

# **School District of Clay County** ***Insurance Committee Meeting***

February 29, 2012



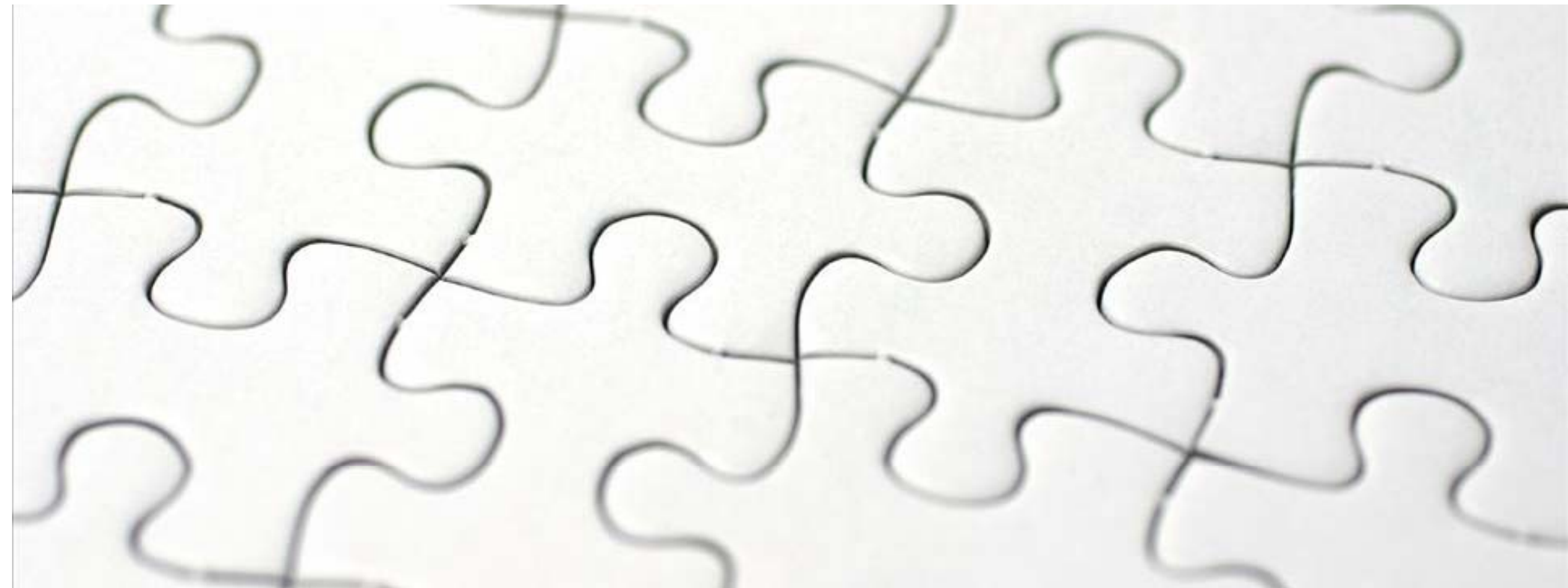
**AON** Hewitt

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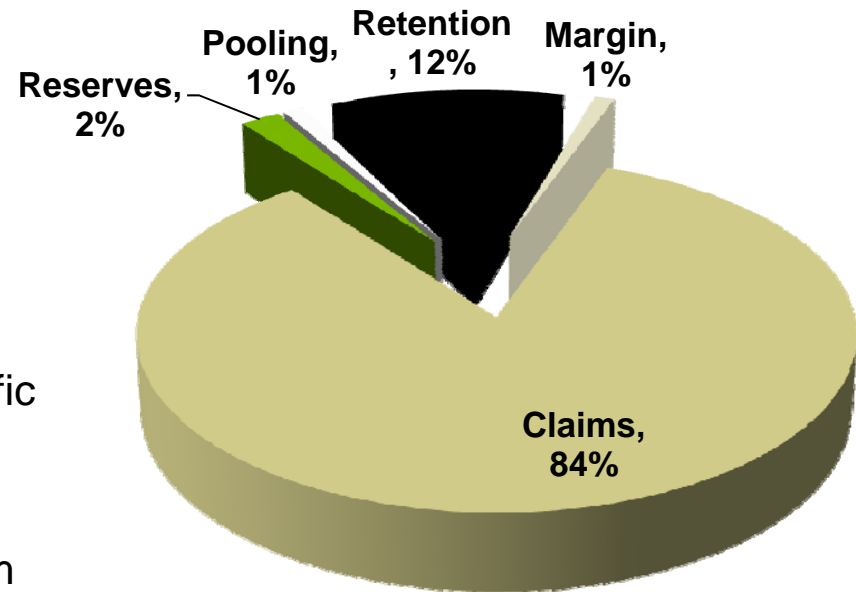


## Benefits Overview



# The Five Components of Premium

- Claims (84%)
  - Largest component covering expected benefit payments for covered services during the policy period (10/1 – 9/30)
- Reserve Charge (2%)
  - Funds to cover liability for claims incurred during a policy period but not yet paid
- Pooling Charge (1%)
  - The cost of pooling large claims equitably among all customers – also known as specific reinsurance
- Expenses / Retention (12%)
  - Administrative charges, profit, state premium taxes and operational expenses
  - Health care reform mandates a maximum of 15%
- Margin (1%)
  - Covers unexpected claim fluctuations



# The Five Components of Claims

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- Incurred Claim
  - Largest component covering expected benefit payments (billed charges less Aetna's discounts of approximately 50%)
- Paid Claim
  - Processed claim and payment issued
- Non-pooled Paid Claim
  - Total paid claims for an individual up to the amount of the individual pooling point (\$300,000)
- Pooled Paid Claim
  - Total paid claims for an individual in excess of the pooling point (\$300,000) which is covered through reinsurance
- Runout Claim
  - Claims incurred during policy period, but paid or recorded after the end of the policy period



# Premium Development

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- Credibility (fully credible = highly predictable)
  - SDCC is 100% credible which means your claims are highly predictable
  - Premium is based on actual SDCC claims
- Trend
- Benefit Design Changes
  - Carrier provides rate credit to reflect plan changes
- Pooling
- Retention (administrative and operation expenses)
- Demographics
  - Age / Gender
  - Industry (i.e. State requirement that retirees are offered the same plans and rates as active employees)
  - Change in family size
- Healthcare Reform / Legislative Mandates

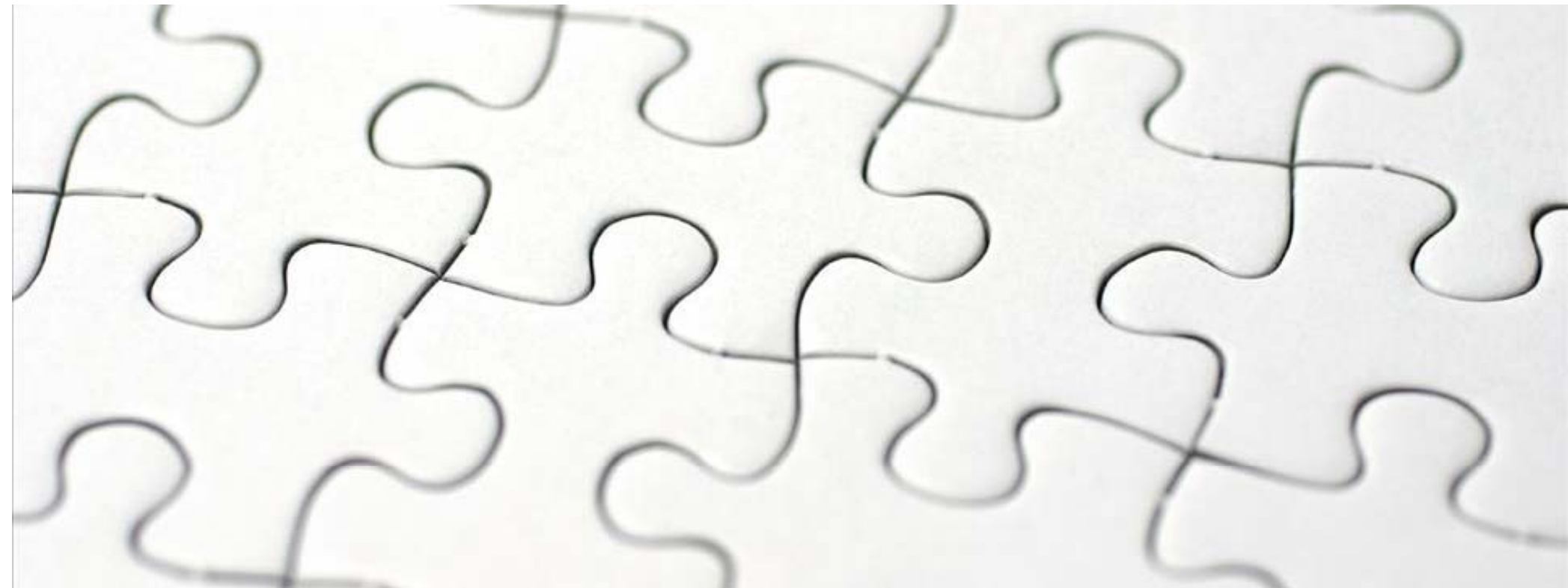


## Historical Medical Renewals and Plan Design Changes

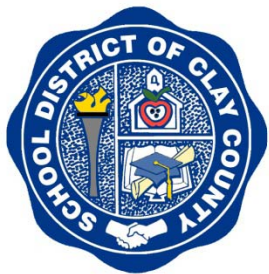
Plan Year	Loss Ratio (at renewal)	Initial Renewal	Negotiated Renewal (before changes)	Final Blended (total premium)	Renewal Actions Taken
2011-2012	84.6%	13.1%	8.5%	<b>0.3%</b>	Review of over 15 Plan Alternatives; 7 Contribution models (excludes collective bargaining models); New Choice POS based on Basic HMO. No cost for Employee only coverage.
2010-2011	95.4%	28.4%	26.9%	<b>4.7%</b>	Medical Marketing for carrier change; Review of multiple plan design and funding alternatives; Significant changes were made to all three plan designs.
2009-2010	88.5%	15.3%	10.8%	<b>0%</b>	Review of over 20 plan design alternatives and over 12 contribution scenarios. Minor plan design changes to all three plans; Reduced employee contribution for all family tiers and HDHP plan.
2008-2009	81.9%	8.4%	7%	<b>6.15%</b>	Review of 10 plan design alternatives and contribution adjustments. Replaced HRA with HSA and increased District subsidy for HRA. Minor changes to Premium HMO.
2007-2008	91.9%	15.5%	15.1%	<b>15.1%</b>	Review of 7 contribution adjustments. No plan design changes; Increased pooling point; Adjust District subsidy to begin employee contributions into the Basic HMO Single tier.
2006-2007	84.3%	8.3%	8.3%	<b>8.3%</b>	Review of 8 contribution and plan design alternatives. Changes to prescription drug copayments under Premium HMO.

Note: For the purpose of describing the scale of benefit changes, "Significant" change denotes increases to Annual Deductible in excess of 100% of current AND increases to coinsurance AND increases to Out of Pocket Maximum in excess of 100% of current. "Minor" change denotes adjustment to copayments equal to or less than \$5, increases to deductible or OOP max less than 20% of current.





## Legislative Updates / Healthcare Reform





# Health Reform: Keeping it in the Forefront

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## The Headlines

- Reform Addressed Access to Coverage
  - NOT Cost or Population Health
- Supreme Court Will Decide the Fate of PPACA in 2012
- Congressional repeal unlikely
- Politics matters, especially in an election year
- Major implications for
  - Employers
  - Employees
  - Providers

## What's Ahead for Health Reform

### 2012

- Summary of Benefits Coverage Rules
- W-2 Reporting
- Comparative Effectiveness Fee

### 2013

- Increased Medicare tax
- \$2500 FSA limit
- Auto-enrollment notice

### 2014

- Individual mandate
- Employer free rider penalty
- State exchanges open
- Wellness incentives move to 30% differential



# Health Care Reform Timeline

Pre – 2011	2011	2012	2013	2014	2018	
<ul style="list-style-type: none"> <li>Coverage of adult dependents up to Age 26</li> <li>Restrictions on lifetime limits<sup>1</sup></li> <li>Preexisting condition exclusions prohibited for children under 19<sup>1</sup></li> <li>Only restricted annual limits permitted<sup>1</sup></li> <li>Prohibition on rescissions<sup>1</sup></li> <li>No cost sharing and mandated coverage for certain preventive health services<sup>2</sup></li> <li>Effective appeals process<sup>2</sup> - <i>Delayed</i></li> <li>Nondiscrimination requirements applicable to fully insured plans<sup>2</sup> - <i>Delayed</i></li> <li>Certain retiree medical claims reimbursable (retiree reinsurance)</li> <li>Retiree drug plan FAS liability recognition</li> </ul>	<b>LOW IMPACT</b>					
	<ul style="list-style-type: none"> <li>HSA penalty excise tax increase (10% to 20%)</li> <li>Medicare Part D discounts for certain drugs in "Donut Hole" closed by 2020</li> </ul>	<ul style="list-style-type: none"> <li>Plans must report annually to HHS and participants regarding improving quality of care</li> </ul>	<ul style="list-style-type: none"> <li>Medicare and hospital tax on high income earners</li> <li>Tax exclusion of Medicare Part D drug subsidy eliminated</li> </ul>	<ul style="list-style-type: none"> <li>State insurance exchanges operational for individuals and small employers (expanded to all in 2017)</li> <li>Individual mandate to purchase insurance or pay penalty</li> </ul>		
	<b>MEDIUM IMPACT</b>					
	<ul style="list-style-type: none"> <li><del>Public Long-Term Care option (CLASS Act) - auto enrolled with payroll deduction unless employer opts out - Repealed</del></li> </ul>	<ul style="list-style-type: none"> <li><del>Employers must satisfy expanded Forms 1099 reporting requirements - Repealed</del></li> </ul>	<ul style="list-style-type: none"> <li>Employers required to provide written notice to employees about exchange and subsidies</li> </ul>	<ul style="list-style-type: none"> <li><del>Free Choice Voucher - Repealed</del></li> <li>Preexisting conditions exclusions prohibited<sup>1</sup></li> <li>90-day waiting period max<sup>1</sup></li> </ul>		
<b>HIGH IMPACT</b>						
	<ul style="list-style-type: none"> <li>Over-the-Counter (OTC) medicines not reimbursable under health FSA or HSA without a prescription</li> <li>Requires insurers to annually report percent of premiums spent on medical services (80%/small - 85%/large)</li> </ul>	<ul style="list-style-type: none"> <li>Insurers and employers pay comparative effectiveness fee per participant in plan</li> <li>Employer distribution of uniform summary of benefits to participants</li> <li>Employer reporting of value of health coverage on W-2 forms</li> </ul>	<ul style="list-style-type: none"> <li>FSA contributions limited to \$2,500 (indexed)</li> </ul>	<ul style="list-style-type: none"> <li>Annual plan limits prohibited<sup>1</sup></li> <li>Cost sharing limits for group health plans<sup>2</sup></li> <li>Automatic enrollment</li> <li>Employer responsibility to provide affordable minimum essential health coverage</li> <li>Increased cap on rewards for participation in wellness</li> <li>Employer reporting of health insurance information to government</li> <li>Medicaid expansion</li> </ul>	<ul style="list-style-type: none"> <li>Excise tax on high-cost coverage</li> </ul>	

<sup>1</sup> Denotes group/insurance market reforms applicable to grandfathered health plans  
<sup>2</sup> Denotes group/insurance market reforms not applicable to grandfathered health plans

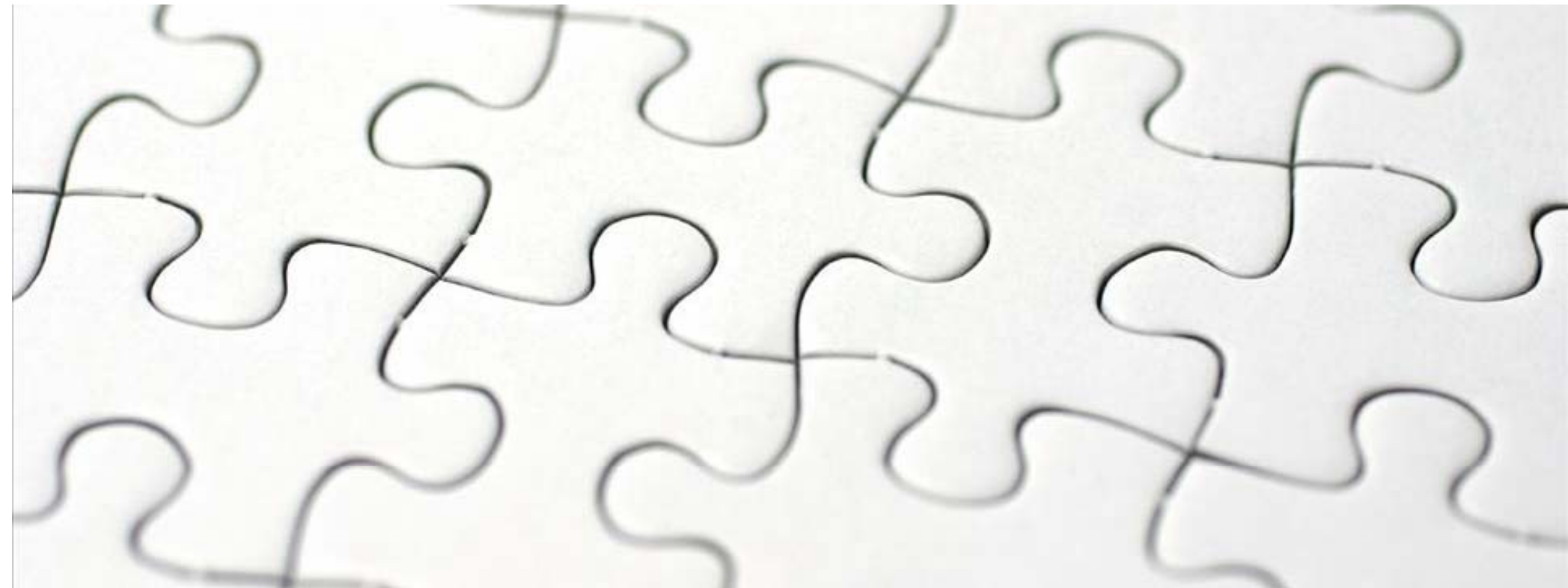


## Womens' Preventive Services

The federal government has adopted new guidelines within the health care reform laws. For group medical plans renewing on or after August 1, 2012, the following services must be covered at 100%:

Benefit	Details
Well Woman Exam	The SDCC medical plan already covers these visits at 100%, however prenatal care will now be included in the definition of well woman preventive care.
Health Screenings and Counseling	As part of your routine annual exam or routine wellness exam, your plan must cover screening for HPV, counseling and screening for sexually transmitted diseases, including HIV, and screening and counseling for interpersonal and domestic violence.
Gestational Diabetes Screening	The SDCC plan currently covers two of the three tests as standard, covered preventive services. Beginning August 1, the plan will cover all three tests at 100%.
Breastfeeding Support, Supplies, and Counseling	Beginning October 1, the SDCC plan must cover a counseling for lactation consultants and the purchase of a breast pump within 60 days of the birth of the baby.
Contraceptive Methods and Counseling	The latest guidelines recommend covering the full range of FDA-approved contraceptive methods, including medication, implantable devices, sterilization procedures, education, and counseling at 100%.





## Medical Experience and Renewal



## Medical Claim Experience

Year over Year Comparison					
	Covered Employees	Total Claims	PEPM Claim Cost	Total Premium	Loss Ratio
<b>2006-2007 Plan Year</b> <i>Premium PEPM</i>	38,222	15,554,747	\$406.96	\$17,579,218 \$459.92	<b>88.5%</b>
<b>2007-2008 Plan Year</b> <i>Premium PEPM</i>	39,701	\$16,958,758	\$427.16	\$20,598,985 \$518.85	<b>82.3%</b>
<b>2008-2009 Plan Year</b> <i>Premium PEPM</i>	40,645	\$21,323,379	\$524.62	\$22,267,489 \$547.85	<b>95.8%</b>
<b>2009-2010 Plan Year</b> <i>Premium PEPM</i>	39,541	\$20,152,111	\$509.65	\$22,406,381 \$566.66	<b>89.9%</b>
<b>2010-2011 Plan Year</b> <i>Premium PEPM</i>	38,583	\$19,951,646	\$517.11	\$22,636,834 \$586.70	<b>88.1%</b>
<b>Rolling 12-month</b> <i>(November 2010 - October 2011)</i> <i>Premium PEPM</i>	38,599	\$20,025,341	\$518.80	\$22,586,646 \$585.16	<b>88.7%</b>



## Medical Claims through October

	Covered Employees	Total Claims	PEPM Claim Cost	Total Premium	Loss Ratio
October-09	3,250	\$1,581,391	\$486.58	\$1,825,236	86.64%
November-09	3,296	\$1,720,312	\$521.94	\$1,871,295	91.93%
December-09	3,310	\$1,668,498	\$504.08	\$1,899,766	87.83%
January-10	3,305	\$1,380,983	\$417.85	\$1,866,726	73.98%
February-10	3,308	\$1,517,517	\$458.74	\$1,867,004	81.28%
March-10	3,305	\$1,652,009	\$499.85	\$1,865,629	88.55%
April-10	3,292	\$1,640,403	\$498.30	\$1,863,572	88.02%
May-10	3,289	\$1,499,964	\$456.05	\$1,857,665	80.74%
June-10	3,297	\$2,116,937	\$642.08	\$1,869,149	113.26%
July-10	3,295	\$1,819,169	\$552.10	\$1,870,364	97.26%
August-10	3,295	\$1,718,255	\$521.47	\$1,868,751	91.95%
September-10	3,299	\$1,836,673	\$556.74	\$1,881,226	97.63%
<b>2009-2010 Plan Year</b>					<b>89.94%</b>
October-10	3,240	\$1,039,911	\$320.96	\$1,904,649	54.60%
November-10	3,239	\$1,234,643	\$381.18	\$1,904,808	64.82%
December-10	3,240	\$1,585,984	\$489.50	\$1,903,396	83.32%
January-11	3,223	\$1,547,610	\$480.18	\$1,884,148	82.14%
February-11	3,212	\$1,773,850	\$552.26	\$1,884,413	94.13%
March-11	3,206	\$1,878,818	\$586.03	\$1,877,359	100.08%
April-11	3,198	\$1,615,196	\$505.06	\$1,878,264	85.99%
May-11	3,201	\$1,710,388	\$534.33	\$1,879,661	90.99%
June-11	3,206	\$2,147,079	\$669.71	\$1,869,427	114.85%
July-11	3,204	\$1,779,281	\$555.33	\$1,873,872	94.95%
August-11	3,206	\$1,990,687	\$620.93	\$1,890,861	105.28%
September-11	3,208	\$1,648,197	\$513.78	\$1,885,976	87.39%
<b>2010-2011 Plan Year</b>					<b>88.14%</b>
October-11	3,256	\$1,113,605	\$342.02	\$1,854,461	60.05%
<b>2011-2012 Plan Year</b>					<b>62.74%</b>

The claims experience reported through October represents completed claims with 3 months of lag.

The loss ratio across the current, rolling 12-month period is 88.7%



## Large Claims

Member Relationship	Total Claims	Diagnosis	Clinical Notes and Prognosis
Employee	\$352,000	Renal Failure	Candidate for kidney transplant in 2012; Ongoing care
Employee	\$316,000	Congenital Heart Disease	Multiple hospital admissions; Ongoing care
Spouse	\$243,000	Renal Failure	Rejection to kidney transplant, Candidate for second transplant; Ongoing care
Employee	\$237,000	Pulmonary Hypertension	Chronic infusion of medication provided on outpatient basis; Ongoing care
Spouse	\$232,000	Melanoma	Cancer treatments (Chemo and radiation); no admissions in 2011; Guarded prognosis.
Spouse	\$204,000	Tractor Accident	Multiple severe injuries sustained; Multiple hospital admissions in 2011; Ongoing care
Employee	\$202,000	Multiple Myeloma	Bone marrow transplant recipient after cancer treatment; Improved prognosis
Spouse	\$199,000	Lung cancer	Multiple hospital admissions for treatment and complications; Passed away July 2011
Spouse	\$192,000	Pancreatic Cancer	Multiple hospital admissions for treatment and complications; Under Case Management; Guarded prognosis
Spouse	\$192,000	Pancreatitis	Multiple hospital admissions for treatment and complications; Under Case Management; Guarded prognosis



## 2012-2013 Medical Renewal

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Initial projections using the national trend (10.5%), the current SDCC medical plan loss ratio, and adjusting for plan design changes **warranted a medical renewal in the range of 13-15%** *before factoring the enhanced Woman's Preventive Care Services.*

Aetna has made an investment in the School District of Clay County delivering a rate pass to renew the plans under the current POS design.

Federal mandates will require the District to enhance the medical plan by covering Womens' Preventive Services at no cost to employees beginning October 1, 2012.





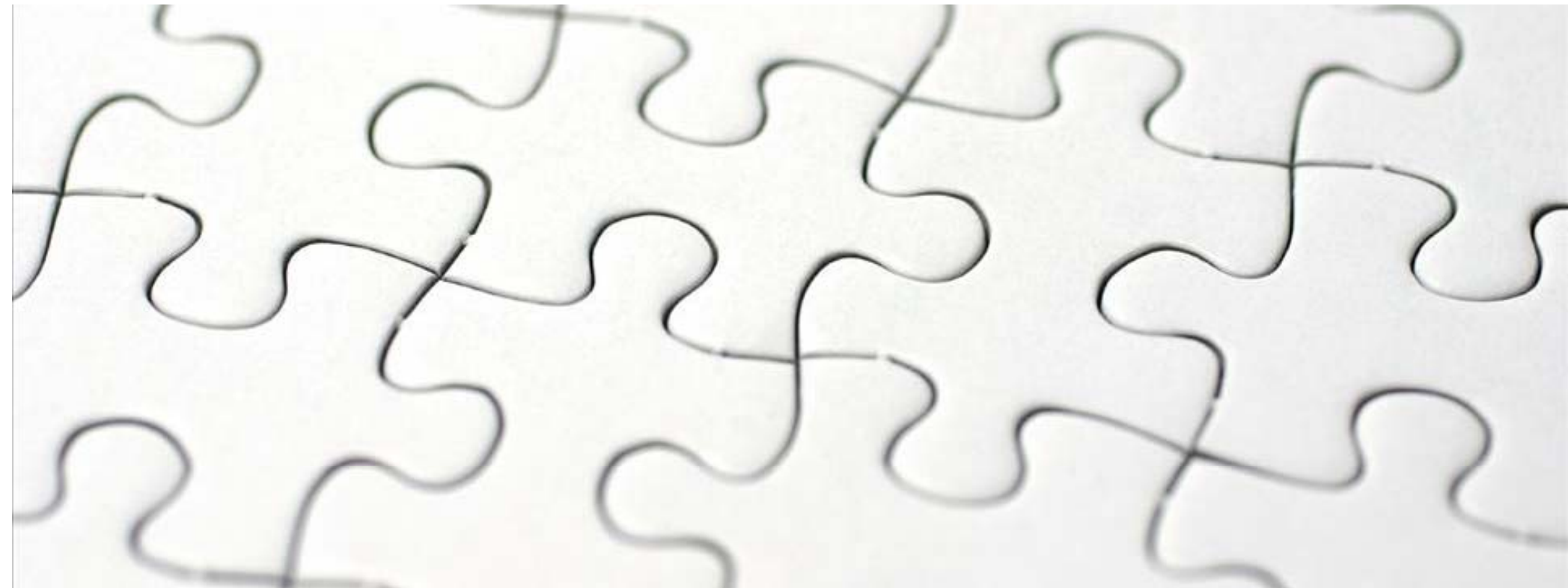
## 2012-2013 Medical Renewal Offer

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The current Medical Choice POS plan will be offered in 2012-2013 for a 2.5% increase to pay for the enhanced benefits required by federal mandates.

- Aetna is able to offer the 2012-2013 Choice POS at this rate with **no reduction in benefits**, no change to copayments, deductibles, or coinsurance amounts.
- The plan will be **enhanced to cover Womens' Preventive Services at 100%** including:
  - Well woman exams, health screenings and counseling services
  - Prenatal exams, all Gestational Diabetes screening, Breastfeeding counseling and supplies
  - Contraceptive drugs, devices, and voluntary female sterilization
- There will be **no change to the current network**, creating no disruption to care.
- This renewal offer is based on a **re-introduction of the Primary Care Physician “gatekeeper”** referral requirement.
  - Employees will be required to select a Primary Care Physician and obtain referrals before seeing a specialist physician.
  - Members will NOT be required to obtain a referral to see the following specialists:
    - Ob/Gyn
    - Podiatrist
    - Dermatologist
    - Chiropractor





## Ancillary Plan Experience and Renewals



## Current Benefit Program

The table below lists all of the SDCC benefit plans and the renewal for each plan.

Excluded from the table below are the voluntary plans. We have received confirmation from Unum that the underwriting guidelines for these plans will not change for the 2012-2013 plan year.

Benefit Plan	Carrier	Renewal
Dental	Delta Dental	Rate Pass, Guaranteed until 2014
Vision	CompBenefits/Humana	Rate Pass, Guaranteed until 2013
Flexible Spending Accounts*	Aetna	Renewal expected March 15
Basic Life Insurance	Unum	Rate Pass
Long Term Disability	Unum	Rate Pass
Short Term Disability	Unum	Rate Pass
Accident and Injury Plan	Unum	Rate Pass, enhanced benefits
Medical Gap Plan	Key Benefit Resources	Renewal expected March 15

\*Fees for the SDCC FSA are paid by Aon Hewitt.



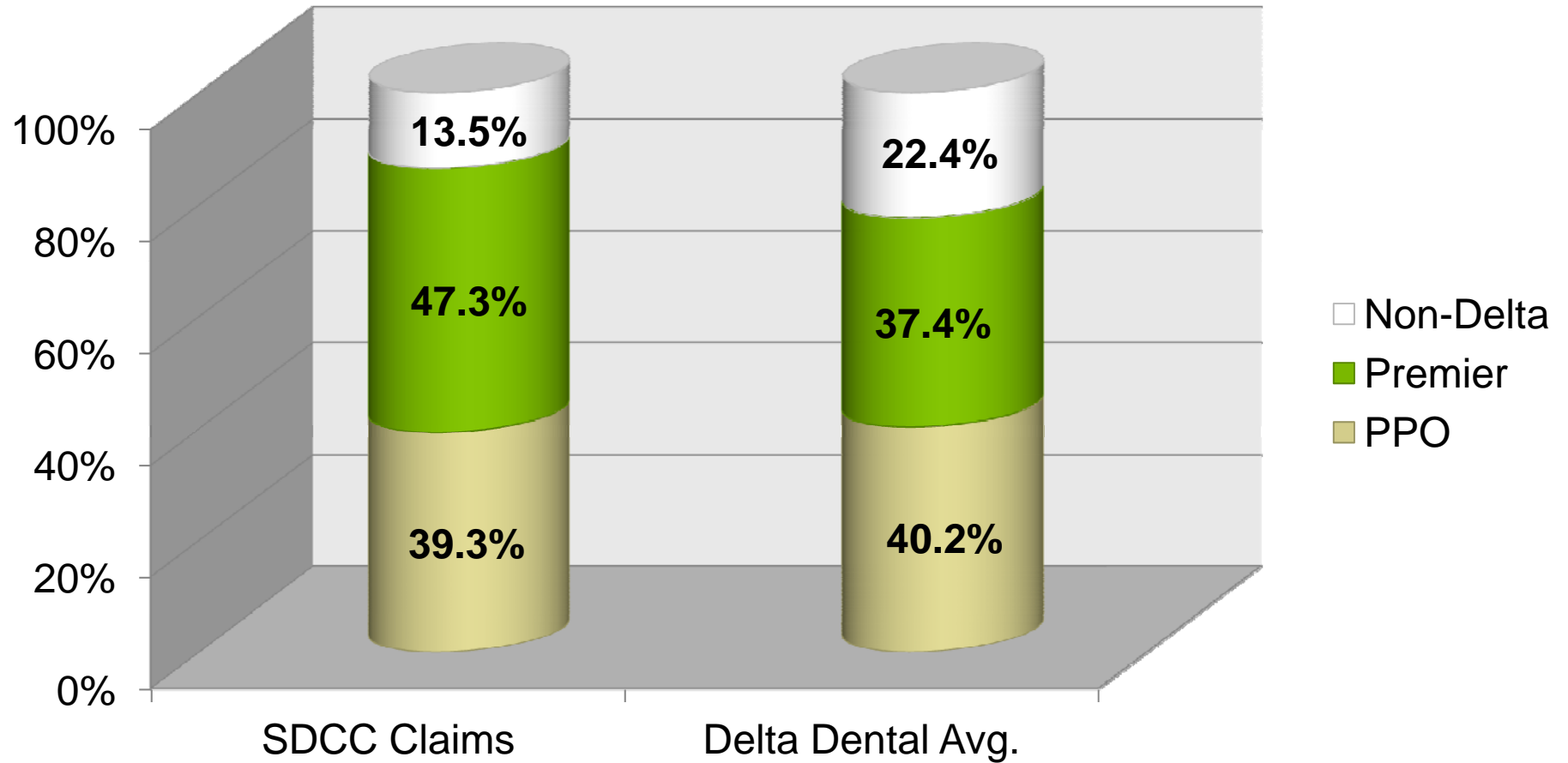
## Dental Experience and 2012 Renewal

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- Current Loss Ratio 71%
- **Rate Pass for 2012-2013 Plan Year**
  - **Two year guarantee through 2014**
- Includes D&P Waiver
  - Preventive and Diagnostic services do not accumulate toward the annual maximum benefit



## Dental Network Participation



## Vision Experience and Renewal

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- Current Loss Ratio: 70.3%
- **Current Rates are guaranteed for the 2012-2013 plan year**

<u>Vision Plan</u>	<u>Tenthly</u>	<u>Per Pay Period</u>
Single	\$6.54	\$3.27
Plus One	\$23.52	\$11.76
Family	\$23.52	\$11.76



## Life Insurance Experience

Plan	Paid Claims	Paid Premium	Loss Ratio	Covered Lives
Basic Life	\$1,197,015	\$1,176,236	101.8%	5,061
Basic AD&D	\$92,880	\$145,621	63.8%	4,803
Supplemental Life	\$650,366	\$1,038,575	62.6%	1,340
Supplemental AD&D	\$0	\$79,654	0%	1,340
Dependent Life	\$160,583	\$151,078	106.3%	1,210
Dependent AD&D	\$0	\$11,038	0%	1,210

*Notes:*

*Reflects claim period 10/2011 – 1/2012*

*Includes Active and Retirees*

Unum has offered a rate pass for Life Insurance for 2012-2013.



## Long Term Disability (LTD) and Short Term Disability (STD) Experience

Plan	Paid Claims	Paid Premium	Loss Ratio	Open Claims
LTD – Plan A	\$253,323	\$583,399	43.4%	8
LTD – Plan B	\$339,412	\$216,310	156.9%	8
LTD Combined	\$592,735	\$799,709	74.1%	16
STD – Plan A	\$9,130	\$76,875	43.4%	<i>not reported</i>
STD – Plan B	\$70,856	\$47,912	147.9%	<i>not reported</i>
STD Combined	\$79,986	\$124,787	64.1%	<i>not reported</i>

**Notes:**

STD claims reflects claim period 10/2011 – 1/2012  
 LTD Paid Claims include paid and incurred claims and reflect three years of claims 7/2008 – 1/31/2012

Unum has offered a rate pass for LTD and STD for 2012-2013.





## Voluntary Benefits with Unum

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### ▪ **Accident and Injury with Unum**

- Enhancements scheduled for 3Q2012
  - Increased benefits for most services
  - New benefit features
  - **No Rate Impact** for existing participants or new enrollees effective 10/1/2012
- Remains guarantee-issue with no pre-existing condition limitations

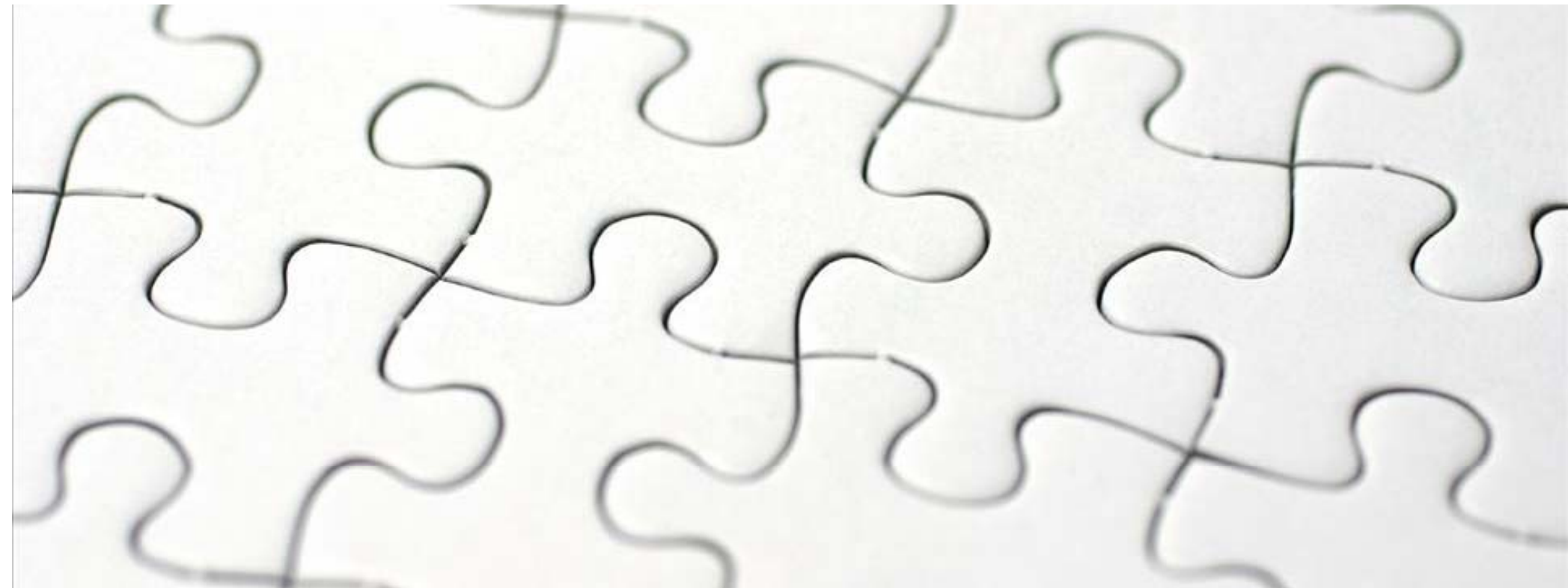
### ▪ **Critical Illness**

- No rate changes for 2012
- Same benefits with no adjustment to policy provisions

### ▪ **Interest Sensitive Whole Life Insurance**

- No rate changes for 2012
- Same benefits with no adjustment to policy provisions





## Appendix



**AON** Hewitt

## Aon Value

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Over the years, Aon has negotiated a significant savings to the District during the renewal negotiation process and through our strategic analysis of products and services available in the marketplace. Below is the negotiation activity Aon Hewitt has successfully conducted since 2007 and the savings represented to the School District of Clay County.

<b>Plan Year</b>	<b>Negotiation Activity</b>	<b>Net Impact</b>
2007 - 2008	Life and Disability Marketing; Aetna Renewal Negotiation	\$776,732
2008 - 2009	Aetna Renewal Negotiation	\$464,040
2009 - 2010	Aetna Renewal Negotiation with 20 Alternate Plan Designs; Dental negotiation	\$1,114,246
2010-2011	Medical Marketing RFP, Negotiation, and plan design alternatives	\$400,000
2011-2012	Aetna Renewal Negotiations with 19 Alternative Plan Designs	\$1,140,000
<b>GRAND TOTAL OF 5-YEAR OVERALL SAVINGS:</b>		<b>\$3,895,018</b>

