Date of Council Meeting: May 13, 2014

TOWN OF LEESBURG
TOWN COUNCIL MEETING

Subject: Establishing a self-funded health insurance program

Staff Contact: Karen Dilley, human resources manager
Norm Butts, director of finance

Recommendation: Town Council should authorize and direct the Town Manager to establish a self-funded health insurance program for Town employees. (See attached resolution).

Issue: The departments of human resources and finance working with the Town's health insurance consultant have identified significant benefits which could accrue to the Town and its employees with the establishment of a self-funded health insurance program to replace the current fully-insured health insurance program.

Fiscal Impact: The renewal cost for health insurance (excluding dental and vision coverage) for FY 2015 on a **fully-insured** basis is projected at $5.43 million. The renewal cost on a **self-funded basis** is projected at $5.08 million, for a savings of approximately $350,000 with no change in benefit levels. Currently costs are shared between the Town and its employees on an approximate 79/21 percent basis.

Background: Deciding between a fully-insured and self-funded insurance program requires the classic risk/benefit analysis. Basically, under a fully-insured program the risk of loss when claims exceed a certain level of premiums is entirely on the insurer (although the insurer will attempt to recoup some or all of the previous period's losses through increased premiums going forward). Under a self-funded program an entity assumes all the risk of loss or all the reward of profit.

The Town's insurance consultant believes, and we concur, that the size of our health insurance program along with other variables strongly suggest that self-funding (also sometimes referred to as "self-insuring") can provide meaningful savings, efficiencies, and other benefits when managed appropriately. The self-funded program envisioned by the Town would use the services of a third party administrator to manage the payment of claims. In addition such devices as established reserves and specific stop loss and aggregate stop loss reinsurance can greatly mitigate total risk.

The majority of identified savings from self-funding our health insurance program will come from reduced administrative and risk fees normally charged by insurers, a steep reduction in the payment of state premium taxes, and reduced fees associated with the federal Affordable Care Act.

PRESENTED May 13, 2014

RESOLUTION NO. _____ ADOPTED May13, 2014

A RESOLUTION: AUTHORIZING AND DIRECTING THE TOWN MAMAGER TO ESTABLISH A SELF-FUNDED HEALTH INSURANCE PROGAM FOR TOWN EMPLOYEES

WHEREAS, the Town is currently providing health insurance coverage for Town employees under a fully-insured arrangement with a private health insurance provider; and

WHEREAS, renewal options for FY 2015 indicate a substantial increase in health insurance premiums for both the Town and its employees is likely unless there are significant changes made to insurance coverage including co-pays and deductibles; and

WHEREAS, the Town has worked with its health insurance consultant to identify meaningful savings through a self-funded arrangement for health insurance coverage;

NOW, THEREFORE, BE IT RESOLVED, by the Council of the Town of Leesburg, Virginia that the Town Manager is authorized and directed to do all things necessary and prudent to establish a self-funded health insurance program for Town employees for the fiscal year beginning July 1, 2014.

PASSED this 13th day of May, 2014.

_____
Kristen C. Umstattd, Mayor
Town of Leesburg

ATTEST:

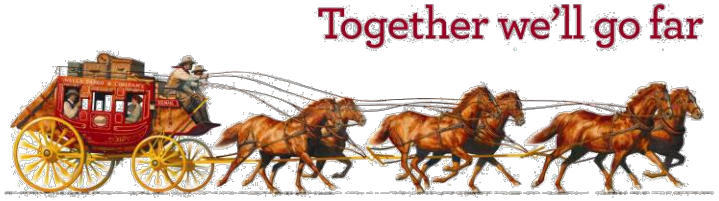
_____
Clerk of Council

WELLS FARGO INSURANCE

Healthcare Renewal & Funding Direction

May 12, 2014

Town Council Meeting



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Healthcare Renewal History

- 2011 Medical Renewal:
  - Cigna proposed +25.6% increase. Wells Fargo's underwriting analysis supported +12.5%. Cigna agreed to +16.8%, so plan was marketed.
  - Decision made to place medical coverage with Anthem
  - WFIS negotiated +10.4% increase to medical rates
- 2012 Medical Renewal:
  - Plan was marketed, and was awarded to Anthem
  - WFIS negotiated +3.7% increase to medical rates
- 2013 Medical Renewal:
  - +4.2% increase to medical rates (including ACA Fees which represented 2% of premium). WFIS supported Anthem renewal

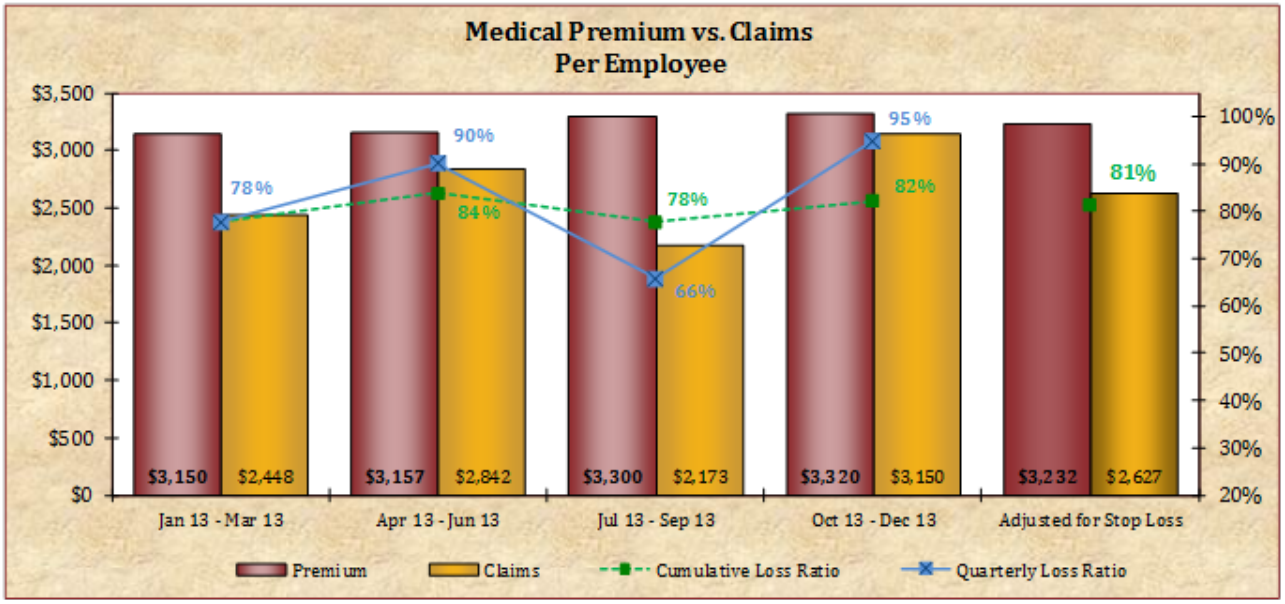
Financial Overview

HMO and PPO Combined

January 1, 2013 to December 31, 2013

Medical Claims Experience Net of Claims in Excess of $110,000 SSL

	Average Contracts	Medical Premium	Per EE	Medical Claims Including Capitation	Per EE	Quarterly Loss Ratio	Cumulative Loss Ratio
Jan 13 - Mar 13	345	$1,086,777	$3,150.08	$844,619	$2,448.17	77.7%	77.7%
Apr 13 - Jun 13	345	$1,088,083	$3,156.91	$979,581	$2,842.11	90.0%	83.9%
Jul 13 - Sep 13	347	$1,144,124	$3,300.36	$753,230	$2,172.78	65.8%	77.7%
Oct 13 - Dec 13	346	$1,149,796	$3,319.91	$1,091,089	$3,150.40	94.9%	82.1%
Total	**4148**	**$4,468,780**		**$3,668,519**			**82.1%**
Average Per Qtr	**346**	**$1,117,195**	**$3,232**	**$917,130**	**$2,653**		
Amounts over Stop Loss Limit of $110,000				**$35,805**			
Adjusted for Stop Loss			**$3,232**	**$3,632,714**	**$2,627**		**81.3%**



Claims Utilization

Plan Utilization

Anthem's utilization report typically compares two years of claims. The most recent report reflects claims through December 31, 2013. The report indicates the following:

- The number of enrolled employees has increased slightly by 2.1% while the number of members increased by 6.7%.
- There has been a large increase in the number of employees enrolled in the employee plus child(ren) tier—from 46 to 62. The family tier saw a decrease of 101 to 93. Overall, the average number of dependents per employee increased from 2.2 to 2.3.
- Pharmacy claims are 21.1% of total claims.
- Outpatient facility charges per member increased by 27.6% during the current 12-month period.
- The number of hospital admissions increased, but the average length of stay decreased from 4.3 days to 3.5 days. The expense per admission decreased from $16,036 to $12,899.
- There has been an increase in preventive services. For example, the number of mammograms increased from 70 to 82; colonoscopies increased from 33 to 44; and PSA tests increased from 55 to 60.
- Of the prescriptions filled, 80.1% are generic. Only 3.0% of the prescriptions are filled with a brand drug when a generic is available.

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2014 Recommendations

Recommendations - Effective July 1, 2014

As a result of the renewals presented to Wells Fargo on behalf of the Town of Leesburg, we are recommending the following for July 1, 2014:

- ✓ Renew the medical and prescription drug plan with Anthem.
- ✓ Renew the dental plan with Anthem.
- ✓ Continue the current employer/employee contribution strategy to maintain competitive programs. Increase employ**ee** contributions by 12.0% on medical; 10.8% on dental; and 0% on vision.
- ✓ Consider whether the medical and dental elections should be made independently.
- ✓ Implement partially self-funded health insurance plan with Anthem, as presented.
- ✓ Use a portion of the GASB funding to establish a Healthcare Fund. It is recommended that Town of Leesburg initially fund $636,000 into a healthcare fund.
- ✓ Establish an IBNR (incurred but not reported) reserve to fund claim liability in the event of a contract termination under a partially self-funded arrangement. These reserves can be included in the Healthcare Fund. It is anticipated that an estimated additional IBNR reserve will be generated in the 1st year of $425,000-$475,000.

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Funding Alternatives

Features of Fully-Insured and Self-Funded Arrangements – Cost Components

	Premium Rates	Claim Reserves (IBNR)	Risk	Retention	Accounting
Fully-Insured	Paid monthly by Plan Sponsor. Established with certain margins for fluctuations in claims and guaranteed for a stated period.	Established and held by carrier.	Carrier bears all risk if costs are greater than premium paid. No year end settlement. In years of favorable experience, surplus retained by carrier.	Typically higher versus self-funded to reflect carrier's increased risk and state premium taxes.	Surpluses and deficits are not settled. However, carrier will attempt to recoup deficits through premiums in following year.
Self-Funded	Plan Sponsor may establish monthly level payments with monthly or yearly settlement. Plan Sponsor may also "pay as you go", via wire transfers, with carrier or TPA. Include claims, administrative, and reinsurance costs.	Held by Plan Sponsor.	Assumed by Plan Sponsor. However, reinsurance typically purchased to offset individual large claims and aggregate group claims.	Are typically lower versus fully insured due to lower risk assumption by carrier and reduced state premium taxes. May still include carrier margin for risk assumed.	Monthly or annual settlement each year. May have carry-over feature for surplus and deficits.

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Funding Alternatives

Fully-Insured vs. Self-Funded

Fully Insured

Possible Advantages	Possible Disadvantages
– Budgetable expense; fixed monthly premiums. – No additional financial risk above premium payments (i.e., not responsible for deficits in year's of adverse claim experience). – Carrier assumes 100% of risk. – No cash settlements at termination. – Carrier responsible for plans meeting compliance criteria.	– Plan subject to state mandated benefits. – No opportunity to share underwriting gains in years with favorable claims experience. – Higher retention costs (state premium taxes, risk charges, profit factors, margins). – Subject to additional ACA "insurer" fee of 2.5% to 4.5%. – Minimal management reporting of claims & utilization. – Pricing of plan based on carrier's rating formulas. Limited ability to negotiate. – In event of higher than expected claims year, carrier will build into following year rates. – Less flexibility in carrier's administration of plan. – Carrier holds incurred but not reported (IBNR) claim reserves. – Standard plan designs.

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Funding Alternatives

Features of Fully-Insured and Self-Funded Arrangements – Cost Components

Self Funded

Possible Advantages	Possible Disadvantages
– Lower retention expenses (risk, profit factors, margins, etc.).	– Plan Sponsor assumes financial risk due to claims fluctuations, which can be limited by purchasing reinsurance.
– State premium tax savings. Taxes applied to reinsurance only.	– Potential for lump sum settlements/payments at year-end and contract termination.
– Exempt from ACA "insurer" fee of 2.5% to 4.5%.	– Fiduciary responsibility could incur legal expenses to defend the plan against lawsuits.
– Large claims not trended vs fully insured with Anthem	– Adverse cash flow in years of unfavorable claims experience.
– Ability to use lower pricing/budget setting trends	– More difficult to budget. Can be mitigated by reinsurance.
– Exempt from state mandated benefits.	– Plan Sponsor must accrue claims reserve or IBNR.
– Ability to hold incurred but not reported (IBNR) claim reserves.	– Reinsurance carriers may "laser" large claimants, which requires Plan Sponsor to assume more risk.
– Ability to realize cash flow savings in years with favorable experience.	– HIPAA regulations impose greater administrative requirements on Plan Sponsor.
– More flexibility in setting plan design and plan administration.	
– Enhanced management reports on claim payments and utilization. However, data is not statistically valid due to size of enrollment.	

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Funding Alternatives Comparison- Town of Leesburg July 2014

Illustration of Fully Insured vs. Self-Insured Costs at Varying Levels of Claims Expense

Exhibit 1

	Fully Insured Funding Aggressive Pricing	Partially Self-Funded w/ Purchase of Specific Stop Loss and ASL Reinsurance		
Components of Costs	Costs are Fixed During Contract Year, Regardless of Actual Claims	Actual Claims = Projected Claims	Actual Claims = Projected x 1.15	Actual Claims = Projected x .90
Projected Claims Cost	$4,215,626	$4,064,865	$4,674,594	$3,658,378
Specific Reinsurance	$482,153	$601,334	$601,334	$601,334
Aggregate Reinsurance	$0	$89,268	$89,268	$89,268
Total Reinsurance	$482,153	$690,602	$690,602	$690,602
Administrative & Risk Fees	$409,621	$262,447	$262,447	$262,447
State Premium Tax	$121,000	$15,539	$15,539	$15,539
ACA Fees	$203,451	$43,861	$43,861	$43,861
Expected Liability (Claims + Reinsurance + Retention)	**$5,431,851**	**$5,077,314**	$5,687,044	**$4,670,827**
Total Maximum Liability (115%)	$5,431,851	$5,770,652	**$5,770,652**	$5,770,652
Total Payments Required	**$5,431,851**	**$5,077,314**	**$5,770,652**	**$4,670,827**
Percent of Fully Insured Cost		93.5%	106.2%	86.0%
Savings/Increased Costs vs. Fully Insured		$354,537	-$338,801	$761,024

Notes: Assumes Town of Leesburg purchases specific stop loss and ASL from carrier. Essentially, TOL is setting budget at 118.5% of expected costs, which provides a very high level of probability of coming in at or below budgeted costs year over year.

Current Estimated Premium (Adjusted for Commission)	**$4,608,357**			
Increase over 2013-2014 using mature year fees	**17.9%**	**10.2%**	**25.2%**	**1.4%**

Why Partially Self fund?

Self-Funded

Over time, a self-insured program has potential to be lower in cost versus a fully insured arrangement due to several factors:

- State premium tax savings;
- Lower risk fees/charges;
- Plan sponsor hold surplus in years of favorable claims experience;
- Lower fees associated with Affordable Care Act (elimination of "insurer" fee); and
- Reduced margin in pricing claims/underwriting projections

A partially self-funded arrangement for Town of Leesburg may generate savings or increased costs versus a fully-insured arrangement under the following scenarios, which are illustrated on pages 20-23 of this report:

- **Scenario 1**- TOL may be able to retain surplus in years with favorable claims experience. In Wells Fargo's analysis where claims are at the expected level, TOL may generate an estimated $350,000 savings versus Fully Insured arrangement.
- **Scenario 2**- In Wells Fargo's analysis where claims are at the expected level plus an additional 15%, TOL would see increased costs of approximately $340,000. The carrier would absorb this underwriting loss under a fully-insured arrangement; however, underwriting losses would be built into the carrier's renewal premiums.
- **Scenario 3**- TOL may be able to retain surplus in years with favorable claims experience. In Wells Fargo's analysis where claims are at -10% of the expected level, TOL may generate an estimated $750,000 savings versus Fully Insured arrangement. The carrier would retain this underwriting gain under a fully-insured arrangement.

In addition several other factors need to be considered in reviewing the feasibility of a partially self-funded program:

Considerations

- TOL would need to establish a $550,000-$750,000 healthcare fund reserves to establish your reserves in event of a higher than expected claims year and the IBNR reserves in the event of contract termination. Alternatively, TOL may purchase aggregate stop loss from Anthem and budget to the maximum overall liability. Overall maximum employer liability under a partially self-funded arrangement with Anthem is estimated at $4,866,000. Currently, TOL has budgeted total employer health insurance cost of $4,230,000 for FY '14-'15, therefore, an additional $636,000 would be needed to fund the maximum liability under a partially self-funded plan.

Why Partially Self fund?

Conclusion

- Although the actual claims versus premium history for TOL indicates a favorable trend and profitability to Anthem, the data is not considered fully "credible" from an actuarial standpoint. TOL has the potential to see costs savings under a partially self-funded arrangement; however, considerable claims fluctuation from one year to the next under a self-funded plan is possible. Due to the typical volatility of claim payments, there may be periods where a self-funded plan costs significantly more versus a fully-insured program. Based on Anthem's fully-insured proposal, Wells Fargo believes there are advantages to TOL over time under a partially self-funded arrangement with Anthem.

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Appendix

Goals and Objectives – Building a Health Care Strategy

Review of current objectives:

- ✓ Manage the costs of sponsoring your health care plan
  - *Know cost drivers and manage trend – wellness initiatives and incentive costs*
  - *Impact of ACA and When?*
- ✓ Know the total expected expenses of your plan
  - *Company/employer projected budget*
  - *Employee contributions*
- ✓ Identify the potential financial risks that may impact the cost of the plan
  - *Pricing of different plan options*
  - *Shift in plan selection*
  - *Known large claims impacting experience*
  - *Corporate changes which impact employee benefits or plan enrollment*
- ✓ Breadth of choice can leave employees feeling overwhelmed and confused
- ✓ Making right decisions in positioning and presenting benefit choices allow employees to make informed decisions and getting coverage they need
- ✓ Communicating benefits efficiently and effectively to employees
  - Educate employees on their benefit choices.
  - Provide HR and employees with state of the art enrollment and decision support/tools.

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Goals and Objectives – Building a Health Care Strategy

- Know the strengths and weaknesses of benefit program plan design
  - Present administrator/carrier an effective partner?
  - Appropriate incentives to access care?
  - Plan participation/potential areas of adverse selection
  - Administrative systems and resources (payroll; benefit admin; HR reporting, etc.)
  - Plan in compliance with all applicable federal, state and tax guidelines and requirements?

- Promote healthy lifestyles and wellness initiatives – all locations
  - Allocation of wellness funds
  - Lifestyle management – weight loss, smoking cessation, etc.
  - Webinars
  - Screenings and health risk assessments
  - Plan effectiveness: *Do incentives/health promotions engage workforce?*

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Goals & Objectives of Your Programs

- Compensation & Benefits program must be competitive, from both a cost and choice perspective, since it is an important factor in attracting and retaining talented employees.
- Contributions to the overall benefit program must be balanced with overall benefits objective.
- Wellness - promoting healthy lifestyles and wellness initiatives is a critical factor in improving productivity and lowering healthcare cost increases.
- Benefit plan costs and how to use the plans effectively and efficiently should be clearly communicated to employees on a regular basis.
- Business directives that have the potential to impact the benefits program should be identified and addressed.
- How will recent federal Healthcare Legislation impact our business?

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Goals & Objectives of Your Programs

- Assure that senior management and HR expectations are aligned.
- Create a long-term employee benefit strategy that is fiscally responsible while providing quality, comprehensive employee benefits.
- Benchmarking your benefits to assure competitiveness, while evaluating trends.
- Ensure that core & voluntary benefits are the right benefits for your employees.
- Breadth of choice is important in meeting the benefits & financial needs of your employees
- Monitor plans to adhere to legislative and compliance issues.

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2014 Medical Renewal Overview

Overview of Current Medical Program

- **Plan Design:** 2 plans through Anthem— KeyCare 10 PPO & Healthkeepers 10 POS.
- **Pooling Limit**: $110,000
- **Grandfathered Status**: non-grandfathered.
- **Funding Arrangement**: fully-insured.

Changes to Medical Program Effective July 1, 2014

- **Healthkeepers 10 POS**
  - ***Out of Pocket Limit –*** Increasing from $1,500 individual/$3,000 family to $2,000/$4,000.
- **KeyCare 10 PPO**
  - ***None***
- **Both Plans**
  - ***Prescription Drug In-Network Out-of-Pocket Limit –*** Adding limits of $3,500/$12,700. This is to comply with an Affordable Care Act provision that requires both medical and pharmacy in-network services to have an out-of-pocket limit. The 2014 ACA maximum out-of-pocket limits are $6,350 individual/$12,700 family.
  - ***Coverage extended for members involved in clinical trials*** *– Many clinical trials involve drugs or devices without a cost share during a trial period. Beginning January 1, 2014, ACA requires that if a qualified individual is in an approved clinical trial, the health plan carrier cannot deny coverage for related services. In addition, health plan carriers may not deny coverage because a member is participating in a clinical trial.*

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2014 Medical Renewal Overview

Anthem's Renewal

- Projects an 18.0% increase to current rates.
- Used claims through December 31, 2013.
- The trend used was 10.1% for medical and 12.2% for pharmacy.

Total estimate fees due to Affordable Care Act $178,400

Affordable Care Act Fees

As a fully-insured plan, the ACA fees are incorporated into the Town's rates. **The following fees will apply.**

Transitional Reinsurance Program

This fee will support the transitional reinsurance program that is being established in each State to help stabilize premiums for coverage in the individual market during the years 2014 through 2016. All health insurance issuers and third-party administrators on behalf of fully-insured group health plans will submit contributions to support reinsurance payments to issuers that cover high-cost individuals in non-grandfathered individual market plans.

The fee is $5.25 per member per month in 2014 and $3.67 per member per month in 2015. This translates to approximately $10.17 per employee per month. Wells Fargo estimates the total to be $42,200 for the plan year.

Insurer Fee

The ACA imposed a new annual fee on health insurance providers based on their market share of net premiums written, or the sum of premiums earned from all policies, during the previous year. The total fee amount to be collected across all health insurers is set at $8 billion in 2014, $11.3 billion in 2015 and 2016, $13.0 billion in 2017 and $14.38 billion in 2018. After 2018, it increases based on premium growth. **Anthem expects the fee to equal 2.62% of premium for 2014. Wells Fargo estimates the Town's fees to be $135,000.**

Patient-Centered Outcomes Research Trust Fund

The ACA created a tax of $1 per member per year (increases to $2 next year) to establish a Patient-Centered Outcomes Research Institute. The Institute will help evaluate the quality and effectiveness of various medicines and treatments. It is intended to help people make informed health care decisions and improve outcomes by providing evidence-based information from research. **Wells Fargo estimates the Town's fees to be $1,200 for the plan year.**

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Factors Influencing Costs

"There are no home runs to lower costs……just singles.."

- There are just so many levers/strategies an employer has at their disposal to have an impact on costs. These levers/strategies include:
  - **Plan Design** – employer may reduce benefits through plan design, however, limited by ACA. All employers will be required to offer "Minimal Essential" coverage, as defined by ACA. Plans must meet the 60% Actuarial Value test.
  - **Contributions** - all employers will be required to make their plans "Affordable", as defined by ACA. Plans that require employees to pay more than 9.5% of the AGHI will be subject to penalty. Affordable = $275/mo. for employee only coverage for Employee @ $35,000 of AGHI;
  - **Prescription Drug Carve-Out** – Barrett's Rx pricing with Excellus is favorable and there appears to be little advantage to an Rx "carve-out";
  - **Funding/Assumed Risk & Reinsurance-** under a self-funded arrangement, budget setting and the underlying plan claims experience can have a significant impact on the plan year's cost and future budgeting. Also, reinsurance can have an impact on cost, depending on level of risk assumed by Plan Sponsor, carrier pricing, and contractual provisions (lasering, aggregate deductible, etc.).
  - **Wellness Initiatives-** these are long term strategies and employers can not expect savings in the initial 2-years. Telemedicine has potential impact.
- Healthcare Reform Act or ACA- provides framework and limitations on plan design and contributions. Wells Fargo has completed an analysis of the impact of the ACA.

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Rates & contributions

Town of Leesburg- Effective July 1, 2014

No Shift in Enrollment
Increase employee contributions by 12%

7/2013- 6/2014						7/2014- 6/2015					
Enrollment from Anthem's Renewal - Active Employees Only											
	# EEs	Total Cost	ER Cost	EE Cost	% EE pays of Total Premium		Total Cost	ER Cost	EE Cost	$ Increase (Decrease) to EE	% EE Pays of Total Rate
Anthem HealthKeepers 10 POS						**Anthem HealthKeepers 10 POS**	**+26.6%**	**26.6% Combined Plans**			
Employee Only	68	$579.51	$509.43	$70.08	12.1%	Employee Only	$733.66	$655.17	$78.49	$8.41	10.7%
Employee + Child(ren)	36	$996.77	$852.15	$144.62	14.5%	Employee + Child(ren)	$1,261.91	$1,099.94	$161.97	$17.35	12.8%
Employee + Spouse	19	$1,216.99	$1,011.02	$205.97	16.9%	Employee + Spouse	$1,540.71	$1,310.02	$230.69	$24.72	15.0%
Employee + Family	34	$1,750.15	$1,327.16	$422.99	24.2%	Employee + Family	$2,215.69	$1,741.94	$473.75	$50.76	21.4%
Total	**157**	$1,895,020	$1,555,818	$339,202	17.9%	**Total**	$2,399,095	$2,019,189	$379,906		15.8%
Anthem KeyCare 10 PPO						**Anthem KeyCare 10 PPO**	**+26.6%**				
Employee Only	59	$612.60	$509.43	$103.17	16.8%	Employee Only	$775.55	$655.17	$120.38	$17.21	15.5%
Employee + Child(ren)	21	$1,053.68	$852.15	$201.53	19.1%	Employee + Child(ren)	$1,333.96	$1,099.94	$234.02	$32.49	17.5%
Employee + Spouse	30	$1,286.46	$1,011.02	$275.44	21.4%	Employee + Spouse	$1,628.66	$1,310.02	$318.64	$43.20	19.6%
Employee + Family	65	$1,850.06	$1,327.16	$522.90	28.3%	Employee + Family	$2,342.18	$1,741.94	$600.24	$77.34	25.6%
Total	**175**	$2,605,421	$1,974,570	$630,850	24.2%	**Total**	$3,298,465	$2,571,366	$727,100		22.0%
Medical Totals	**332**	**$4,500,440**	**$3,530,388**	**$970,053**			**$5,697,560**	**$4,590,555**	**$1,107,006**		
$ Increase (Decrease) to 2013							$ 1,197,120	$ 1,060,167	$ 136,953		
Percentage Increase (Decrease) to 2013							26.6%	30.0%	14.1%		
Percent paid by Employees or Town			78.4%	21.6%				80.6%	19.4%		
			Town	**EE**				**Town**	**EE**		
Estimated Premium under fully-insured plan							**$5,302,397**	**$4,215,938**	**$1,086,459**		
Est Premium-Actives and Retirees			**$ 3,776,588**					**$4,866,295**			
$ Increase (Decrease) to 2013							17.8%				
Budgeted 2014								**$4,229,778**	**$1,086,459**		
Amount needed from GASB to Healthcare Fund for Self-Funded Plan								**$636,516**			

Rates & contributions

No Shift in Enrollment
Increase employee contributions by 12%

Town of Leesburg- Effective July 1, 2014

7/2013- 6/2014

Enrollment from Anthem's Renewal - Active Employees Only

	# EEs	Total Cost	ER Cost	EE Cost	% EE pays of Total Premium
Anthem Dental					
Employee Only	127	$38.23	$34.51	$3.72	9.7%
Employee + Child(ren)	57	$72.63	$63.78	$8.85	12.2%
Employee + Spouse	49	$80.28	$68.52	$11.76	14.6%
Employee + Family	99	$114.68	$89.52	$25.16	21.9%
Total	**332**	$291,386	$242,858	$48,528	16.7%
EyeMed Vision					
Employee Only	127	$5.01	$4.74	$0.27	5.4%
Employee + Child(ren)	57	$10.01	$9.20	$0.81	8.1%
Employee + Spouse	49	$9.51	$8.49	$1.02	10.7%
Employee + Family	99	$14.72	$11.98	$2.74	18.6%
Total	**332**	$37,561	$32,741	$4,820	
Total Annual Med/ Den/Vis Cost for		$ 4,829,388	$ 3,805,987	$ 1,023,401	
$ Increase (Decrease) to 2013					
Percentage Increase (Decrease) to 2013					
Percent paid by Employees or Town			78.8%	21.2%	
			Town	**EE**	

7/2014- 6/2015

	Total Cost	ER Cost	EE Cost	$ Increase (Decrease) to EE	% EE Pays of Total Rate
Anthem Dental	**+10.8%**				
Employee Only	$42.35	$38.23	$4.12	$0.40	9.7%
Employee + Child(ren)	$80.45	$70.65	$9.80	$0.95	12.2%
Employee + Spouse	$88.93	$75.90	$13.03	$1.27	14.7%
Employee + Family	$127.04	$99.17	$27.87	$2.71	21.9%
Total	$322,784	$269,030	$53,753		16.7%
EyeMed Vision	**0.0%**				
Employee Only	$5.01	$4.74	$0.27	$0.00	5.4%
Employee + Child(ren)	$10.01	$9.20	$0.81	$0.00	8.1%
Employee + Spouse	$9.51	$8.49	$1.02	$0.00	10.7%
Employee + Family	$14.72	$11.98	$2.74	$0.00	18.6%
Total	$37,561	$32,741	$4,820		12.8%
	$ 6,057,905	$ 4,892,326	$ 1,165,580		
	$ 1,228,518	$ 1,086,339	$ 142,179		
	25.4%	28.5%	13.9%		
		80.8%	19.2%		
		Town	**EE**		

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Medical Plan

7/1/2014 changes indicated in red.

Medical Benefit Comparison

Effective July 1, 2014

	POS/HMO	PPO
	Anthem	**Anthem**
	Healthkeepers 10 POS (Open Access)	**KeyCare 10 PPO (Open Access)**
In-Network Benefits		
Deductible	None	None
Out-of-Pocket Limit	$2,000/$4,000 (was $1,500/$3,000)	$1,500/$3,000
Deductible and Out-of-Pocket Accumulation Period	Calendar Year (Jan 1 - Dec 31)	Calendar Year (Jan 1 - Dec 31)
Lifetime Maximum	Unlimited	Unlimited
Preventive Care		
Adult Preventive & Well Baby	Covered at 100%	Covered at 100%
Mammography or PSA Test	Covered at 100%	Covered at 100%
Annual OB/GYN Visit/Pap Smear	Covered at 100%	Covered at 100%
Physicians		
Primary Care/PCP	$10	$20
Specialist	$20	$40
Urgent Care Facility	$20	$20/$40
Outpatient X-Ray and Lab Tests	office visit copayment 10% for adv diagnostic imaging services	10% of AC
Facility Services		
Hospital Emergency Room	$150	$150 copay, then 10% of AC
Ambulance Transportation	$100	$100
Inpatient Care	$250 per admission	$200 copay, then 10% of AC
OP Facility MRI, CAT, PET, Nuclear Medicine/Radiology	10% of AC	10% of AC
Outpatient Surgery Facility	$150	$100 copay, then 10% of AC

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Medical Plan

Medical Benefit Comparison

Effective July 1, 2014

	POS/HMO	PPO
	Anthem	**Anthem**
	Healthkeepers 10 POS (Open Access)	**KeyCare 10 PPO (Open Access)**
In-Network Benefits		
Other Medical Services		
Routine Eye Exam	$15 once per year	$15 once per year
Chiropractic Care	$20 (30 visit max)	$40 (30 visit max)
Durable Medical Equipment	20% of AC	20% of AC
Home Health Care	10% of AC (100 visit maximum)	10% of AC (100 visit maximum)
Hospice	No charge	No charge
Outpatient Rehab./Physical, Speech & Occ. Therapy	$20 (30 visit combined max for phys & occ / 30 visits for speech)	$40 copay, then 10% of AC (30 visit combined max for phys & occ / 30 visits for speech)
Skilled Nursing Home Facility	10% of AC (100 day max/adm)	10% of AC (100 day max/adm)
Prescription Drugs		
Out-of-Pocket Maximum for Prescriptions	$3,500/$12,700	$3,500/$12,700
Retail Pharmacies: up to 30-day supply. Tier 1/Tier 2/ Tier 3	$10/$30/> of $50 or 20%; $200 max	$10/$30/> of $50 or 20%; $200 max
Mail Order Maintenance: Tier 1/ Tier 2/ Tier 3	$10/$60/> of $150 or 20%; $400 max	$10/$60/> of $150 or 20%; $400 max
Out-of-Network	**Note: If you use out-of-network providers, you may be subject to balance billing.**	
Benefit Year Deductible	$300 Ind / $600 Fam	$200 Ind/$400 Fam
Coinsurance Level	30% of AC after deductible	30% of AC after deductible
Maximum Out of Pocket	$3,000/$6,000	$3,000/$6,000

AC = Allowable Charge

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Dental Benefits

Note: Anthem provided a two-year rate guarantee that will end June 30, 2014. Anthem is increasing rates by 10.8%.

Tier	Current Rates	Renewal Rates
Employee Only	$36.58	$42.35
Employee + Child(ren)	$69.50	$80.45
Employee + Spouse	$76.82	$88.93
Employee + Family	$109.74	$127.04

Dental Benefits

Covered Services	Anthem PPO
Benefit Attributes	
Calendar Year Deductible/Individual	$50
Calendar Year Deductible/Family	$150
Waived for Preventive	yes
Calendar Year Plan Maximum	$1,250
OON Reimbursement Level	90th %
Dependent Age	26
Diagnostic and Preventive Services	
Oral Exams	100% 2 per CY
X-Rays (limits within 6 or 12-month period)	100% 2 per 12-mos; panoramic 1 every 36 mos
Prophylaxis Treatments	100% 2 per CY
Fluoride Treatments	100%
Sealants	100%
Palliative Care (Emergency)	100%
Space Maintainers	100%
Basic Services	
Restorative (Amalgams & Composites); Endodontic Treatment (root canal); Periodontic, Simple Extractions	80%
Repairs of Crowns, Inlays, Onlays	50%
Repairs of Bridges & Dentures	50%
Oral Surgery	80%
General Anesthesia	80%
Major Services	
Crowns & Onlays; Prosthodontics (Bridges & Dentures)	50%
Prosthodontic Benefits (Bridges & Dentures)	50%
Orthodontia Services	
Orthodontia Services	50%
Lifetime Orthodontia Maximum	$1,000

CY = Calendar Year

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Vision Benefits

Vision

The current fully-insured vision plan with EyeMed has maintained the same rates for seven years. EyeMed provided a renewal last year with rates guaranteed through June 30, 2015.

Rate Tier	EyeMed
Employee Only	$5.01
Employee + Child(ren)	$10.01
Employee + Spouse	$9.51
Family	$14.72

	EyeMed	
Vision Care Services	**In-Network Cost**	**Out of-Network Cost**
Frequency Exam/Lens/Frame	12/12/24	
Annual Routine Eye Exam	$10	up to $35 reimbursement
Eyeglass Frames	$130 allowance, 20% off balance over $130	up to $65 reimbursement
Standard plastic lenses		
Single vision	$10	up to $25 reimbursement
Bifocal	$10	up to $40 reimbursement
Trifocal	$10	up to $55 reimbursement
Options and Upgrades (in addition to cost of lenses)		
UV Coating	$15	n/a
Tint (solid/gradient)	$15	n/a
Standard Scratch-Resistance	$15	n/a
Standard Polycarbonate	$40	n/a
Standard Progressive (add-on to Bifocoal	$65	n/a
Standard Anti-Reflective	$45	n/a
Other Add-Ons & Services	20% off retail	n/a
Contact Lenses		
conventional	$130 allowance, 15% off balance over $130	up to $104 reimbursement
disposable	$130 allowance	up to $104 reimbursement
medically necessary	$0 (paid in full by plan)	up to $200 reimbursement
LASIK or PRK Laser Vision Correction		
	15% off retail or 5% off promotional price	
Other Information		
Network	EyeMed Network	