

March 3, 2015
RE: Employee Medical Benefits Board 2015-2016 Self-insured Reserve Fund Determination
To Bob Tait and Ron Bienkowski
Cc: John Kortze

Bob and Ron:

Thank you for participating in the meeting last evening. Your input on projected enrollment and contributions was helpful in guiding us to our determination. During the first 8 months of the '14-'15 plan year, the claims experience has come in lower than expected. Major health insurers experienced higher trends in their books of business in 2014. Mercer, Aon Hewitt and Towers Watson all have 2015 trend guidance in the 6-7% range. Mercer's 7.1% drops to 4.6%, when they account for the reality that most employers are implementing significant benefit changes. That is a **35% reduction** in the increase of cost. When we talk about bending the cost curve downward, that's how most employers are making it happen. There are more constraints on a municipality, with collective bargaining agreements in place. However, that increases the importance of making each negotiation count. The enrollment split between BOE/Town remains 76%/24%. Costs should be shared accordingly.

The board voted to allow a decrease in additions to the reserve fund of \$300,000. Taking into account a \$300,000 cut in employer contributions, Bob's exhibit projects the reserve fund will be \$3.12 million on July 1, 2015. With the projected '15-'16 year program costs in the range of \$14.1 to \$14.5 million, that reserve level is right in the acceptable range, where we believe it should be.

The Anthem renewal uses a 7.7% trend, to arrive at \$14.5 million cost, \$1.3 million of which is admin cost. The reinsurance premiums are increasing 6% this year, compared to 17% last year. The number of claimants over 50k, remained very consistent with last year, at 34, showing that 1.65% of members accounted for 32.5% of the cost, or \$3.9 million (12 months through December 2014).

The board also wants to emphasize some of the factors, which are within your control, to manage for the future success of this program:

- Focus on, and invest in programs that enhance preventive care, encouraging your membership to receive their scheduled care, which has many benefits. Anthem should have a host of wellness programs available to you. You should explore those.
- Data is available today on the costs and quality of healthcare being delivered in CT. Educating your members how and where to find this information should be a priority.
- As the board has consistently stated, place more emphasis on increasing the portion of membership enrolled in the H.S.A.- enabled health plan.
- Your insurance consultant pointed out that approximately \$1.4 million of the claims in the last 12-month period were attributed to prescription medications. You should work with your insurance carrier, to try to help your members increase their compliance in following the medication regimen ordered by their physicians. Typically, insurance companies and prescription benefit managers (PBMs) have several programs to assist in these efforts. Often these programs improve member health outcomes and member satisfaction with their plan.
- Adequate planning, preparation and resolve in your union negotiations. You are fully informed and aware of the estimated tax penalty associated with not changing your benefit programs. The number Steve May gave you was \$1,550,000 as an ACA tax penalty (in 2018) if you do not significantly alter your benefit structure. The time to act is now.

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS @ FEB 28, 2015
 FISCAL YEAR 2014 - 2015 FORCAST

FUND BALANCE @ JULY 1, 2014

2,210,990

ESTIMATED REVENUES

EMPLOYER CONTRIBUTIONS:

MUNICIPAL
 EDUCATION

2,967,280
 8,267,309

11,234,589

EMPLOYEE CONTRIBUTIONS:

MUNICIPAL
 EDUCATION

310,000
 2,034,000

2,344,000

RETIREE/COBRA/AGENCY CONTRIBUTIONS:

MUNICIPAL
 EDUCATION

265,000
 350,000

615,000

INTEREST EARNED ON INVESTMENTS

5,000

TOTAL REVENUES

14,198,589

ESTIMATED EXPENSES

CLAIMS/NAF:

MUNICIPAL
 EDUCATION

12,148,206

<<<<<<FROM CLAIMS ANALYSIS

ADMINISTRATIVE FEES:

MUNICIPAL
 EDUCATION

1,085,000

CONSULTANT FEES

55,000

TOTAL EXPENSES

13,288,206

ESTIMATED FUND BALANCE @ JUNE 30, 2015

3,121,373

25% OF TOTAL CLAIMS =

3,037,052

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS @ FEB 28, 2015
 FISCAL YEAR 2015 - 2016 FORECAST

ESTIMATED FUND BALANCE @ JULY 1, 2015 3,121,373

ESTIMATED REVENUES

EMPLOYER CONTRIBUTIONS:

MUNICIPAL	2,892,280	
EDUCATION	8,042,309	
	10,934,589	(-\$300,000)

EMPLOYEE CONTRIBUTIONS:

MUNICIPAL	328,600	
EDUCATION	2,125,163	
	2,453,763	

RETIREE/COBRA/AGENCY CONTRIBUTIONS:

MUNICIPAL	265,000	
EDUCATION	376,313	
	641,313	

INTEREST EARNED ON INVESTMENTS		10,000
		14,039,665

TOTAL REVENUES 14,039,665

ESTIMATED EXPENSES

CLAIMS/NAF:

MUNICIPAL		
EDUCATION		
	12,974,284	(6.8%)

ADMINISTRATIVE FEES:

MUNICIPAL		
EDUCATION		
	1,085,000	

CONSULTANT FEES		55,000
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TOTAL EXPENSES 14,114,284

ESTIMATED FUND BALANCE @ JUNE 30, 2016 3,046,754

25% OF TOTAL CLAIMS = 3,243,571

TOWN OF NEWTOWN CLAIMS ANALYSIS

FISCAL YEAR 2012 - 2013

TOWN	247,000	226,000	168,000	198,000	190,000	266,000	242,000	246,000	279,000	262,000	304,000	215,000	TOTALS	2,843,000	25%
BOE	722,000	764,000	611,000	812,000	694,000	739,000	596,000	754,000	677,000	763,000	843,000	709,000		8,684,000	75%
TOTAL	969,000	990,000	779,000	1,010,000	884,000	1,005,000	838,000	1,000,000	956,000	1,025,000	1,147,000	924,000		11,527,000	FEB = 64.8%

FISCAL YEAR 2011 - 2012

TOWN	213,000	304,000	266,000	171,000	223,000	302,000	238,000	227,000	298,000	276,000	312,000	318,000	TOTALS	3,148,000	28%
BOE	860,000	618,000	742,000	561,000	573,000	621,000	601,000	657,000	692,000	726,000	659,000	802,000		8,112,000	72%
TOTAL	1,073,000	922,000	1,008,000	732,000	796,000	923,000	839,000	884,000	990,000	1,002,000	971,000	1,120,000		11,260,000	FEB = 63.7%

FISCAL YEAR 2013 - 2014

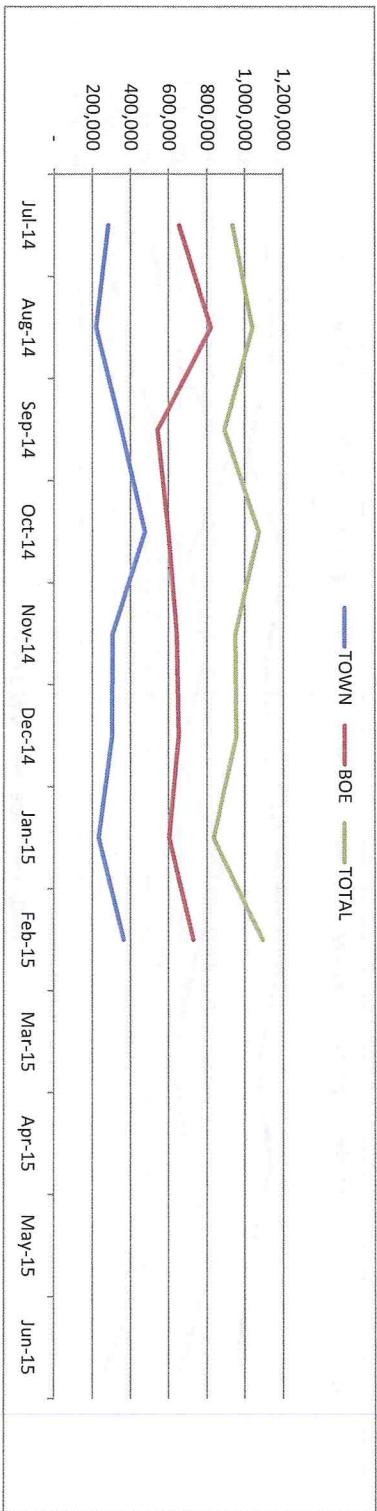
TOWN	275,000	238,000	389,000	180,000	276,000	280,000	220,000	203,000	336,000	261,000	403,000	462,000	TOTALS	3,523,000	27%
BOE	958,000	865,000	495,000	741,000	649,000	804,000	546,000	721,000	856,000	739,000	623,000	803,000		8,798,000	73%
TOTAL	1,233,000	1,103,000	882,000	921,000	925,000	1,084,000	766,000	924,000	1,192,000	1,000,000	1,026,000	1,265,000		12,321,000	FEB = 63.6%

FISCAL YEAR 2014 - 2015

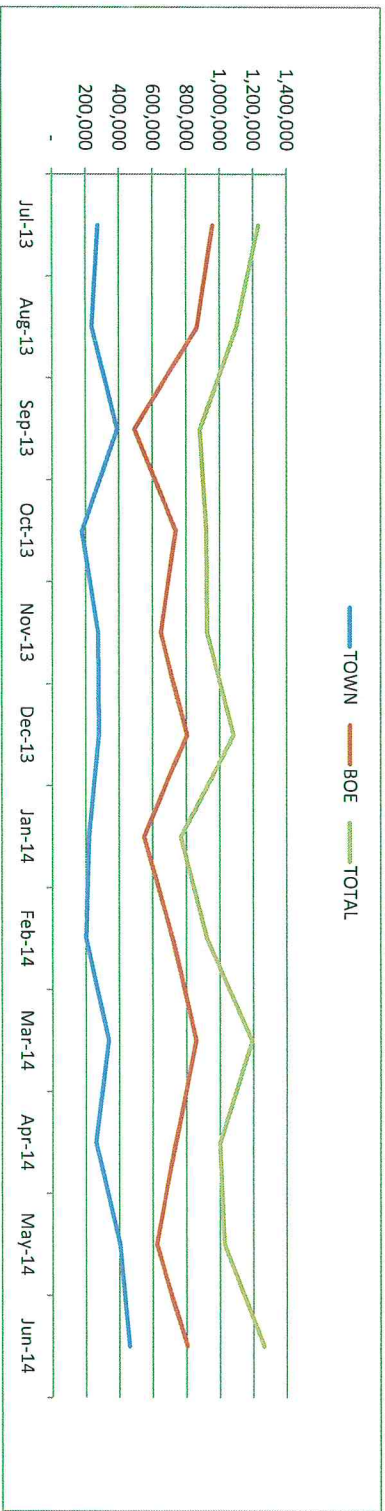
TOWN	284,000	221,000	352,000	475,000	307,000	304,000	234,000	365,000					TOTALS	2,542,000	33%
BOE	655,000	821,000	543,000	599,000	644,000	652,000	603,000	728,000						5,245,000	67%
TOTAL	939,000	1,042,000	895,000	1,074,000	951,000	956,000	837,000	1,093,000						7,787,000	FEB = 64.1%

2014 - 2015

STRAIGHT LINE = 67%



2013 - 2014



FISCAL YEAR 2012 - 2013

