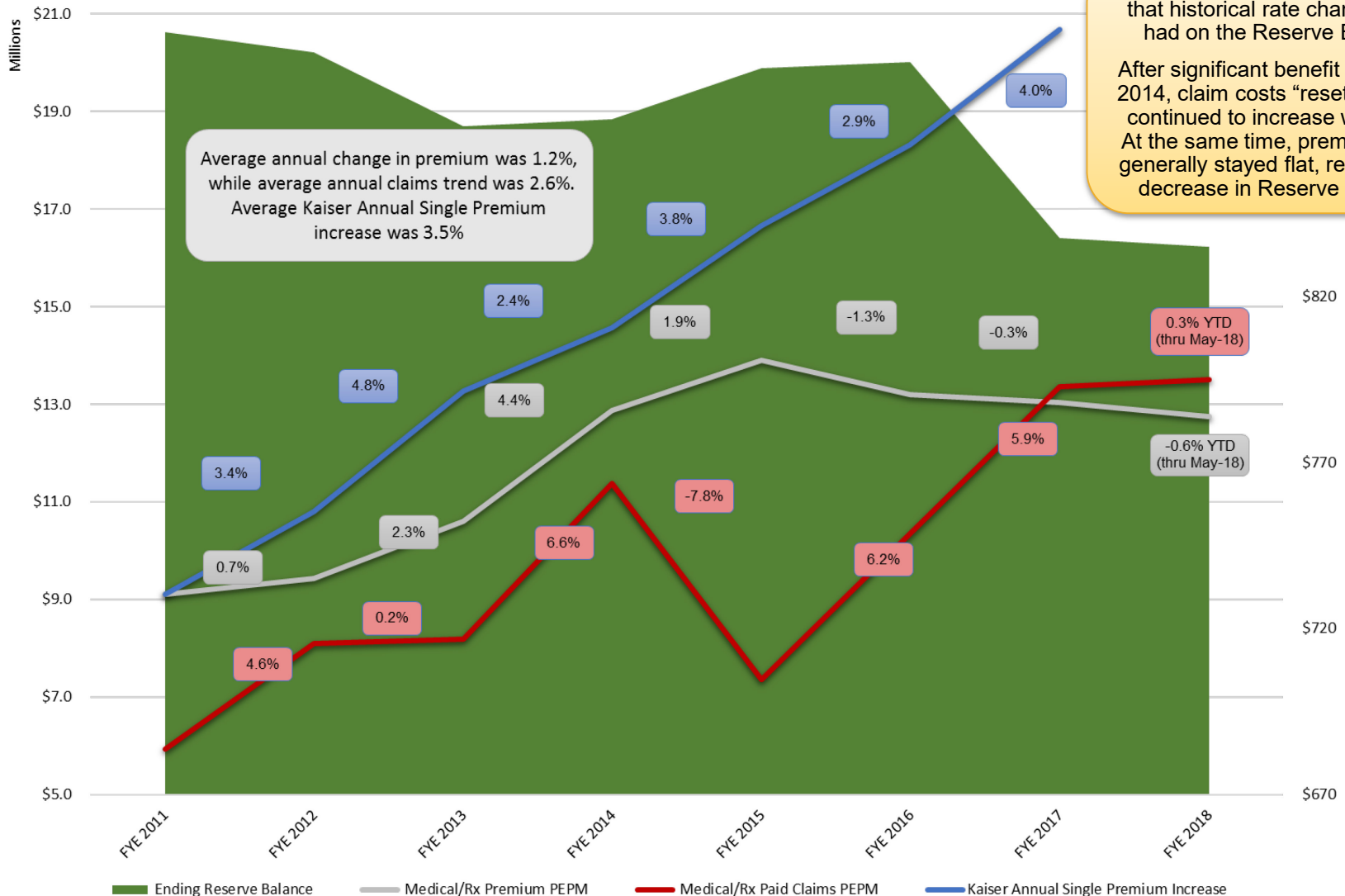
² Presbyterian left the exchange at the end of 2016; preliminary rate filings indicate they plan to re-join in 2019.

³ Tracking 2019 Premium Changes on ACA Exchanges, Kaiser Family Foundation.

<https://www.kff.org/private-insurance/issue-brief/tracking-2019-premium-changes-on-aca-exchanges/>

Flat Annual Premiums, Claims Increasing With Trend

PEPM Premium and Claims with Impact on Reserve Balance



This graph illustrates the impact that historical rate changes have had on the Reserve Balance.

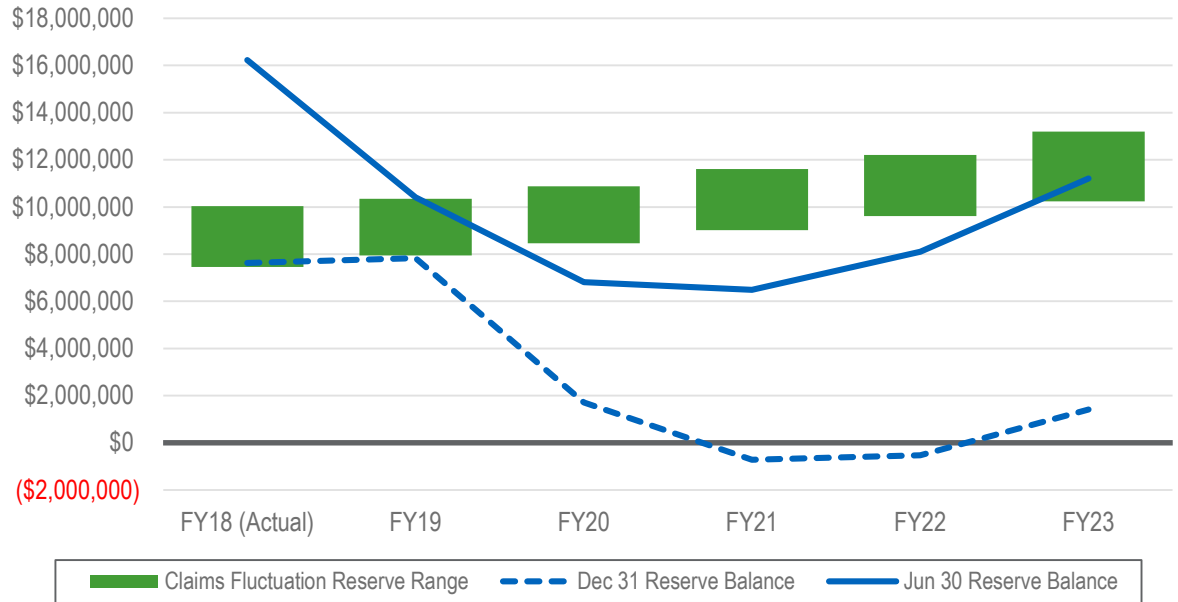
After significant benefit changes in 2014, claim costs "reset" and have continued to increase with trend. At the same time, premiums have generally stayed flat, resulting in a decrease in Reserve Balance.

APS - Multi-Year Projection - Modeling Dashboard

No CY19 Benefit or Rate Changes (INFORMATIONAL ONLY)

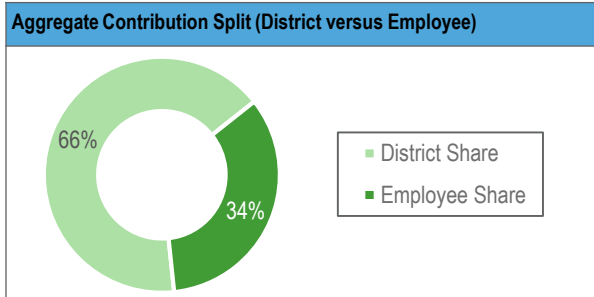
Benefit Changes Included in This Scenario			
No proposed benefit changes			

\$ Change to per Pay Period Employee Contributions				
Medical/Rx ONLY	< \$34,500	\$34,500 to \$39,999	\$40,000 +	
Year 1 Increase (Jan 1 of 2019)				
Single	\$0.00	\$0.00	\$0.00	
Family	\$0.00	\$0.00	\$0.00	
Year 2-5 Increases (Jan 1 of 2020, 2021, 2022, and 2023)				
Single	\$4.88	\$7.34	\$9.78	
Family	\$13.21	\$19.82	\$26.42	
Medical/Rx + Dental (Comp) + Vision				
	< \$34,500	\$34,500 to \$39,999	\$40,000 +	
Year 1 Increase (Jan 1 of 2019)				
Single	\$0.00	\$0.00	\$0.00	
Family	\$0.00	\$0.00	\$0.00	
Year 2-5 Increases (Jan 1 of 2020, 2021, 2022, and 2023)				
Single	\$4.88	\$7.34	\$9.78	
Family	\$13.21	\$19.82	\$26.42	



Period	Beginning Reserve Balance	Total Revenue ⁽¹⁾	Claims ⁽²⁾	Admin. Fees	Prof. Services & Premiums	Total Cost	Jun 30 Reserve Balance	Target Reserve Floor ⁽³⁾	Target Reserve Ceiling ⁽⁴⁾
FY18 (Actual)	\$16,416,928	\$85,147,373	\$80,320,836	\$4,098,380	\$916,840	\$85,336,057	\$16,228,243	\$7,457,100	\$10,040,105
FY19	\$16,228,243	\$81,962,284	\$82,490,418	\$4,347,661	\$944,051	\$87,782,131	\$10,408,396	\$7,945,571	\$10,353,077
FY20	\$10,408,396	\$89,271,783	\$87,315,539	\$4,464,066	\$1,088,081	\$92,867,686	\$6,812,493	\$8,466,039	\$10,951,145
FY21	\$6,812,493	\$98,026,888	\$92,560,389	\$4,575,529	\$1,220,075	\$98,355,993	\$6,483,388	\$9,020,600	\$11,609,793
FY22	\$6,483,388	\$106,379,494	\$98,662,901	\$4,667,039	\$1,426,090	\$104,756,030	\$8,106,851	\$9,611,488	\$12,375,835
FY23	\$8,106,851	\$114,732,099	\$105,188,841	\$4,760,380	\$1,673,308	\$111,622,529	\$11,216,421	\$10,241,080	\$13,195,008

- (1) FY18 Total Revenue includes interest income and Rx rebates.
- (2) FY19 claims have been reduced to reflect anticipated stop loss reimbursements associated with the 2017 contract period.
- (3) Floor is the 90th Percentile IBNR Estimate plus 5% margin. Assumed to increase with trend; actual is re-calculated annually.
- (4) Ceiling represents 12.5% of projected incurred claims and is assumed to increase with trend.



Comments About This Scenario

This scenario is included for informational purposes ONLY. Although the June 30 Reserve Balance in FY19 is projected to be slightly above the Target Reserve Ceiling, the "burn rate" (i.e., rate at which projected costs exceed contributions) is so high that significant contribution increases are required in future years in order to return to within the target range for the Target Reserve. It is also important to note that the December 31 Reserve balance is projected to be negative in both FY21 and FY22, so this scenario is likely not practical, and is not recommended.

Recommended 2019 Benefit Plan Change

		Current Plan Design						
		BCBSNM			Presbyterian			THNM
		Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	HMO
Deductible	Individual	\$500	\$2,000	\$4,000	\$250	\$1,500	\$4,000	\$250
	Two Person	\$1,000	\$4,000	\$8,000	\$500	\$3,000	\$8,000	\$500
	Family	\$1,500	\$6,000	\$12,000	\$750	\$4,500	\$12,000	\$750
Coinsurance		10%	40%	50%	20%	30%	50%	20%
Out of Pocket Maximum	Individual	\$3,000	\$4,500	\$8,500	\$3,000	\$4,500	\$8,500	\$2,250
	Two Person	\$6,000	\$7,875	\$14,875	\$6,000	\$7,875	\$14,875	\$4,500
	Family	\$9,000	\$11,250	\$21,250	\$9,000	\$11,250	\$21,250	\$6,750

		Proposed Plan Design						
		BCBSNM			Presbyterian			THNM
		Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	HMO
Deductible	Individual	\$500	\$2,000	\$4,000	\$250	\$1,500	\$4,000	\$250
	Two Person	\$1,000	\$4,000	\$8,000	\$500	\$3,000	\$8,000	\$500
	Family	\$1,500	\$6,000	\$12,000	\$750	\$4,500	\$12,000	\$750
Coinsurance		20%	40%	50%	20%	30%	50%	20%
Out of Pocket Maximum	Individual	\$3,000	\$4,500	\$8,500	\$3,000	\$4,500	\$8,500	\$2,250
	Two Person	\$6,000	\$7,875	\$14,875	\$6,000	\$7,875	\$14,875	\$4,500
	Family	\$9,000	\$11,250	\$21,250	\$9,000	\$11,250	\$21,250	\$6,750

- Estimated **\$374,000 annual savings** generated by increasing BCBSNM Tier 1 coinsurance from 10% (current) up to 20% (proposed)
- Last year in 2018, the medical Out-of-Pocket Maximums for BCBSNM and Presbyterian were harmonized:
 - Increased BCBSNM all tiers
 - Lowered Presbyterian tier 1 and increased tiers 2 and 3 to encourage use of tier 1 providers
- The proposed change for 2019 would harmonize the coinsurance paid to Tier 1 network providers and provide an additional degree of equity between these two plans

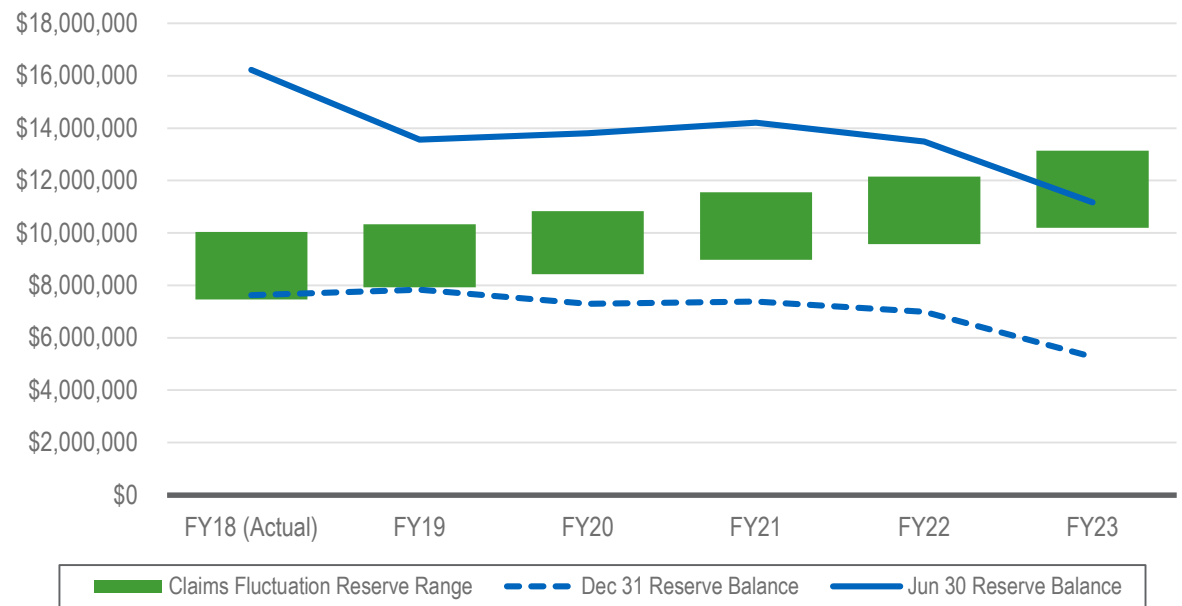
- To encourage members to receive appropriate care following a cardiac incident, we are also recommending a decrease to the copays for cardiac rehabilitation services with THNM providers and Tier 1 BCBSNM and Presbyterian providers. A negligible cost increase is expected in association with this change.

APS - Multi-Year Projection - Modeling Dashboard

Recommended Benefit & Rate Changes (Level \$ 5-Year Increase)

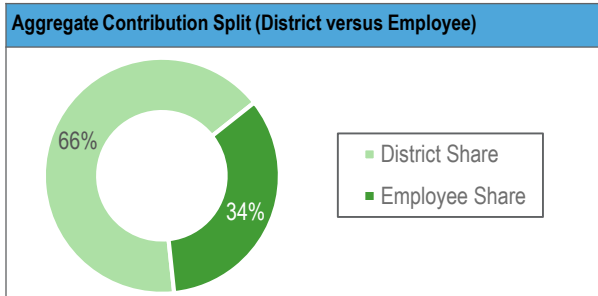
Benefit Changes Included in This Scenario
 Harmonize BCBS and Presbyterian Tier 1 by increasing the BCBS Tier 1 coinsurance from 10% to 20%.

\$ Change to per Pay Period Employee Contributions			
Medical/Rx ONLY	< \$34,500	\$34,500 to \$39,999	\$40,000 +
Year 1 Increase (Jan 1 of 2019)			
Single	\$3.06	\$4.60	\$6.13
Family	\$8.27	\$12.42	\$16.55
Year 2-5 Increases (Jan 1 of 2020, 2021, 2022, and 2023)			
Single	\$3.06	\$4.60	\$6.13
Family	\$8.28	\$12.42	\$16.56
Medical/Rx + Dental (Comp) + Vision			
	< \$34,500	\$34,500 to \$39,999	\$40,000 +
Year 1 Increase (Jan 1 of 2019)			
Single	\$3.29	\$4.74	\$6.84
Family	\$9.17	\$12.56	\$19.27
Year 2-5 Increases (Jan 1 of 2020, 2021, 2022, and 2023)			
Single	\$3.30	\$4.72	\$6.83
Family	\$9.18	\$12.55	\$19.28



Period	Beginning Reserve Balance	Total Revenue ⁽¹⁾	Claims ⁽²⁾	Admin. Fees	Prof. Services & Premiums	Total Cost	Jun 30 Reserve Balance	Target Reserve Floor ⁽³⁾	Target Reserve Ceiling ⁽⁴⁾
FY18 (Actual)	\$16,416,928	\$85,147,373	\$80,320,836	\$4,098,380	\$916,840	\$85,336,057	\$16,228,243	\$7,457,100	\$10,040,105
FY19	\$16,228,243	\$84,960,633	\$82,332,687	\$4,347,661	\$944,051	\$87,624,399	\$13,564,477	\$7,927,936	\$10,330,097
FY20	\$13,564,477	\$92,720,183	\$86,930,506	\$4,464,066	\$1,088,081	\$92,482,653	\$13,802,007	\$8,428,656	\$10,902,787
FY21	\$13,802,007	\$98,357,166	\$92,148,404	\$4,575,529	\$1,220,075	\$97,944,008	\$14,215,165	\$8,980,768	\$11,558,050
FY22	\$14,215,165	\$103,591,649	\$98,222,076	\$4,667,039	\$1,426,090	\$104,315,205	\$13,491,608	\$9,569,046	\$12,320,471
FY23	\$13,491,608	\$108,826,131	\$104,717,159	\$4,760,380	\$1,673,308	\$111,150,847	\$11,166,892	\$10,195,858	\$13,135,768

(1) FY18 Total Revenue includes interest income and Rx rebates.
 (2) FY19 claims have been reduced to reflect anticipated stop loss reimbursements associated with the 2017 contract period.
 (3) Floor is the 90th Percentile IBNR Estimate plus 5% margin. Assumed to increase with trend; actual is re-calculated annually.
 (4) Ceiling represents 12.5% of projected incurred claims and is assumed to increase with trend.



Comments About This Scenario
 A modest benefit change is included in this scenario that would improve benefit design equity between the BCBS and Presbyterian plans as well as provide a small amount of rate increase relief. In an effort to provide employees with some predictability, this scenario illustrates the impact of smoothing out the annual dollar increase to contribution rates over the five year projection period.

This projection is an estimate of future cost and is based on information available to Segal Consulting at the time the projection was made. Segal Consulting has not audited the information provided. A projection is not a guarantee of future results. Actual experience may differ due to variables including, but not limited to, changes in the regulatory environment, local market pressure, changes in demographics, overall inflation rates, and claims volatility.

➤ **Appendix**

- **Inside, Outside, and Beyond the Box: Summary of Options**
- **Economic and Operational Impact of the ACA on APS**
- **Impact of High Cost Claimants**
- **Multi-Year Reserve Balance Projection**
- **Historical Reserve Balance (mid-year vs. end-of-year)**

Inside, Outside, and Beyond the Box

Summary of Options Discussed

- **Replace existing plans with an HSA-Qualified High Deductible Health Plan (HDHP)**
 - Discussed HDHP with relatively generous provisions
 - Deductible: \$1,500 in-network, \$3,000 out-of-network (2x family)
 - Coinsurance: 90% in-network, 60% out-of-network
 - OOP Max: \$3,000 in-network, \$6,000 out-of-network (2x family)
 - Potential to use a portion of projected savings towards HSA seed money
- **Multiple Benefit Changes**
 - Harmonize BCBS, Presbyterian Tier 1: Increase BCBS tier 1 coinsurance (20%)
 - Increase OV copayments (*\$30/\$50 PCP/Spec for BCBS/THNM, \$35/\$60 for Pres*)
 - Increase high-tech imaging copayments (\$300)
 - Add ambulatory surgical center copayment (\$150)
 - Add hospital copayment per admission (\$300)
- **Significant Contribution Increase**
 - For employees earning \$40,000+, **per pay period contributions for family coverage** would need to increase by almost \$24 (increase of almost \$575 annually for Medical/Rx, Comprehensive Dental, and Vision coverage) in order to cover anticipated 2019 expenses

Inside, **Outside**, and Beyond the Box

Summary of Options Discussed

➤ **Discontinue Offering Medical Benefits**

- APS would face a penalty of approximately $(12,090 \text{ FTEs} - 30) \times \$2,320 = \$27,979,200$ vs. \$46,972,000 for 2018 employer Medical/Rx premium contribution
- Considerations include: ability to attract/retain employees and tax implications (employer-paid premiums are exempt from federal income and payroll taxes)

➤ **Join Self-Insured NMPSIA Pool**

- Would require Legislation to permit
- Future IBNR liability and any claim reserves could be eliminated
- Current APS benefits are generally richer than NMPSIA's High Option benefits, while NMPSIA contribution rates are higher
- Illustration below assumes APS employees could enroll in NMPSIA at rates as of 10/1/18

Annual Premium	Current	Under NMPSIA	Add'l Cost to APS
Employee	\$24,562,000	\$36,554,000	\$11,992,000
Employer	\$46,972,000	\$59,961,000	\$12,990,000
TOTAL	\$71,534,000	\$96,515,000	\$24,982,000

Inside, **Outside**, and Beyond the Box

Summary of Options Discussed

➤ Fully Insured Arrangement

- Reduced financial risk since insurer bears risk of costs exceeding premium collected, however APS would no longer keep savings if claim activity is lower than expected
- APS would be responsible for any self-funded “run-out” claims, however this liability would be eliminated going forward
- APS would no longer earn interest income on claim reserves
- Insurer may restrict plan design options or may be subject to plan design mandates by state insurance regulators
- Fully insured premium typically is higher than self-funded target rates (would require carrier negotiation or an RFP process to validate this assumption)

	Fully Insured (FI) Costs	Self-Funded (SF) Costs	Add'l APS Cost Under FI Arrangement
Pooled Claims Credit	-\$2,601,000	n/a	
Pooling Charge	\$1,869,000	n/a	
Stop Loss Premium	n/a	\$595,000	
Medical Administration	\$8,413,000	\$3,431,000	
ACA Fees (PCORI)	\$2,457,000	\$37,000	
ACA Fees (HIT)		n/a	
Premium Tax	\$857,000	n/a	
Total Fixed Costs	\$13,596,000	\$4,063,000	\$9,533,000
Fixed Costs + Pooled Claims Credit	\$10,996,000	\$4,063,000	\$6,933,000

Inside, Outside, and **Beyond** the Box

Summary of Options Discussed

Longer Term Strategies for Future Consideration

➤ New Mexico Market Initiatives

- Presbyterian Bundled Payments – Day of service bundles for certain services (eff. 1/1/2018) with expanded services including pre-op appointment and post-surgery PT (eff. 1/1/2019)
- BCBSNM Value Based Care – Oncology medical home, bundled episodes of care, and Value Payment Program (VPP)

➤ Third Party Market Products

- Transparency Tool with incentives
- Medical Decision Support with incentives
- Case Management and Pre-Certification “Mini” Audit
- SHAPE Data Warehouse

➤ Potential for collaborative effort/pool in Albuquerque Metro Area

Economic and Operational Impact of the ACA on APS

- Several benefit enhancements for members have come at an economic cost to the plan:
 - Required specified Preventive Care at no cost to member
 - Elimination of Pre-Existing Conditions
 - Elimination of Lifetime Maximums
 - Elimination of Annual Dollar Limits on Essential Health Benefits
- Additional Fees (approx. \$2.4 million since FY2012)
 - Patient-Centered Outcomes Research Institute (PCORI) Fee
 - Transitional Reinsurance Fee



Impact of High Cost Claimants

➤ 2016 Large Claimant Experience

- 1 individual exceeded the \$750,000 individual stop loss deductible
- Total claims of \$1.46 million during 2016 stop loss contract period
- \$710,000 in recoveries after deductible

➤ 2017 Large Claimant Experience

- 3 individuals exceeded the \$750,000 individual stop loss deductible
- Total claims of \$4.2 million during 2017 stop loss contract period
 - One individual with over \$2.6 million in plan paid costs
- Almost \$2.0 million in recoveries after deductible

➤ 2018 YTD Large Claimant Experience

- Zero individuals have exceeded the \$750,000 individual stop loss deductible **based on data through June 2018**

Multi-Year Reserve Balance Projection

➤ Reserve Best Practices

- Funding Projected FYE Incurred But Not Reported (IBNR) liability is typical
- Contingency Reserve (in excess of IBNR) targets vary widely from employer to employer due to case specific considerations
- Data from Segal survey of 19 states on their current policy/funding levels suggest consideration of 12.5% of projected incurred claims as upper bound

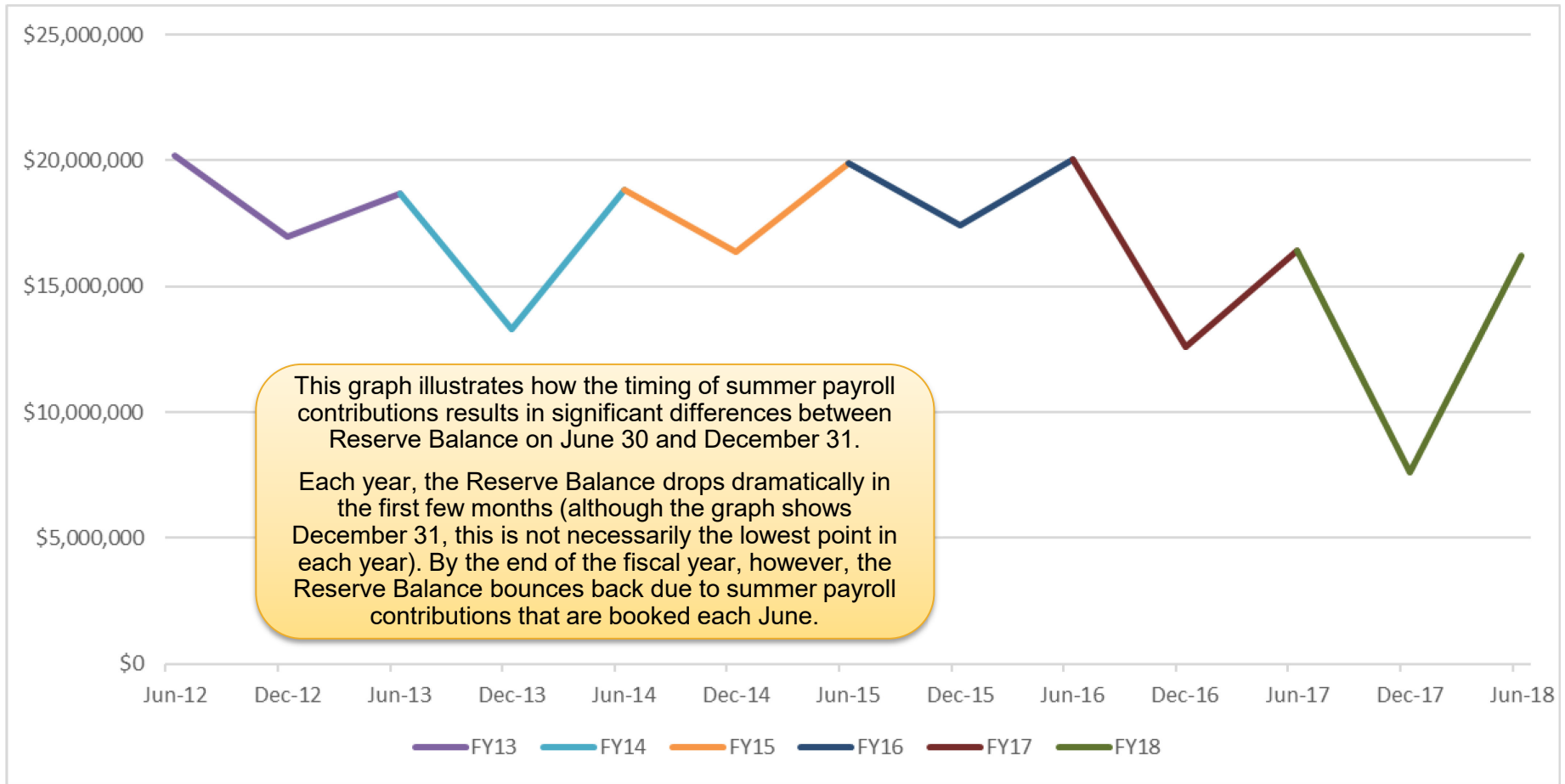
➤ Segal recommends the following Target Reserve Balance

- **Reserve Balance Floor:** 90th Percentile IBNR Estimate plus 5% Margin (approx. \$7,457,000 for FY18)
- **Reserve Balance Ceiling:** 12.5% of projected incurred claims (approx. \$10,040,000 for FY18)

➤ The use of a floor/ceiling approach with a multi-year Reserve Balance projection can:

- Inform long-term planning process
- Avoid significant swings in rate action by illustrating the impact of buildup or burn rate on reserve balance in future years
- Facilitate a disciplined rate-setting approach going forward

Historical Reserve Balance (mid-year vs. end-of-year)



“Like a gardener, I believe what goes down must come up.”

— Lynwood L. Giacomini