

West Haven, City and Board of Education

ANALYSIS OF HEALTH PLAN OPTIONS

**State of Connecticut Municipal
Accountability Review Board (MARB)**

January 8, 2019

Current Plan Description

- West Haven is in a self-funded arrangement with Anthem BCBS as its third party administrator (TPA) for Actives and Non-Medicare Retirees Medical and Prescription Drug plan
- Plan designs include standard co-pay PPO plans and High Deductible Health Plans (Board of Ed)
- Stop Loss coverage is provided by Tokio Marine HCC
- Medicare Retirees are in a self-funded Medicare Supplement plan with Zenith as the TPA

Current Plan Costs

Gross Expenses for the City and Board of Education for current plans are projected to be \$31,412,100 for Fiscal Year 2019 and \$33,744,900 for Fiscal Year 2020.

| | City of West Haven | | West Haven Board of Education | |
|--|---------------------|---------------------|-------------------------------|---------------------|
| | 2019 | 2020 | 2019 | 2020 |
| Medical Claims - Anthem | \$8,338,400 | \$8,922,200 | \$10,414,000 | \$11,143,000 |
| Prescription Drug Claims - Anthem | \$2,272,500 | \$2,477,000 | \$2,677,300 | \$2,918,200 |
| Medical Claims - Zenith American | \$498,200 | \$533,100 | \$416,900 | \$446,100 |
| Prescription Drug Claims - Zenith American | \$916,400 | \$998,800 | \$792,100 | \$863,300 |
| Prescription Rebates - Zenith American | (\$155,500) | (\$169,500) | (\$163,800) | (\$178,600) |
| HSA Contributions | \$0 | \$0 | \$790,000 | \$790,000 |
| Medicare Supplemental Program Administration | \$22,500 | \$23,400 | \$121,500 | \$126,400 |
| Medical Administration | \$63,200 | \$65,800 | \$108,800 | \$113,100 |
| Medical Commissions | \$48,000 | \$50,000 | \$0 | \$0 |
| Network Access Fee | \$0 | \$0 | \$25,500 | \$26,500 |
| Individual Stop Loss Premium | \$567,500 | \$647,000 | \$921,900 | \$1,051,000 |
| Medical Aggregate Stop Loss Premium | \$76,500 | \$81,800 | \$124,200 | \$133,000 |
| Dental Claims - Anthem | \$390,500 | \$406,100 | \$692,000 | \$719,700 |
| Dental Administration | \$19,900 | \$20,700 | \$5,200 | \$5,400 |
| Dental Commissions | \$0 | \$0 | \$0 | \$0 |
| ACA Related Fees & CT State Mandated Fees | \$23,800 | \$24,700 | \$33,600 | \$34,700 |
| Expense Subtotal | \$13,081,900 | \$14,081,100 | \$16,959,200 | \$18,191,800 |
| Self-Funded Claim Margin (5%) | \$621,000 | \$667,000 | \$750,000 | \$805,000 |
| Expense Total Including Margin | \$13,702,900 | \$14,748,100 | \$17,709,200 | \$18,996,800 |

Plan Design Change Savings Analysis

Effective January 1, 2019

Scenario 1

- All Groups move to HDHP plan currently in place for some Board of Education groups.

| CITY | Current Plan | Plan Option 1 HDHP/HSA |
|---|--------------------|------------------------|
| Expected Medical/Rx Costs | | |
| Projected Medical/RX Claims | \$7,037,400 | \$6,017,500 |
| Projected Administration Costs | \$552,600 | \$577,200 |
| Total Annual HSA Contributions | N/A | \$514,000 |
| Gross Annual Plan Cost | \$7,590,000 | \$7,108,700 |
| Estimated Gross Cost | | -6.34% |
| Savings | | \$481,300 |
| Estimated Employee Contributions | | |
| Projected Medical/RX Contributions | \$1,108,900 | \$883,100 |
| Net Annual Plan Cost | \$6,481,100 | \$6,225,600 |
| Estimated Net Cost | | -3.94% |
| Savings | | \$255,500 |

Estimated Net Savings
\$255,500 City

Plan Design Change Savings Analysis

Effective January 1, 2019

Scenario 2

- Introduction of new HDHP plan design with 10% member coinsurance for all groups.

| CITY | Current Plan | Plan Option 2 HDHP/HSA |
|---|--------------------|------------------------|
| Expected Medical/Rx Costs | | |
| Projected Medical/RX Claims | \$7,037,400 | \$5,573,900 |
| Projected Administration Costs | \$552,600 | \$577,200 |
| Total Annual HSA Contributions | N/A | \$514,000 |
| Gross Annual Plan Cost | \$7,590,000 | \$6,665,100 |
| Estimated Gross Cost | | -12.19% |
| Savings | | \$924,900 |
| Estimated Employee Contributions | | |
| Projected Medical/RX Contributions | \$1,108,900 | \$824,400 |
| Net Annual Plan Cost | \$6,481,100 | \$5,840,700 |
| Estimated Net Cost | | -9.88% |
| Savings | | \$640,400 |

**Estimated Net Savings
\$640,400 City**

| BOARD OF EDUCATION | Current Plan | Plan Option 2 HDHP/HSA |
|---|---------------------|------------------------|
| Expected Medical/Rx Costs | | |
| Projected Medical/RX Claims | \$11,247,200 | \$10,282,200 |
| Projected Administration Costs | \$1,173,600 | \$1,182,500 |
| Total Annual HSA Contributions | \$790,000 | \$978,000 |
| Gross Annual Plan Cost | \$13,210,800 | \$12,442,700 |
| Estimated Gross Cost | | -5.81% |
| Savings | | \$768,100 |
| Estimated Employee Contributions | | |
| Projected Medical/RX Contributions | \$2,457,700 | \$2,190,000 |
| Net Annual Plan Cost | \$10,753,100 | \$10,252,700 |
| Estimated Net Cost | | -4.65% |
| Savings | | \$500,400 |

**Estimated Net Savings
\$500,400 Board of Education**

Plan Design Change Savings Analysis

Effective January 1, 2019

State of Connecticut Partnership Plan v. 2

➤ Estimated Net Savings:

- **City:** Actives and Retirees (\$2,627,000)
- **Board of Education:** Actives and Retirees (\$2,203,600)

Cost Comparison CY 2019

| | Estimated Cost/Savings | | | | | | | |
|--------------------|------------------------|--------------------|----------------------|--------------------|------------------|--------------------|---------------|--------------------|
| | Active | | Non-Medicare Retiree | | Medicare Retiree | | Total | |
| | % | \$ | % | \$ | % | \$ | % | \$ |
| City | -15.6% | \$1,170,800 | -15.4% | \$642,600 | -60.4% | \$813,600 | -20.2% | \$2,627,000 |
| Board of Education | -8.2% | \$1,067,500 | -27.7% | \$619,600 | -46.4% | \$516,500 | -13.5% | \$2,203,600 |
| GRAND TOTAL | -11.0% | \$2,238,300 | -19.7% | \$1,262,200 | -54.1% | \$1,330,100 | -16.5% | \$4,830,600 |

Actuarial Values of Current Plans

as of January 1, 2019 by Firm Division

| City of West Haven | Actuarial Value |
|--|-----------------|
| Allingtown Fire Department – 001706200 | 89.7% |
| Local 1103 - 001706335 | 89.4% |
| Waste Management - 001706336 | 88.4% |
| AFSCME Local 681 - 001706337 | 89.2% |
| Police - 001706338 | 87.8% |
| 911 Dispatchers - 001706439 | 89.2% |

Actuarial Values of Current Plans

as of January 1, 2019 by Firm Division

| West Haven Board of Education | Actuarial Value |
|---|-----------------|
| CWA 2010 - 001706469 | 91.3% |
| AFSCME Comp/Mix - 001706655 | 84.5% |
| Nurses Comp/Mix - 001706657 | 84.5% |
| Admins Comp/Mix - 001706660 | 84.5% |
| Teachers/Paras HSA/HRA - 001706800-6851 (w/o HSA funding) | 84.1% |
| Teachers/Paras HSA/HRA - 001706800-6851 (w HSA funding) | 92.9% |

Actuarial Values of Plan Options

as of January 1, 2019

| Plan Options | Actuarial Value |
|---------------------------------------|-----------------|
| HDHP/HSA Option 2 (w/o HSA funding) | 79.5% |
| HDHP/HSA Option 2 (w HSA funding) | 88.2% |
| State of Connecticut Partnership Plan | 96.0% |