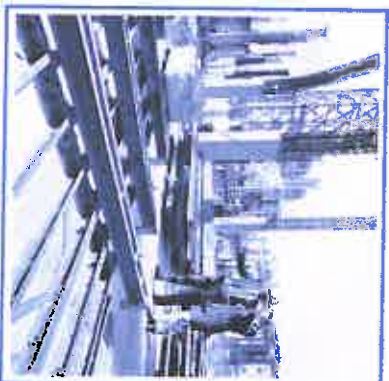


**CONNOR
STRONG &
BUCKELEW**



Union Meetings Informational Seminar County of Bergen

December 11, 2014

Executive Summary

- The County of Bergen currently offers Medical, Prescription Drugs and Dental coverage for approximately 2,237 Active Employees and Pre 65 Retirees and 895 Post 65 Retirees for a total of 3,132 Employees/Retirees on a self funded basis. These coverages are administered by Horizon Blue Cross Blue Shield and Delta Dental. The HMO and a portion of the Dental remain on an insured basis. The Prescription Drug plan is self funded and is administered by Express Scripts.
- The purpose of today's session is to review the 2015 cost projections inclusive of:
 - Chapter 78 Overview
 - Budget Adequacy
 - Premium Equivalent Development
 - Summary

Chapter 78 Overview

- Chapter 78 took effect on June 28, 2011 and establishes a new contribution arrangement requiring Public employees to contribute to the cost of their benefits program. Contributions are based on the actual cost of the coverage tiered by base salary.
- The County of Bergen has been most diligent in complying with the law. 91.7% of the County's Chapter 78 eligible employees will be in Tier 3 or Tier 4 status by January 2015.
- As the County's plan year has been revised to reflect a calendar year policy period, effective January 2014, **all contribution changes scheduled to take effect on July 2014 will be held until January 2015.** Previously all contribution adjustments were applied in July.
- The 2015 premium increases as dictated by Chapter 78 will be applied to the cost projection for 2015 that will be released December 2014.

Budget Adequacy

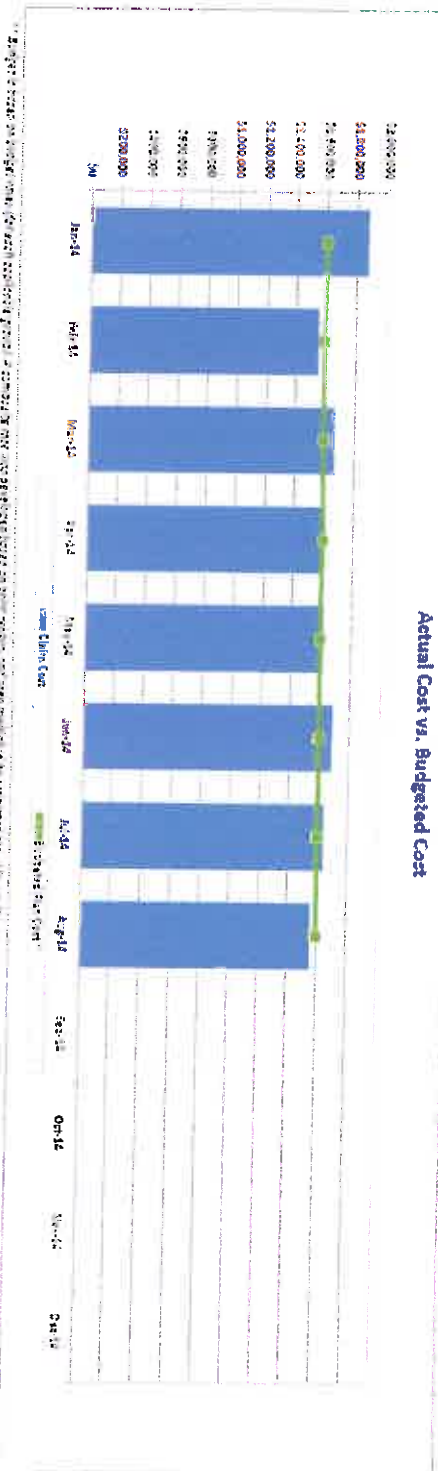
Direct Access, Traditional, PPO and Pharmacy Plan

Calendar Year 2014

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Plan Year
Actual Enrollment Count	3,320	3,135	3,197	3,322	3,422	3,322	3,456	3,272					3,425
Actual Plan Cost	\$4,314,078	\$4,446,877	\$4,183,459	\$5,212,829	\$4,724,172	\$5,147,278	\$5,065,903	\$4,704,514					\$40,863,480
Class Cost													
Reimbursements*	(\$67,316)	(\$67,316)	(\$67,316)	(\$67,316)	(\$67,316)	(\$67,316)	(\$67,316)	(\$67,316)					(\$538,525)
Capitations	\$141,725	\$141,725	\$141,725	\$141,725	\$141,725	\$141,725	\$141,725	\$141,725					\$1,159,800
Plan Cost	\$4,388,487	\$4,521,286	\$4,263,868	\$5,292,240	\$4,728,672	\$5,189,688	\$5,039,302	\$4,788,944					\$41,484,755
Budgeted Plan Cost***	\$5,229,088	\$4,782,166	\$5,489,085	\$5,584,878	\$5,090,316	\$5,485,570	\$5,401,570	\$5,789,074					\$45,811,025
Total Plan Budget	\$5,270,704	\$5,466,229	\$5,620,110	\$5,673,108	\$5,270,705	\$5,476,479	\$5,405,117	\$5,493,580					\$49,019,126
Total Surplus / (Deficit)	\$428,819	\$270,897	(\$429,651)	(\$595,490)	(\$592,313)	(\$719,667)	(\$82,270)	(\$672,433)					\$267,201
Cost to Budget Ratio	95.4%	97.1%	100.4%	101.3%	100.8%	100.1%	98.5%	101.7%					99.4%
Widespread Flags	96.2%	97.8%	100.2%	100.1%	100.4%	100.0%	99.6%	100.5%					99.7%

* Reimbursements are based on the 2014-2015 plan and have been adjusted evenly throughout the year.

Actual Cost vs. Budgeted Cost

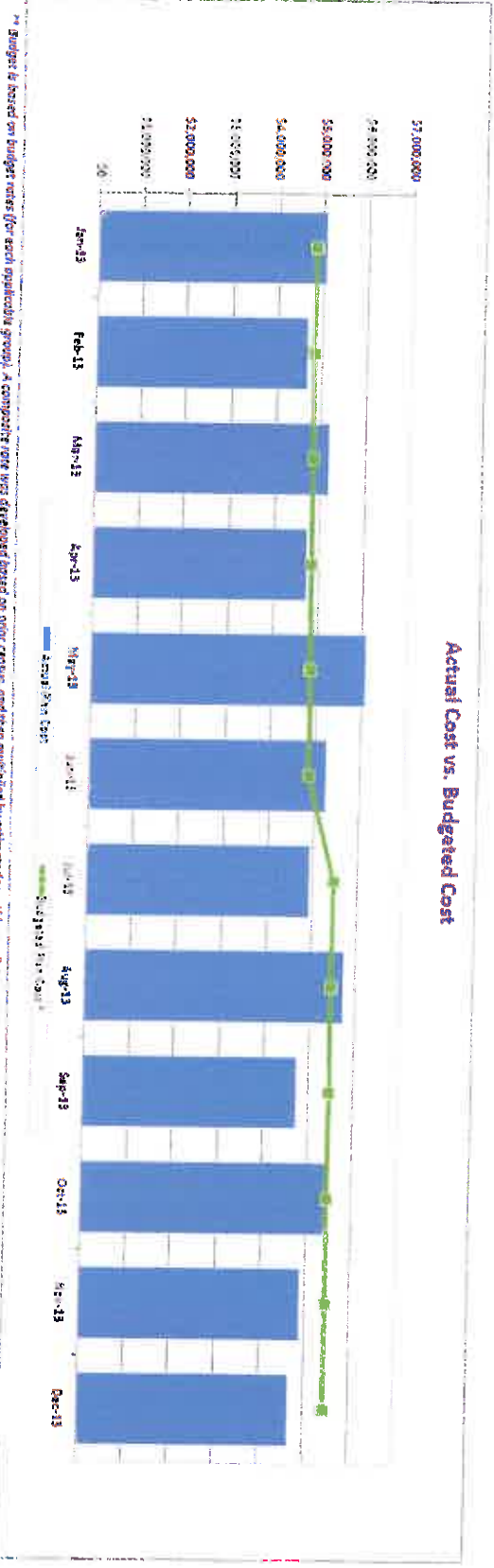


Budget Adequacy

Direct Access, Traditional, PPO and Pharmacy Plan

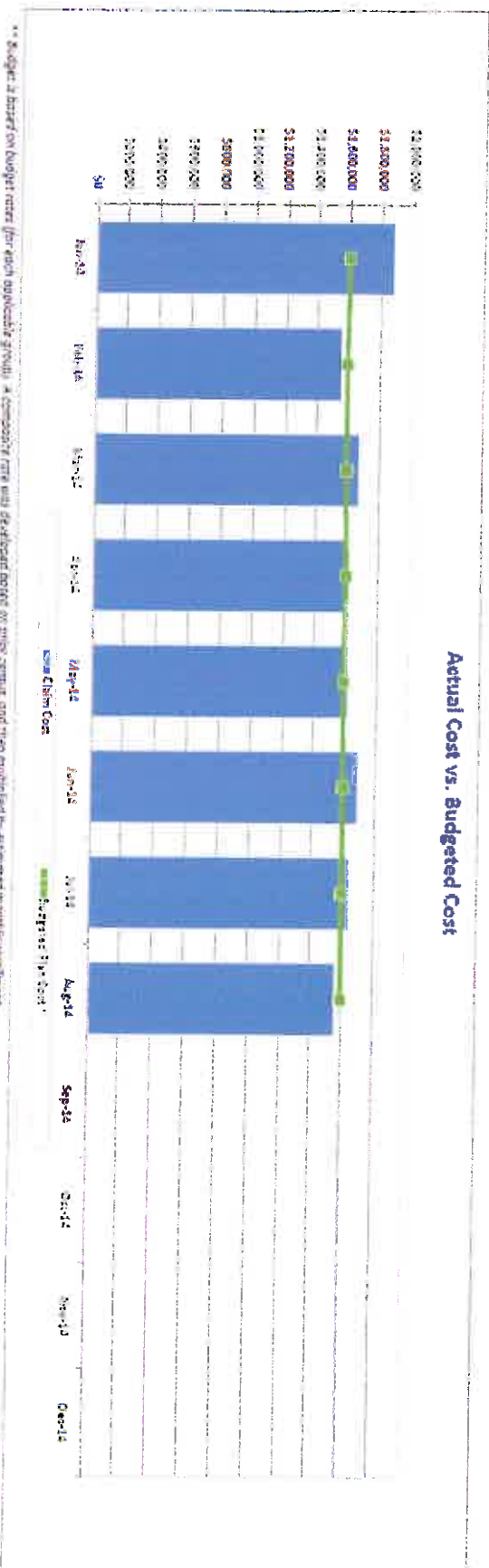
Calendar Year 2013

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Year Total
Med Enrolment Count	3,302	3,084	3,110	3,115	3,127	3,429	3,128	3,123	3,128	3,123	3,111	3,119	3,117
Actual Plan Cost	\$4,877,461	\$4,461,165	\$5,005,512	\$4,559,594	\$5,886,281	\$5,062,542	\$4,588,997	\$5,362,169	\$4,366,712	\$5,127,139	\$4,534,956	\$4,919,435	\$50,390,823
Reimbursements	(\$173,223)	(\$173,223)	(\$173,223)	(\$173,223)	(\$173,223)	(\$173,223)	0	0	0	0	0	0	(\$1,235,996)
Capex	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$151,789	\$1,821,486
Phac Cost	\$322,000	\$211,248	\$112,447	\$212,982	\$113,709	\$113,842	\$110,940	\$113,259	\$113,840	\$113,458	\$113,289	\$113,162	\$1,259,575
Total Plan Cost	\$5,028,228	\$4,549,935	\$5,201,024	\$4,734,153	\$6,078,555	\$5,138,095	\$4,954,426	\$5,727,257	\$4,732,141	\$5,502,237	\$4,900,043	\$4,958,130	\$51,551,865
Budgeted Plan Cost *	\$4,850,000	\$4,229,277	\$4,941,939	\$4,462,123	\$4,861,750	\$4,867,288	\$5,445,343	\$5,458,585	\$5,445,343	\$5,471,935	\$5,447,072	\$5,453,555	\$51,023,243
Techn Plan Budget													
Total Surplus / (excess)	(\$128,024)	\$344,394	(\$233,155)	\$97,215	(\$1,216,784)	(\$287,001)	(\$119,921)	(\$100,027)	\$731,175	(\$20,992)	(\$547,829)	\$757,825	5,392,481
Cost to Budget Ratio	104.5%	97.0%	107.4%	98.0%	125.0%	108.0%	90.8%	104.9%	86.8%	100.9%	89.9%	86.1%	99.5%



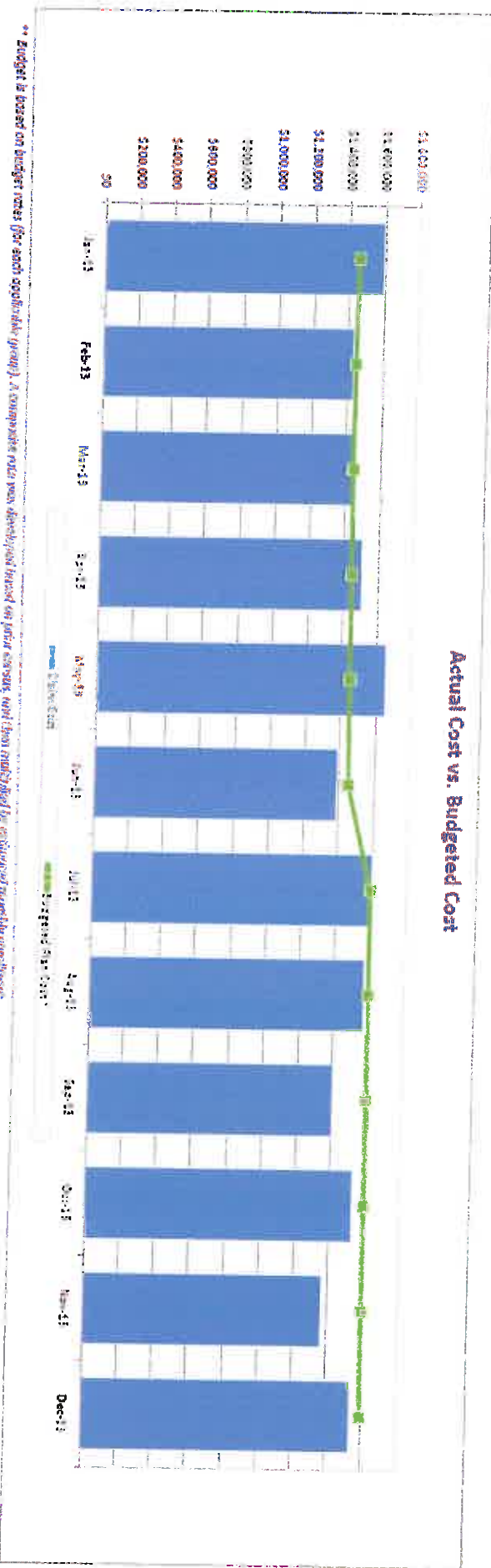
Budget Adequacy Pharmacy Only Calendar Year 2014

	Jan-14	Feb-14	March	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Calendar Year
Enrollment Count	3,494	3,470	3,447	3,482	3,463	3,478	3,478	3,475					3,475
Actual Plan Cost	\$1,893,204	\$1,554,938	\$1,671,668	\$1,670,880	\$1,613,426	\$1,604,428	\$1,644,228	\$1,561,894					\$19,113,410
Budgeted Plan Cost *	\$1,556,479	\$1,590,059	\$1,528,646	\$1,555,358	\$1,528,148	\$1,594,728	\$1,593,726	\$1,566,726					\$19,141,094
Total Surplus / (Deficit)	(\$335,734)	\$364,121	143,022	(\$114,522)	(\$84,722)	(\$90,300)	(\$54,502)	\$95,168					(\$27,684)
Cost vs Budget Ratio	117.9%	97.8%	108.2%	100.4%	107.5%	105.3%	103.0%	98.0%					103.7%



Budget Adequacy Pharmacy Only Calendar Year 2013

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Calendar Year
Encounter Count	2,450	2,493	3,433	3,462	3,463	3,476	3,477	3,493	3,465	2,453	3,482	3,478	3,474
Actual Plan Cost													
Claim Cost	\$1,559,823	\$1,428,170	\$1,497,318	\$1,514,748	\$1,547,545	\$1,391,659	\$1,596,519	\$1,970,118	\$1,400,282	\$1,932,267	\$1,962,145	\$1,532,790	\$18,016,269
Budgeted Plan Cost *													
Total Plan Budget	\$1,452,938	\$1,449,194	\$1,441,117	\$1,444,473	\$1,446,543	\$1,451,551	\$1,533,267	\$1,594,632	\$1,597,391	\$1,596,016	\$1,596,100	\$1,599,725	\$18,251,902
Total Surplus / (Deficit)	106,885	108,976	56,201	70,275	100,999	139,862	63,252	375,486	804,891	336,251	366,045	933,065	\$1,764,367
Cost to Budget Ratio	109.9%	98.8%	101.3%	104.1%	113.9%	95.9%	100.3%	124.5%	98.9%	97.7%	95.4%	95.2%	98.7%



** Budget is based on budget rates for each geographic group. A composite rate was developed based on prior costs, not then analyzed by geographic group.

Development of Premium Equivalents

- **Definition of Premium Equivalents**
 - Premium Equivalents are defined as billable rates for self funded insured customers. Also known as a fully insured equivalent rate, these rates are utilized to allow for budgeting of insurance costs. In addition, to budgeting purposes, premium equivalents are also used as a benchmark to set employee contributions which are based on a percentage of premium.

- **Premium Equivalent Rate Development**
 - Premium Rates are comprised of two components, claims costs and fixed expenses. This rate development utilizes the same methodology (inclusive of the items noted below) to project future costs. Equivalent rates are developed using several data points.

Development of 2015 Costs

- The County's historical claims experience is required to project future costs. This claims experience includes: member claim utilization patterns, high level or catastrophic claims activity, network utilization and claims incurred by type of service.
 - Cost - reimbursement to the Provider and Hospitals
 - Utilization - is the frequency that the members acquire care.
- For purposes of the 2015 renewal, an experience period of September 2013 through August 2014 was used. The base claims are \$59,489,800 for Medical and Pharmacy combined.
- As noted above, both the claims and the fixed expense component are required to project future costs on a group of the County's size. The claims expense accounts for approximately 90% of the overall premium dollar, while the balance is used to cover fixed expenses.
- Administrative expenses are necessary to run the plan. This would include customer service, claims processing, stop-loss, consultant expenses and cost containment.
- The claims component in addition to the fixed expense will produce an aggregate dollar spend for the health program in its entirety.

Development of 2015 Medical Costs

MEDICAL PLAN

ACTIVE RATES:***

1. Net Horizon BCNSNJ Paid Claims (9/1/2013-8/3/2014):
(Paid claims + capitation less stop-loss recovery) \$39,579,710
2. Average Enrollment: 3,132
3. Annual Trend: 8.0%
(calculated based on County overall plan performance)
4. Projected Enrollment 3,153
5. Projected Paid Claims based on 3,153 lives: \$44,150,828
6. Capitations \$1,751,807
7. Projected Paid Claims including Capitations \$45,902,635
8. Administration: \$1,198,266
(HBCRSNJ Administration, COBRA Admin, etc.)
9. Stop-Loss Specific Insurance: \$1,839,207
(Reinsurance for catastrophic claims)
10. Health Care Reform Fees: \$364,740
11. Claims Fluctuation Margin: \$596,674
12. Total Cost Need: \$49,901,522
13. Current Plan Cost \$44,518,878
- 14 % Increase from Current 12.1%
15. \$ Increase from Current \$5,382,644

Medical Plans	Tier	Enrollment	ACTIVE RATES:***		
			2012/13 Rate	2013/14 Rate	2015 Rate
Direct Access	Employee	564	\$600.98	\$659.88	\$739.42
	P/C	155	\$877.44	\$963.43	\$1,079.56
	H/W	304	\$1,310.16	\$1,438.56	\$1,611.95
	Family	586	\$1,532.53	\$1,682.72	\$1,885.55
Traditional	Employee	43	\$1,105.92	\$1,214.30	\$1,360.67
	P/C	12	\$1,614.67	\$1,772.91	\$1,986.61
	H/W	23	\$2,410.95	\$2,647.22	\$2,966.31
	Family	45	\$2,820.13	\$3,096.50	\$3,469.74
PPO	Employee	2	\$1,050.65	\$1,153.61	\$1,293.20
	P/C	0	\$1,533.96	\$1,684.29	\$1,888.09
	H/W	1	\$2,290.41	\$2,514.87	\$2,819.17
	Family	2	\$2,679.13	\$2,941.68	\$3,297.62

*Projections are based on an annual trend of 8%

Development of 2015 Rx Costs

PHARMACY PLAN

1. Express Scripts Plan Cost: (9/1/2013-8/31/2014) \$19,119,502
2. Projected Enrollment: 3,479
3. Projected Plan Cost: \$21,481,956
4. Current Plan Cost: \$18,332,668
5. Increase/(Decrease) From Current \$3,149,288
6. % Increase/(Decrease) From Current 17.2%

ACTIVE RATES**

Rx Plans	Tier	Enrollment	2012/13 Rate	2013/14 Rate	2015 Rate
\$7.51/\$45	Employee	2	\$206.50	\$226.73	\$265.67
	P/C	0	\$265.49	\$291.49	\$341.57
	H/W	1	\$413.05	\$453.51	\$531.41
	Family	9	\$453.26	\$497.66	\$583.15
\$5/15/30, \$5/30/60	Employee	835	\$210.71	\$231.35	\$271.00
	P/C	77	\$270.90	\$297.43	\$348.41
	H/W	247	\$421.47	\$462.75	\$542.06
	Family	662	\$462.52	\$507.82	\$594.86
\$5/15	Employee	293	\$280.95	\$308.47	\$361.46
	P/C	81	\$361.20	\$396.58	\$464.70
	H/W	106	\$561.99	\$617.03	\$723.03
	Family	600	\$617.02	\$677.45	\$793.83
\$5/15; \$7.50	Employee	107	\$291.31	\$319.84	\$374.79
	P/C	35	\$374.58	\$411.27	\$481.92
	H/W	27	\$582.63	\$639.70	\$749.59
	Family	232	\$640.89	\$703.66	\$824.54
\$5/15; \$0/0	Employee	19	\$313.23	\$343.91	\$402.99
	P/C	3	\$402.78	\$442.23	\$518.20
	H/W	6	\$626.49	\$687.85	\$806.02
	Family	53	\$689.13	\$756.63	\$886.61
\$5/15; \$7.50/15	Employee	18	\$289.85	\$318.24	\$372.91
	P/C	8	\$372.71	\$409.22	\$479.51
	H/W	14	\$579.72	\$636.50	\$745.84
	Family	24	\$637.68	\$700.14	\$820.41

*Based on annual trend of 9%
 **2012/13 Premium Equivalents multiplied by enrollment
 ***COBRA rates equal rates noted plus 2%

Summary

- To re-cap, the 2013 renewal increase of 9.8% was developed in May 2013 for a July 2013 through June 2014 renewal cycle. Through the Request for Proposal (RFP) process and for ease of administration, the County's renewal cycle was changed from a July through June policy period to a calendar year period effective January 2014. The existing premium rates were not changed and will hold through December 2014. The next renewal premium adjustment will be January 2015.
- The 2015 renewal reflects a composite of 13.5% reflecting a 12.1% increase on the Medical plan and a 17.2% increase on the Pharmacy plan. Prevalent medical conditions include musculoskeletal, cardiovascular and cancer claims. The pharmacy increase is being driven by an increased use of specialty medications.
- A point of note is the premium increases discussed include 1% for Health Reform and the waived increase of 1.5%. If the July 2014 waived increase of 1.5% and the HCR adjustments were eliminated, the actual increase would be 11% vs. the 9.8% in place for the 2014 calendar increase.
- The County is also exploring the addition of lower cost options. Members will have the option of choosing a lower cost, comprehensive plan that would translate to lower member contributions.