



LAKE COUNTY
FLORIDA



Budget Work Session
Lake County Self-Funded Medical Plan

Human Resources

May 17, 2016

Purpose



- To provide the BOCC with an overview of the County Self-Funded Medical Plan FY 2017 Budget.
- Provide information on an Employee Medical Center.

Presentation Outline



- **Overview**
 - Organizational Chart
 - Mission
 - Levels of Service
 - Accomplishments
 - Efficiencies
- **Benchmarks**
 - Marion, Orange, Osceola, Polk, Seminole, Sumter, and Volusia
- **Discussion of an Employee Medical Center**
- **Proposed Budget/Fiscal Analysis**
- **Summary**
- **Requested Action**

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Organizational Chart



Human Resources
Director (1 FTE)

Human Resources
(4.25 FTE)

Risk and Benefits
(3.25 FTE)

Organizational Chart



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Director (1 FTE)

Human Resources
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Mission



- To develop, implement and support programs and processes that add value to the County and its employees, leading to improved employee wellbeing, growth and retention, while committed to the County's goals and its management and prosperity for its employees, citizens, and customers/businesses. This is accomplished through compliance with applicable employment law, current employment policies and procedures, thorough guidance to departments and employees, equal opportunity recruitment, and employee development/training opportunities, as well as **pro-actively administering the risk and benefits programs for the County and other participating entities.**

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Levels of Service



- Lake County manages a self-funded medical plan for its employees and their dependents.
- The Plan covers the following organizations in Lake County:
 - Board of County Commissioners, Metropolitan Planning Organization, Supervisor of Elections, Property Appraiser, Water Authority, Tax Collector, Lake Emergency Medical Services, Clerk of Courts
- Plan Membership
 - Average of 1115 EE participants (all entities), including approximately 606 Lake County BCC employees.
 - Average of 2643 total plan members

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Accomplishments



- In July 2015, provided benefits services and enrollments to approximately 1,115 employees.
- Employee Health screenings were held during July 2015.
- Flu shot clinics were held in October 2015.

Accomplishments



- Met with all benefits partners to inform them of changes to the health plan.
- Conducted benefits-related information sessions to educate employees on plan design changes.
- Prepared inter-local agreements for all business partners to which the County provides health plan benefits.

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Efficiencies



- Self-funded plan – If claims are lower than anticipated, the County can invest any savings and earn interest. In the event that claims are higher than usual, stop-loss insurance coverage can pay for excess costs.
- Use of the Florida Blue network provides discounted medical services which resulted in annual savings of \$16,648,590 on billed medical charges
- Conducted an analysis of claims data and modified the plan design to encourage appropriate use of the health insurance program.

Efficiencies



- Lake County purchases excess loss insurance to protect the County from large claims. The County received \$133,645 in excess loss reimbursements in FY 2015 and \$54,297 in reimbursements FYTD 2016.
- Lake County has received pharmacy rebates of \$196,415 in FY 2015 and \$133,454 FYTD 2016

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Benchmarks



County	Self-Funded or Fully Insured
Lake	Self-Funded
Orange	Self-Funded
Osceola	Self-Funded
Polk	Self-Funded
Seminole	Self-Funded
Sumter	Self-Funded
Volusia	Self-Funded
Marion	Fully Insured

Benchmarks—Number of Employees on the Health Plan



- The number of Employees participating on a County's Health Plan ranged from a low of 528 to a high of 7124.
- Lake County had 1141

Benchmarks– Types of Plans



There are a wide variety of plans offered from other organizations:

Lake	HMO, PPO
Seminole	Low, Medium and Buy-up PPO, and HD HSA
Orange	High Deductible and Low Deductible Health Plan
Osceola	Base HRA and Buy-Up HRA
Polk	Open Access Select, Open Access HRA, Open Access HSA
Sumter	PPO
Marion	HSA, PPO 1, PPO 2
Volusia	PPO

Benchmarks– Types of Plans



- All plans have one thing in common, there is a portion of the costs of the plan for both employer and employee.
- On some plan costs, for some tiers of coverage, the cost for the employee may be \$0.

Benchmarks– Employer Share of Premium



The benchmark counties' employer share of the single premium ranged from 68.8% to 100%.

Lake County contributes:

91.1% for the HMO Plan

87.4% for the PPO Plan

The benchmark counties' employer share of the family premium ranged from 72.7% to 85.7%.

Lake County contributes:

81.8% for the HMO Plan

78.9% for the PPO Plan

Benchmarks– Employee Share of Premium



The benchmark counties' employee share of the single premium ranged from 0% to 31.2%.

Lake County employees contribute:

9.9% for the HMO Plan

12.6% for the PPO Plan

The benchmark counties' employee share of the family premium ranged from 14.3% to 27.3%.

Lake County employees contribute:

18.2% for the HMO Plan

21.1% for the PPO Plan

Benchmarks– In-Network Deductibles



The benchmark counties' In-Network Deductibles for Single Coverage ranged from \$0 to \$1875.

- Lake County HMO Single Deductible is \$0.
- Lake County PPO Single Deductible is \$750.

The benchmark counties' In-Network Deductibles for Family Coverage ranged from \$0 to \$4500.

- Lake County HMO Family Deductible is \$0.
- Lake County PPO Family Deductible is \$2250.

Benchmarks– In-Network Out of Pocket Maximum



The benchmark counties' Out of Pocket Maximums for Single Coverage ranged from \$1,500 to \$5,500.

- Lake County Out of Pocket Maximum for Single Coverage is \$3000 for both the HMO and PPO Plans.

The benchmark counties' Out of Pocket Maximums for Family Coverage ranged from \$3,000 to \$11,000.

- Lake County Out of Pocket Maximum for Family Coverage is \$6,000 for both the HMO and PPO Plans.

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Review of activities to date



At the December 1, 2015 meeting of the Lake County BOCC, staff presented information on options for operating an employee medical center (aka clinic). The Commission directed staff to:

- Survey other agencies utilizing the health plan.
- Survey employees about utilizing an employee medical center.
- Conduct a procurement process for an employee medical center.

Survey of Other Organizations



Human resources staff met with representatives from:

- Supervisor of Elections
- Property Appraiser
- Water Authority
- Tax Collector
- Lake Emergency Medical Services
- Clerk of Courts
- Metropolitan Planning Organization

All were receptive to the concept of a clinic.

Survey of Employees



- Human Resources and Communications Department staff prepared and conducted a survey of employee interest in utilizing an Employee Medical Center.
- 495 employees submitted opinions either through on-line or paper copies of the survey.

Survey of Employees-- Results



Of the 495 responses:

- 80% indicated they would consider using the clinic for some of their medical needs if it had a small (\$5-\$10) co-pay.
- An additional 10% said they would use the clinic if it was free.

Survey of Employees-- Results



When asked how they would utilize the center:

- 23% would use for all regular doctor's visits.
- 16% would use only for urgent care.
- 59% would use both the center and their regular doctor, depending on their health care needs.
- 3% would never use the center.



Employee Medical Center Procurement Process

Employee Medical Center RFP Overview



- Solicitation of Employee Medical Center (Clinic) Services
 - Followed Normal County RFP Procurement Process
 - Company Experience and Administration
 - Detailed Scope of Work
 - Communication and Reporting Expectations
 - Cost and Guarantees
 - Evaluation Criteria
- Responses Requested for 2 Different Models
 - Management Company Model
 - Local Provider Model

RFP Scope of Work Clinic Services



- Primary Care Services
 - Annual physicals
 - Acute and chronic care services
- Urgent Care Services
 - Care for acute conditions
- Ancillary Medical Services
 - Laboratory services and screenings
 - Common medication dispensing
- Health Management Services
- Employment Related Medical Services

Request for Proposal Progression



- Release of RFP
 - Notification to Companies on Procurement lists
 - Public notification
- Mandatory Pre-Proposal Conference
 - 16 vendors (2 local) attended
- Initial Responding Vendors
 - 9 Management Company Model
 - 2 Local Provider Model
- Analysis and Reference Checks of Responding Vendors
- Selection Committee Review and Recommendation

Selection Committee Review



- Initial Selection Committee Review
 - Reviewed all proposals and short listed to 5 Vendors
 - Reviewed both the Management Company Model and Local Provider Model
- Selection Committee Follow Up for Short Listed Vendors
 - Requested clarifications on costing information on Clinic operation
 - Requested that a physician be present when Clinic is open
 - Conducted interviews with short listed Vendors
 - 5 companies providing the Management Company Model
 - 1 company providing the Local Provider Model
 - Made recommendation on the best Vendor if the County approves the Clinic

Overview of the Clinic



- Clinic Facility
 - Open 40 hours per week with flexible hours
 - Located in the Tavares/Eustis area
 - Staffed by a Board Certified physician
- Clinic Services
 - Emphasis on primary care and health management
 - Low cost medications will be dispensed
- Clinic Contract to be for one year with four one year extensions

Measurement of Results



- Direct Health Plan Savings
 - Reductions in primary care visits and specialty care visits
 - Reductions in urgent care and emergency room visits
 - Increased use of generic medications
 - Redirection of outpatient services
- Improvements in Member Health
 - Higher rates of recommended screenings
 - Improvements in key health indicators
 - Lower gaps in care
 - Improvements in early detection of conditions

ROI for Initial Years of the Clinic



Modification of Utilization	Range of Expected Outcomes in Health Plan Services
Primary Care Services	(10%) to (35%) Visit Reductions
Urgent and Emergency Care	(2%) to (5%) Visit Reductions
Pharmacy	(2%) to (5%) Brand Redirection
Inpatient Hospital	0% to (4%) Stay Reductions
Other Outpatient Services	(1%) to (4%) Facility Redirection
Health Plan Savings	\$140,000 to \$620,000
Employment Services Savings	\$120,000
Clinic Expense	\$705,313
Estimated Dollar Savings	(\$445,313) to \$34,687

Considerations for Opening a Clinic



- Utilization of the Clinic
 - Incentives for participation are critical to success
 - Utilization for ongoing primary care needs to increase over time
- Cost of the Clinic
 - Cost of opening, managing, and running the Clinic will be the County's responsibility
 - Expect losses in the initial years – likely \$445,313 in first year
 - Build in protections to cancel if not meeting expectations
- Locations May Need to be Added in Future

Presentation Outline



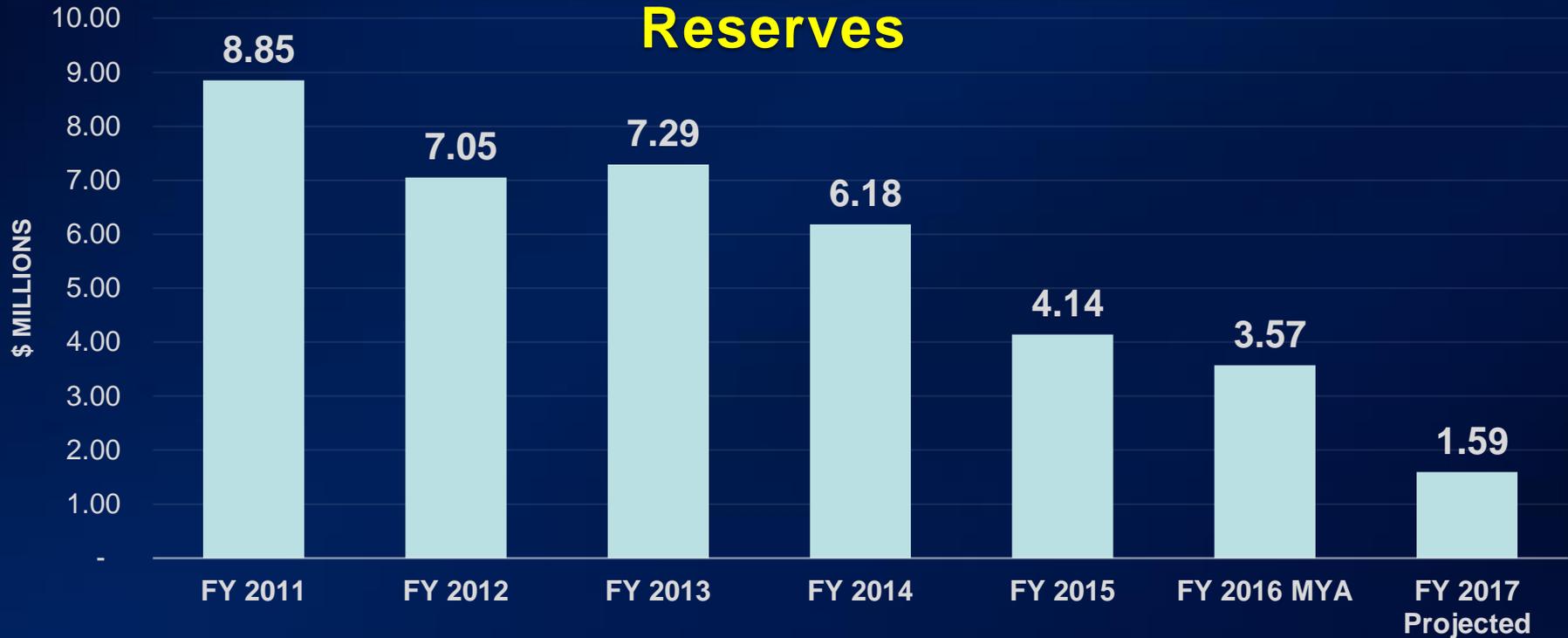
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Proposed Budget/Fiscal Analysis

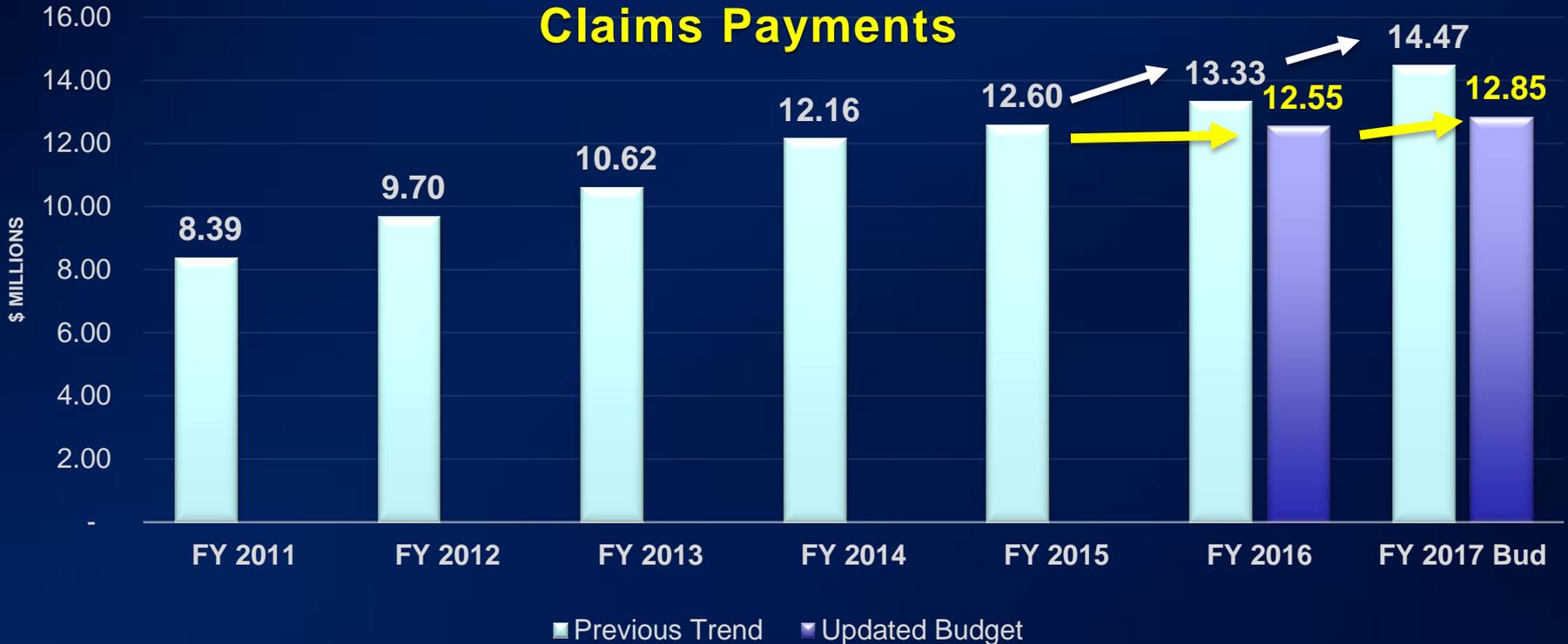


- The following changes were implemented in FY 2016:
 1. Changed plan design based on utilization
 2. Increased employee contribution
 3. Increased County budget contribution per position per year

Proposed Budget/Fiscal Analysis Presentation December 1, 2015



Proposed Budget/Fiscal Analysis



Proposed Budget/Fiscal Analysis



Historical County Budgeted Contribution Per Position



Proposed Budget/Fiscal Analysis

Proposed Employee Contribution Change



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- Staff recommends a 7% increase to employee contributions effective 1/08/2017 as follows:

Per Pay Period	Current per Pay Period	Proposed 7% Increase/PP	Dollar Increase/PP
HMO Single	\$28.88	\$30.90	\$2.02
HMO Family	\$124.51	\$133.22	\$8.72
PPO Single	\$38.12	\$40.79	\$2.67
PPO Family	\$150.66	\$161.21	\$10.55

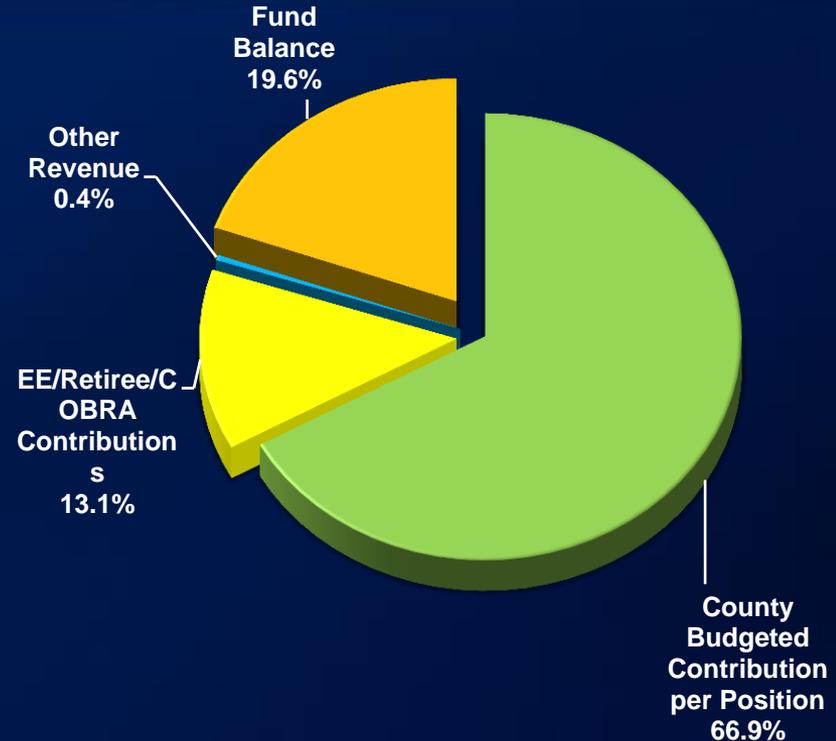
- Increased premium will be waived if employee participates in the Health Risk Assessment (Biometric Screening).
- This cost will be funded by Florida Blue's contribution to the County's Wellness program.

Proposed Budget/Fiscal Analysis



Estimated Revenue FY 2017

County Budgeted Contribution per Position	\$	12,162,947
Employee/Retiree/COBRA Contributions	\$	2,374,552
Other Revenue		70,000
Total Operating Revenues	\$	14,607,499
Estimated Fund Balance	\$	3,564,425
Total Revenues	\$	18,171,924



Proposed Budget/Fiscal Analysis



FY 2017 Proposed Budget

Operating Expenses	\$	14,857,986
Other Uses	\$	213,938
Reserves	\$	3,100,000
Total Expenditures	\$	18,171,924

- Increase to employer contributions
- Small increase in claims
- Includes mandated reinsurance fees

Proposed Budget/Fiscal Analysis



Estimated Expenditures FY 2017

	<u>Budget</u>	<u>% of Budget</u>
Claims Payments	\$ 12,927,426	71.14%
Reserves	\$ 3,100,000	17.06%
Administrative Fees	\$ 1,339,000	7.37%
Insurance Premiums	\$ 596,122	3.28%
Transfers (Salaries)	\$ 213,938	1.18%
Professional Services	\$ 88,386	0.49%
Other Charges	\$ 33,052	0.18%
Contra-Reimbursements	\$ (126,000)	(0.69%)
Total Expenditures	\$ 18,171,924	100%

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Summary



- Historically costs have been increasing 8% to 9% each year.
- Changes in the health plan design have resulted in a reduction in health plan costs so far this year.
- Medical costs will continue to increase.
- Other organizations have successfully implemented clinics.
- All partner agencies are interested in a clinic.
- Employees indicated an interest in using a clinic.

Summary-- Continued



- Although there may be a loss of up to \$445k in operating a clinic in the first year, ultimately operating a clinic should result in savings to the health plan.
- However, an increase in employer and employee contributions is necessary to maintain sufficient reserves with or without a clinic.

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Requested Actions



- Increase employee contributions to be effective January 8, 2017 and waive increases for employees who complete biometric screenings between October 1, 2016 and December 31, 2016.
- Approve Tab 17, awarding contract 16-0209 to Healthstat Inc (Charlotte, NC) for operation of an Employee Medical Center. The cost of operating the center for the first year of operation is estimated to be \$705,313 with a one-time start-up cost estimated to be \$45,057.
- Authorize the County Manager to update plan documents as necessary.



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