



Board of County Commissioners Agenda Request



Requested Meeting Date: July 28, 2015

Title of Item: Health Insurance

<input checked="" type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> INFORMATION ONLY	Action Requested: <input checked="" type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing* <i>*provide copy of hearing notice that was published</i>
Submitted by: Nathan Burkett		Department: Administration
Presenter (Name and Title): Nathan Burkett, County Administrator		Estimated Time Needed:
Summary of Issue: Please see the attached memo.		
Alternatives, Options, Effects on Others/Comments:		
Recommended Action/Motion: Authorize by consensus or motion for staff to proceed with preparations to adopt a Hybrid Model for employee health insurance benefits, and to present full recommendation to the County Board no later than October 27, 2015.		
Financial Impact: <i>Is there a cost associated with this request?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No <i>What is the total cost, with tax and shipping? \$</i> <i>Is this budgeted?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>		

Legally binding agreements must have County Attorney approval prior to submission.

AITKIN COUNTY ADMINISTRATION

Aitkin County Courthouse
Nathan Burkett, Administrator
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Aitkin, MN 56431
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TO: County Board
FROM: Nathan Burkett 
CC:
DATE: July 23, 2015
RE: Employee Health Insurance Benefits

RECOMMENDATION

Grant approval by consensus or by motion for County staff to proceed with preparations to adopt a Hybrid Model for employee health insurance benefits and to present full recommendation to the County Board no later than October 27, 2015.

This approval does not end the County's participation in North East Service Cooperative at this time.

SUMMARY

During the 2015 budgeting period and negotiations for CYs 2015 and 2016 the County Board directed that the County work to find a solution for employee health benefits that was more affordable for employees and would lead to long term cost control for both employees and the County.

In early 2015 Administration began meeting with AFSCME to discuss insurance. We explored several options and issued a request for proposals (RFP) for health insurance benefits. In June, we added non-union staff to the workgroup and began exploring an option called a "hybrid model".

The Insurance Workgroup is requesting that the County Board authorize the necessary expenditures and effort for the County to set up the Hybrid Model, but not necessarily to adopt it fully at this time.

Insurance rates for the Hybrid Model will not be available until early October. At which time, we will be able to complete the financial analysis, establish proposed financial terms and determine if Aitkin County should opt out of North East Service Co-op for insurance benefits.

As of this writing, it appears as though there are at least two other counties that will also be transitioning to the Hybrid Model in 2016, and several counties that have been using it in the past.

WHAT IS A “HYBRID MODEL”

Due to changes within the Affordable Care Act (ACA) individual insurance plans can now be purchased on the open market and the carriers (such as Blue Cross/Blue Shield) cannot decline coverage or consider anything but an applicant’s age and zip code in setting the rate for a given plan. Plans are also required to meet certain minimum standards that were not in place before the ACA.

The most simple explanation is that in the Hybrid Model the County would purchase individual plans for employees and their eligible dependents on the open market (note: this is similar to but not, MNSure). The risk for any given plan year would be fully transferred to the carrier that the plan is purchased through. In our current plan, NESC takes our payments and pays claims out of the “pot” that Aitkin County and our employees contribute. The risk in any given plan year is on NESC and Aitkin County to cover any catastrophic losses.

How does the Hybrid Model work for Employees?

Employees will see no change in the way their health coverage is used. They will still receive a card from a carrier (BCBS in this case), and be able to access health care coverage in the same way that they have historically.

Open enrollment, which we believe will probably be easier because we are working with NexBen. Nexben is the company that would serve as our broker/agent, and they have developed a point and click technology tool for employees to use to open enroll.

Because of the way the Hybrid Model is set up, and because of the plan offerings, the County would no longer be able to offer a VEBA account to our employees. The employees with VEBA balances would still be able to access them in a more limited way until they leave the employment of the County. The County would still be able to offer an HSA and would still offer flexible benefit accounts (such as those for daycare).

At this time the insurance workgroup believes that to ease the transition we will only offer BCBS plans that have the same network and similar coverage to our VEBA 100 plan or our HDHP plan; but in the future it is possible that more carriers and plan options can be added, increasing employee choice.

How does the Hybrid Model Work for the County?

Administration of the Hybrid Model should be very similar to, if not easier than administration of the current benefit offerings. After the initial transition, there should be no additional administrative work that comes from choosing the Hybrid.

What are the risks of adopting a Hybrid Model?

The biggest risk is that the Hybrid Model has not been fully tested. We have received legal opinions and are continuing to do legal research to ensure that the Hybrid Model is a model that will not expose the county to new or additional risk. The biggest risks at this time is that the ACA will be changed or rules and regulations changed so that this model is no longer legal. These risks are minimized because:

- NexBen carries an insurance policy issued through Travelers Insurance Group that will reimburse the County if the County is subject to any fines because of non-compliance with the ACA.
- In the event we cannot use the Hybrid Model, we will be able to return to our original plans with minimal effort.

The next risk, which is always present in insurance, is that our rates are dependent on the experience of the group. Right now, our insurance rates are dependent upon the health care usage of approximately 240 people who are covered under our plan. Under the Hybrid Model, our rates would be dependent upon the health care usage of approximately 171,000 plan members across the State of Minnesota. Historically, the rates in plans with a greater membership have been more stable and increase in line with changes in the actual cost of health care. In a smaller plan (like our current plan) a couple of catastrophic health events among the plan membership can impact the rate greatly.

What are the benefits of adopting a Hybrid Model?

The biggest benefit is financial. The County will be able to offer a better set of options for employee health benefits at a lower cost. Employees should see a reduction in employee contributions and total deductibles. The County should realize a long term cost containment that will result in lower costs going forward.

In the long run, employees will likely have more options and their health benefits will become more integrated due to the technology platform being offered by NexBen.

FINANCIAL IMPACTS

There are many significant variables that will impact the financial analysis of opting for a Hybrid Plan. Presenting a firm financial analysis at this point is difficult because of these variables:

- BCBS plan rates are unknown until October 1.
- We do not know how many employees will choose single or family plans at this time, and cannot effectively project them with reasonable confidence until we know the rates from BCBS and what the County can offer as employer paid contributions.

Ultimately, we are highly confident that no matter the rates from BCBS and which plan employees choose, we can come up with a solution that reduces out of pocket costs for health care (primarily for our employees that need family insurance). We believe that this is possible without increasing the County's total dollar commitment to employer paid

benefits. We also believe that the long term costs of employee health benefits will stabilize and be much more controlled in to the future, resulting in future cost savings for the County. At this time we are not projecting or guaranteeing that the County will see cost savings in 2016 by switching to the Hybrid Model.