

DECEMBER 1, 2016 RENEWAL PROPOSAL

PREPARED FOR:
Warren County



PRESENTED BY:

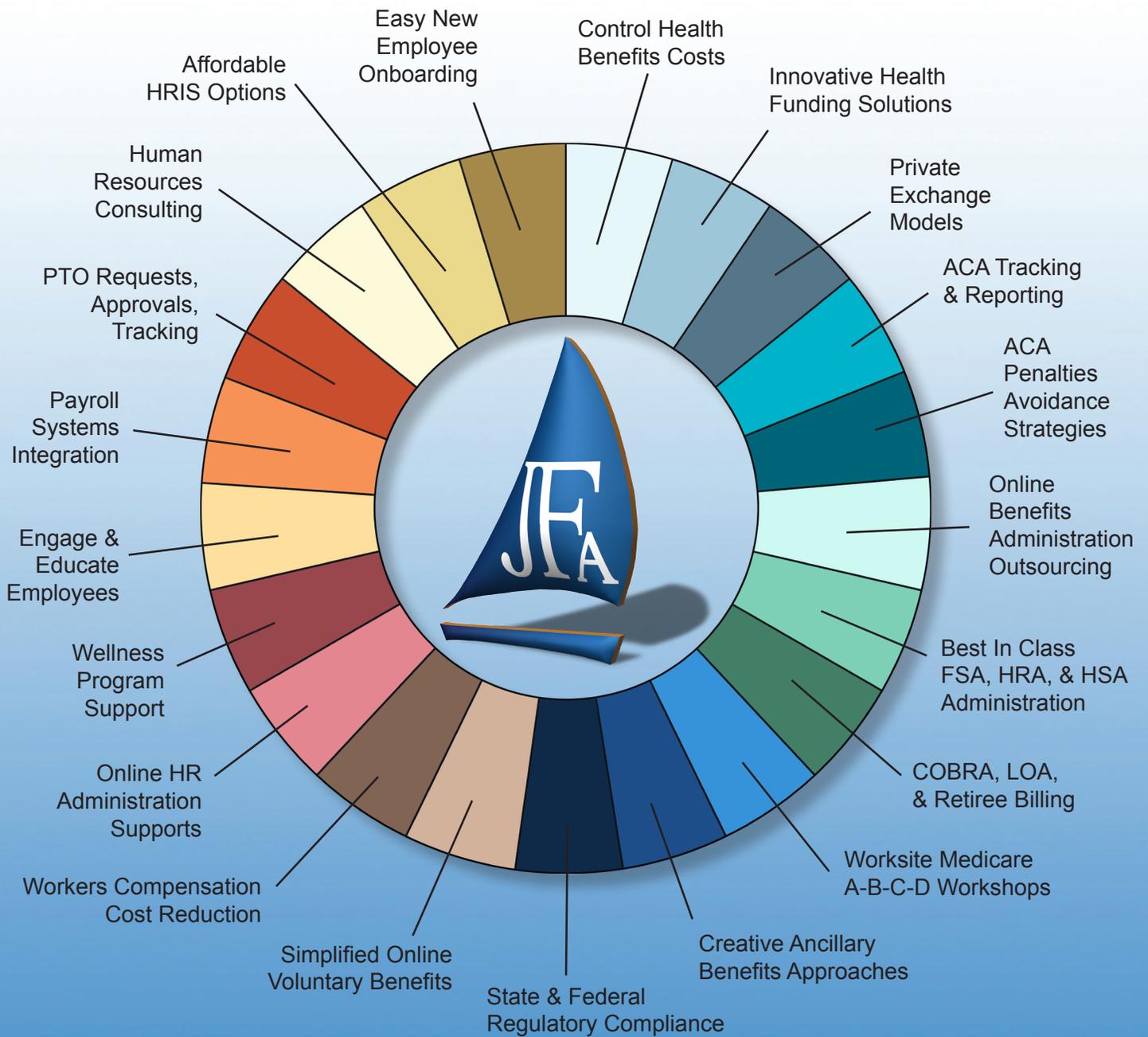
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October 5, 2016

Prepared by Jaeger & Flynn Associates, Inc.



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Whether you have two employees or 2000, Jaeger and Flynn has the combination of products, services, knowledge, and experience to assemble a comprehensive, cost-effective solution to your employee benefit and insurance needs.



MEDICAL INSURANCE

Executive Summary

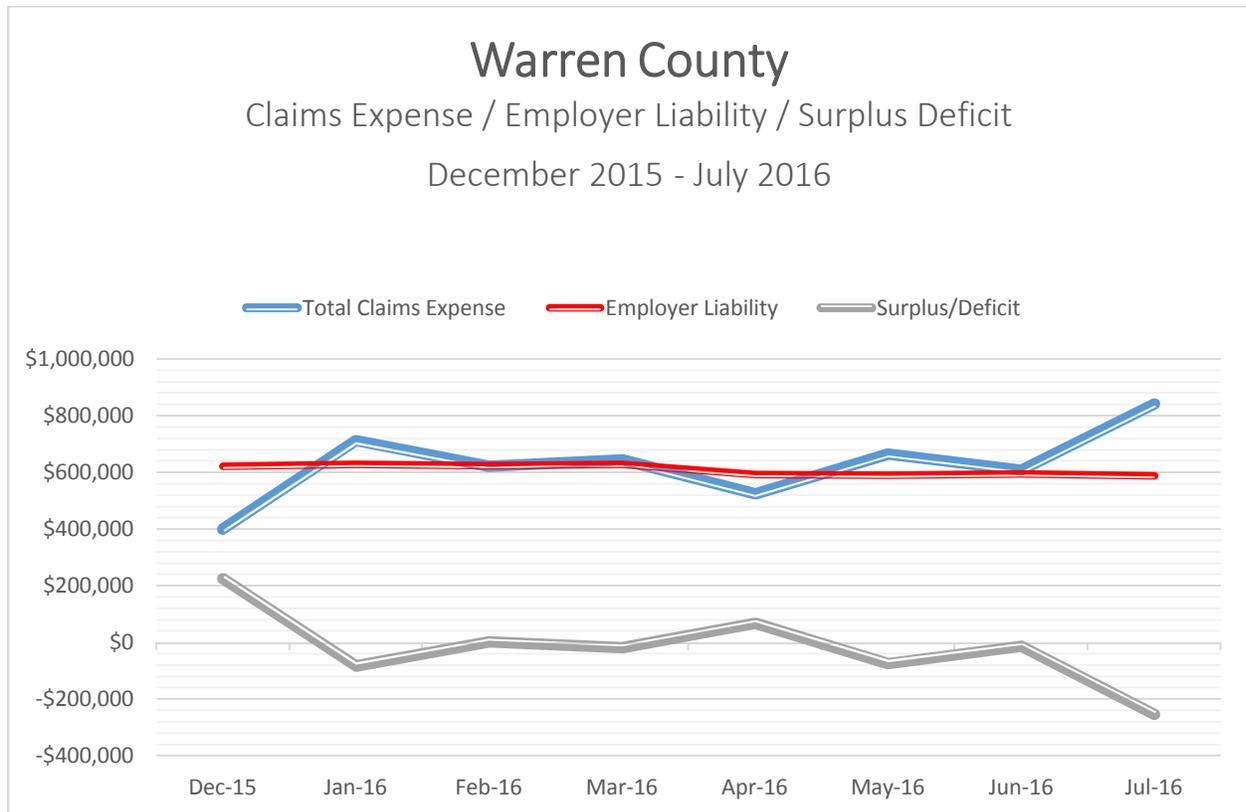
The original renewal from Blue Shield was 13.90% for the upcoming 2016-17 plan-year. JFA has negotiated the renewal down to 5.38%.

The Blue Shield rate consists of three moving parts (see page 7):

1. Minimum premium—the administrative costs which Blue Shield charges to support the program.
2. Employer Liability—an estimated claim target maximum that the County will pay as the employee's utilize the program. Once this number is set, there is no additional liability for the County. The County does not have any risk with this program, and can only accrue a surplus, and is not responsible for any deficit.
3. Terminal Liability---the fund that needs to be built up to cover "run-out" claims IF the county leaves Blue Shield or changes to a different type of contract.

YTD Surplus/Deficit Report

- As of the 8/31/16 report, Warren County is in a \$232,090 DEFICIT (this is never actually paid by Warren County).





MEDICAL INSURANCE

What is driving the 2016 deficit?

- 18 employees have claims in excess of \$50,000
- Two are over the pooling limit of \$250,000.
 - 1 at \$432,995
 - 1 at \$249,731
- Note—2014-15—there were 4 claimants over \$100,000

Affordable Care Act

- Employers need to offer affordable coverage to avoid two sets of penalties:
 - Part A--**Penalty 4980H(a)**--An ALE will be subject to a penalty of \$2,160 per FTE if it does not offer affordable coverage to "substantially all (95%)" benefit eligible employees (employee that average 30 or more hours per week), AND the per FTE penalty is triggered (minus 80 person exclusion) if only one employee receives a premium subsidy at the Exchange.
 - Part B-- **Penalty 4980H(b)**--\$3,240 for every employee that has unaffordable coverage (9.66% of Box 1 W-2 income) offered through Warren County AND receives a premium subsidy at the Exchange. No penalty is anticipated if affordable coverage is achieved and employee's hours are monitored.
- 2015-16—Employee monthly cost for a 20% employee is \$128.25, which would be unaffordable for any employee making under \$15,932 per year.
- 2016-17—Based on the renewal, the Employee monthly cost for a 20% employee is \$135.16, which would be unaffordable for any employee making under \$16,790. (Warren County needs to consider adding a second plan for ACA purposes to stay in compliance over time).
- Cadillac Tax. See chart in proposal.

Dental

- The Delta Dental renewal started at 7.80%, and was negotiated down to 3.90%.
- Warren County's costs are fixed at \$10 per individual and \$24 per family per month are not affected. A 3.90% increase represents \$.52 per pay period for a single employee, and \$1.32 for a family.
- We are recommending a change to the procedure for dependents. Currently, dependents are dropped at age 19 IF they are not full time students. We have asked Delta Dental to follow the same rules as the health carriers do, and allow dependents to stay on the plan to age 26. Coverage for dependents to age 26 is included in the rates.



MEDICAL INSURANCE

- Self-insuring the dental plan was considered, and would enable the monthly rates to be unchanged. The estimated savings was approximately \$15,000; however, the County would be taking on extra risk that doesn't exist today.

Medicare Advantage (for Post 65 Retirees)

- Empire Blue Cross & CDPHP—the plan renews on 1/1/17, and rates and alternatives are not available.
- Challenge--CMS continues to cut carriers subsidies and Medicare Advantage plans are experiencing increases.

Wellness

- Current preventive care compliance is 48%, which is good, but a number that we still want to target and improve upon.
- JFA is participating in the 11/4/16 wellness fair. The wellness fair is a great event and should be continued.
- We believe that an effective way to increase preventive care compliance is to set up a program to incentivize employees to engage in preventive health. We will discuss methods in 2017 to engage employee through payroll based wellness programs.

Transition Plans

- Working with HR and the Treasurers Office to ensure a smooth transition. Continuing to look for areas to streamline and reduce manual/paper based processes.
- Implementing Employee Navigator (electronic enrollment tool), which will be tested out with some admin staff with the upcoming open enrollment. Full blown administration for new hires and terms after 1/1/17. We're looking for Board member involvement.
- COBRA has been taken over and is running smooth (retiree billing will be taken over as renewals are finalized).
- JFA has been introduced to the CSEA contacts for Warren County and have a good long-standing relationship with them.
- Employees/retirees have been notified of the broker transition, and no concerns or issues have occurred.

2017 planning

- If there is interest, we would like to set up workshops throughout the year for any committee and/or board members that want to dig in and learn more about the inner workings of the plans.



MEDICAL INSURANCE

2017 Planning continued...

- Will set up a meeting to present the advantages/disadvantages of self-insuring, timelines, ACA tax savings, mandate avoidance, and risk.
- Blue Shield is coming out with an integrated Telemedicine program sometime in 2017. JFA will be prepared to educate the committee and the employee's once the rollout is complete.

Cadillac Tax Projections (future increases of 8% are for illustrative purposes only)

| Tier | 2015-16 Annual PE's | 2016-17 Actual Annual Rates (assume +5.3%) | 2017-18 Actual Annual Rates (assume +8%) | 2018-19 Actual Annual Rates (assume +8%) | 2019-20 Actual Annual Rates (assume +8%) | Cadillac Tax Thresholds |
|----------------|------------------------|---|---|---|---|----------------------------|
| Employee Only | \$7,695 | \$8,100 | \$8,748 | \$9,448 | \$10,204 | \$10,200 |
| Employee + One | \$9,650 | \$16,625 | \$17,955 | \$19,391 | \$20,943 | \$27,500 |
| Family | \$22,121 | \$23,312 | \$25,177 | \$27,191 | \$29,366 | \$27,500 |

Premium equivalent estimates are illustrative and based on no changes to the current EPO plan design, and with a 5.38% annual increase assumption in premium equivalents in 2016-17, and 8% for future years. Rates are subject to change based on claims utilization and plan design changes.

Warren County

Group Health Plan Analysis

December 1, 2016 Effective Date



| | | Current & Renewal | |
|---|---------------|---|----------------|
| | | BSNENY | |
| | | EPO 25/40 | |
| Benefits | | | |
| Deductible (Single/2P/Family) | | None | |
| Aggregate or Embedded Accumulators | | N/A | |
| Coinsurance | | None | |
| Total OOP Max (Single/2P/Family) | | \$6,350/\$12,700/\$12,700 (Medical + Rx) | |
| Aggregate or Embedded Accumulators | | Embedded | |
| Primary Care Office Visit | | \$25 (\$0 Kids to 19) | |
| Specialist Office Visit | | \$40 | |
| Preventive Care | | Covered in Full | |
| Inpatient Hospital Services | | \$250 | |
| Outpatient Surgery | | \$75 | |
| Emergency Room | | \$100 | |
| Maternity R&B & Delivery Fee | | \$250 | |
| Out-Patient Diagnostic X-ray | | \$25 | |
| Out-Patient Diagnostic Lab Services | | Covered in Full | |
| Home Health Care | | \$40 | |
| Skilled Nursing Facility | | \$250 | |
| Durable Medical Equipment(DME) | | 50% Coinsurance | |
| Diabetic Supplies | | \$25 | |
| Physical or Occupational Therapy | | \$40 | |
| Vision Exam & Hardware | | Exam Every 24 Months; Hardware Included | |
| Prescription Drugs | | | |
| <i>Self-Funded through Express Scripts</i> | | | |
| MAC or DAW | | DAW | |
| Deductible | | None | |
| Generic / Brand / Non-Formulary | | \$10/\$30/\$50 | |
| Annual Prescription Maximum | | Included in Total OOP Max | |
| Mail-Order (90 Day Supply) | | 2.5 X Copay | |
| Stoploss | | \$250,000 | |
| Credibility | | 100% | |
| Out-of-Area Network | | Blue Card | |
| Dependent Age | | Dep to Age 26 | |
| Additional Riders | | Account Deficit will not carry forward between contract years | |
| Minimum Premium | Counts | Current | Renewal |
| Employee Only | 274 | \$80.98 | \$74.95 |
| Employee + 1 | 195 | \$166.00 | \$153.64 |
| Family | 257 | \$232.77 | \$215.44 |
| Estimated Monthly Premium | | \$114,380 | \$105,864 |
| Estimated Annual Premium | | \$1,372,565 | \$1,270,370 |
| Employer Liability | Counts | Current | Renewal |
| Employee Only | 274 | \$417.03 | \$457.59 |
| Employee + 1 | 195 | \$854.90 | \$938.05 |
| Family | 257 | \$1,198.80 | \$1,315.40 |
| Estimated Monthly Premium | | \$589,063 | \$646,357 |
| Estimated Annual Premium | | \$7,068,760 | \$7,756,287 |
| Prescription Equivalents | Counts | Current | Renewal |
| Employee Only | 274 | \$143.26 | \$143.26 |
| Employee + 1 | 195 | \$293.69 | \$293.69 |
| Family | 257 | \$411.85 | \$411.85 |
| Estimated Monthly Premium | | \$202,368 | \$202,368 |
| Estimated Annual Premium | | \$2,428,419 | \$2,428,419 |
| Total MP + EL + Rx Equivalents | Counts | Current | Renewal |
| Employee Only | 274 | \$641.27 | \$675.80 |
| Employee + 1 | 195 | \$1,314.59 | \$1,385.38 |
| Family | 257 | \$1,843.42 | \$1,942.69 |
| Estimated Monthly Premium | | \$905,812 | \$954,590 |
| Estimated Annual Premium | | \$10,869,744 | \$11,455,076 |
| Percentage Change From Current | | | 5.38% |

The existing terminal liability fund is funded at \$1,000,000,
which is \$71,104 over Blue Shield's requirement for December 1, 2016 - November 30, 2017 plan year.

Warren County

Group Health Plan Analysis

December 1, 2016 Effective Date



| | DUAL OPTION | | |
|---|---|---|------------|
| | Current & Renewal BSNENY EPO 25/40 | Voluntary HD Option BSNENY HDEPO 6310 (HRA Compatible) | |
| Benefits | | | |
| Deductible (Single/2P/Family) Aggregate or Embedded Accumulators | None N/A | \$1,500/\$3,000/\$3,000 Embedded | |
| Coinsurance | None | None | |
| Total OOP Max (Single/2P/Family) Aggregate or Embedded Accumulators | \$6,350/\$12,700/\$12,700 (Medical + Rx) Embedded | \$5,000/\$10,000/\$10,000 (Medical + Rx) Embedded | |
| Primary Care Office Visit | \$25 (\$0 Kids to 19) | Ded then \$25 (Kids to 19, Ded then \$0) | |
| Specialist Office Visit | \$40 | Ded then \$40 | |
| Preventive Care | Covered in Full | Covered in Full | |
| Inpatient Hospital Services | \$250 | Ded then \$250 | |
| Outpatient Surgery | \$75 | Ded then \$75 | |
| Emergency Room | \$100 | Ded then \$100 | |
| Maternity R&B & Delivery Fee | \$250 | Ded then \$250 | |
| Out-Patient Diagnostic X-ray | \$25 | Ded then \$25 | |
| Out-Patient Diagnostic Lab Services | Covered in Full | Ded then \$25 | |
| Home Health Care | \$40 | Ded then \$40 | |
| Skilled Nursing Facility | \$250 | Ded then \$250 | |
| Durable Medical Equipment(DME) | 50% Coinsurance | Ded then 50% Coins | |
| Diabetic Supplies | \$25 | Ded then \$25 | |
| Physical or Occupational Therapy | \$40 | Ded then \$40 | |
| Vision Exam & Hardware | Exam Every 24 Months; Hardware Included | Exam Every 24 Months; Hardware Included | |
| Prescription Drugs | <i>Self-Funded through Express Scripts</i> | <i>Self-Funded through Express Scripts</i> | |
| MAC or DAW | DAW | DAW | |
| Deductible | None | None | |
| Generic / Brand / Non-Formulary | \$10/\$30/\$50 | \$10/\$30/\$50 | |
| Annual Prescription Maximum | Included in Total OOP Max | Included in Total OOP Max | |
| Mail-Order (90 Day Supply) | 2.5 X Copay | 2.5 X Copay | |
| Stoploss | \$250,000 | \$250,000 | |
| Credibility | 100% | 100% | |
| Out-of-Area Network | Blue Card | Blue Card | |
| Dependent Age | Dep to Age 26 | Dep to Age 26 | |
| Additional Riders | Account Deficit will not carry forward between contract years | Account Deficit will not carry forward between contract years | |
| Minimum Premium | Current | Renewal | |
| Employee Only | \$80.98 | \$74.95 | \$62.11 |
| Employee + 1 | \$166.00 | \$153.64 | \$127.31 |
| Family | \$232.77 | \$215.44 | \$178.52 |
| Employer Liability | Current | Renewal | |
| Employee Only | \$417.03 | \$457.59 | \$315.57 |
| Employee + 1 | \$854.90 | \$938.05 | \$646.92 |
| Family | \$1,198.80 | \$1,315.40 | \$907.15 |
| Prescription Equivalents | Current | Renewal | |
| Employee Only | \$143.26 | \$143.26 | \$143.26 |
| Employee + 1 | \$293.69 | \$293.69 | \$293.69 |
| Family | \$411.85 | \$411.85 | \$411.85 |
| Total MP + EL + Rx Equivalents | Current | Renewal | |
| Employee Only | \$641.27 | \$675.80 | \$520.94 |
| Employee + 1 | \$1,314.59 | \$1,385.38 | \$1,067.92 |
| Family | \$1,843.42 | \$1,942.69 | \$1,497.52 |
| Percentage Change From Current | | 5.38% | -18.76% |

Warren County

Group Health Market Study



| | Results |
|-------------------------------|-----------------------------|
| Aetna | Declined |
| Blue Shield of NENY | Incumbent Refer to Analysis |
| CDPHP | Non-Competitive |
| Empire Blue Cross/Blue Shield | Non-Competitive |
| MVP | Non-Competitive |

SELF-FUNDED PRESCRIPTION INSURANCE

Premium Equivalents

Current Equivalents December 1, 2015 - November 30, 2016

| | | Census | Current Equivalents | |
|--------------|--|-------------------|---------------------|--|
| Employee | | 274 | \$143.26 | |
| Employee + 1 | | 195 | \$293.69 | |
| Family | | 257 | \$411.85 | |
| a | Estimated Annualized Claims (8/1/15 - 7/31/16) | \$2,161,805 | | |
| b | Total Equivalents X Membership | \$2,428,419 | | |
| c | Premium Equivalents Cover Total Cost By (b-a) | \$266,614 or 112% | | |

Suggested Renewal Equivalents December 1, 2016 - November 30, 2017

| | | Census | Aggressive (0% from Current) | Moderate (10.5% from Current) | Conservative (+19% from Current) |
|--------------|--|--|---------------------------------|----------------------------------|-------------------------------------|
| Employee | | 274 | \$143.26 | \$158.30 | \$170.48 |
| Employee + 1 | | 195 | \$293.69 | \$324.53 | \$349.49 |
| Family | | 257 | \$411.85 | \$455.09 | \$490.10 |
| a | Projected Prescription Claims (14% Trend) | \$2,484,437 | | | |
| b | Total Equivalents X Membership | \$2,428,419 | | | |
| c | Premium Equivalents Exceed Total Cost by (b-a) | -\$56,018 or 98% \$198,966 or 108% \$405,381 or 116% | | | |

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: A moderate premium equivalent setting is created to cover projected claims and provide an 8% cushion for unexpected claim spikes.

Conservative Premium Equivalents: A conservative premium equivalent setting is created to cover projected claims and provide a 16% cushion for unexpected claim spikes.

Warren County

Self Funded Prescription Drug Plan Analysis

December 1, 2016 Effective Date



| | Current & Renewal BSNENY Coverage through Express Scripts | | | |
|---|---|------------|-------------------------|------------|
| | 12/01/2015 - 11/30/2016 | | 12/01/2016 - 11/30/2017 | |
| | Retail | Mail-Order | Retail | Mail-Order |
| Discounts from AWP | | | | |
| Brand | 17.00% | 25.00% | 17.00% | 25.00% |
| Generic | 79.00% | 81.00% | 80.00% | 82.00% |
| Dispensing Fee | | | | |
| Brand | \$1.25 | \$0.00 | \$1.25 | \$0.00 |
| Generic | \$1.25 | \$0.00 | \$1.25 | \$0.00 |
| Administrative Fee | | | | |
| Brand | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Generic | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Rebates (for specific rebate-able drugs) | \$30 | \$85 | \$40 | \$95 |
| Copay | | | | |
| Deductible | None | | None | |
| Generic | \$10 | \$25 | \$10 | \$25 |
| Brand | \$30 | \$75 | \$30 | \$75 |
| 3rd Tier | \$50 | \$125 | \$50 | \$125 |
| Formulary | HealthNow Formulary | | HealthNow Formulary | |

**The projected savings for new renewal discounts/pricing is \$23,775.
There is an additional potential savings for rebates estimated at \$29,660 based on current utilization.**

Alternative Rx Copay Option 1: \$15/\$35/\$55, 2 X Copay Mail-Order
The projected employer savings is approximately \$59,648.

Alternative Rx Copay Option 2: \$20/\$40/\$60, 2 X Copay Mail-Order
The projected employer savings is approximately \$106,420.

Warren County

Group Dental Plan Analysis

December 1, 2016 Effective Date



| | | Current & Renewal | |
|--|---------------|--|----------------|
| | | Delta Dental | |
| | | PPO | |
| Benefits | | In-Network | Out-of-Network |
| Rate Guarantee | | December 1, 2017 | |
| Annual Deductible | | \$35/\$105 (Waived for Diagnostic, Preventive, and Orthodontics) | |
| Individual/Family | | | |
| Annual Plan Maximum | | \$1,500 | \$1,250 |
| Benefits | | | |
| Type I - Diagnostic & Preventive | | | |
| Exams | | 100% | 100% |
| Cleanings | | 100% | 100% |
| Fluoride Treatment | | 100% | 100% |
| Space Maintainers | | 80% | 80% |
| Bitewing X-Rays | | 100% | 100% |
| Diagnostic X-Rays | | 100% | 100% |
| Sealants | | 100% | 100% |
| Type II - Basic Service | | | |
| Fillings, Stainless | | 80% | 80% |
| Simple Extractions | | 80% | 80% |
| Oral Surgery | | 80% | 80% |
| Type III - Major Services | | | |
| Crowns, Inlays, Outlays | | 50% | 50% |
| Bridges | | 50% | 50% |
| Dentures | | 50% | 50% |
| Type IV - Orthodontic Services | | | |
| Appliances & Related Services | | 50% | 50% |
| Orthodontics Lifetime Maximum | | \$750 Lifetime | |
| Periodontic & Endodontic Coverage | | 80% | 80% |
| Waiting Periods | | None | |
| Out-of-Network UCR | | Fee Schedule - Average 40th UCR | |
| Minimum Participation Required | | Current - 542 Lives | |
| Dependent Child/Student Age | | 19/25* | |
| Orthodontia Age Limitation | | 19 | |
| Network | | PPO | |
| Rates | Counts | Current | Renewal |
| Employee Only | 226 | \$28.63 | \$29.75 |
| Family | 342 | \$73.69 | \$76.56 |
| Estimated Monthly Premium | | \$31,672 | \$32,907 |
| Estimated Annual Premium | | \$380,068 | \$394,884 |
| Percentage Change From Current | | 3.9% | |

Underwriting Notes: *Rates will remain the same if dependent age is changed to age 26.

BK 9/28/16



DENTAL INSURANCE

12/01/2016 RENEWAL:

The initial Delta Dental renewal was 7.8%, which equated to approximately an additional \$29,564 in premium annually. Jaeger & Flynn Associates, Inc. appealed and negotiated the renewal with Delta Dental to 3.9%, which equates to approximately an additional \$14,816 in premium annually.

SELF-FUNDED SAVINGS ANALYSIS:

The following exhibit calculates the projected savings to change Warren County's group dental insurance policy from fully-insured to self-funded.

Self-Funded Savings Analysis (Estimated Annual Cost)

| | |
|--|-----------|
| Fully Insured Premium (12/1/16 - 11/30/17) | \$394,884 |
| Dental Claims (7/1/15 - 6/30/16, 5.7% Trend) | \$336,778 |
| Annual Admin (\$6.28 PEPM X 568 Employees) | \$42,804 |
| Total Estimated Claims + Admin | \$379,582 |

Projected Savings \$15,302