

Albuquerque Public Schools
2018 Benefit Plan and Risk Recommendations
Legislative Education Study Committee
November 16, 2017

Senator Mimi Stewart, Chair
Representative Stephanie Garcia Richard, Vice Chair

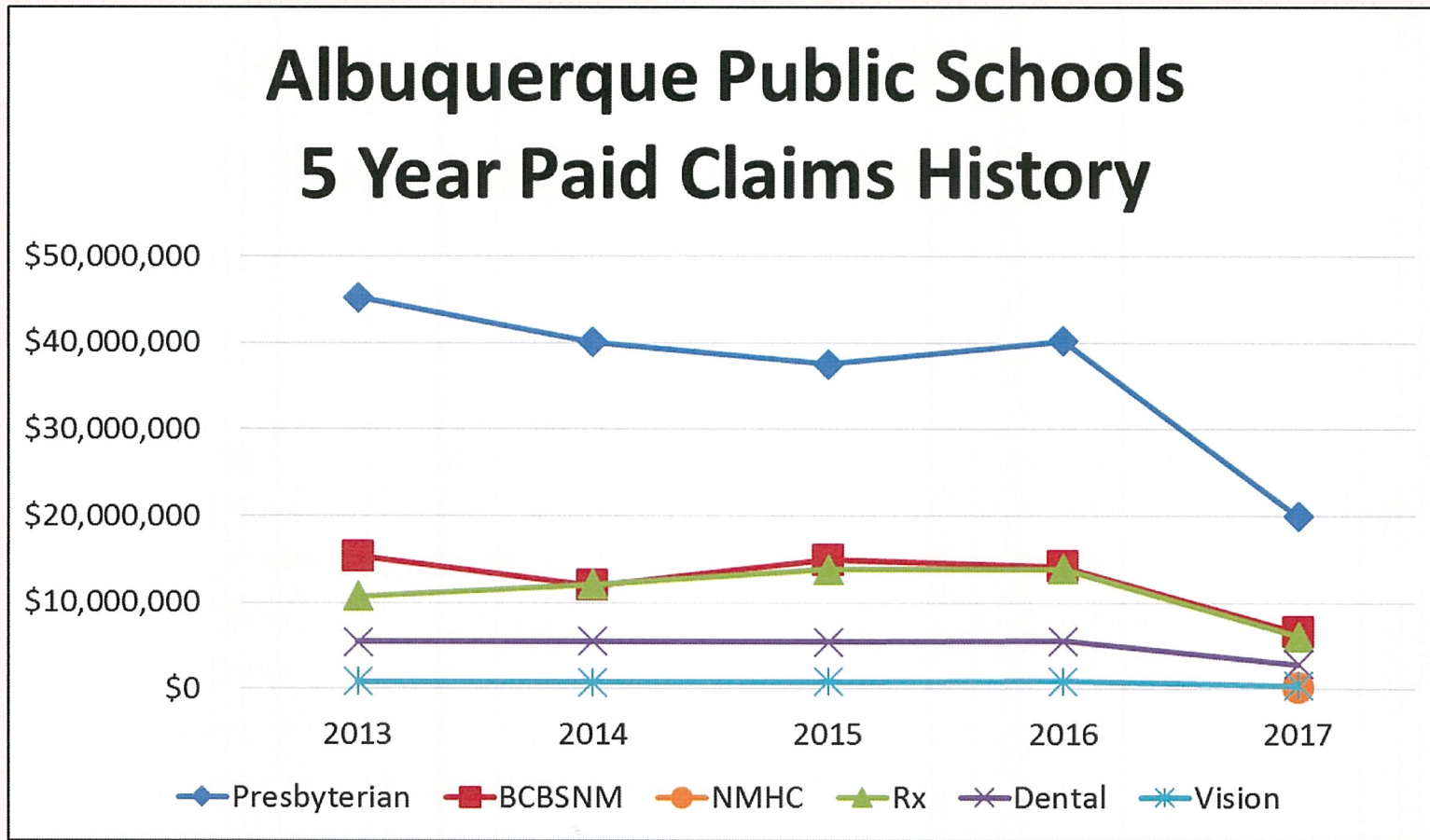
2018 Medical Cost Projections

- The APS medical plans require a **4.8% increase in overall premiums** to offer the same plan design for Plan Year 2018 with no buildup or drawdown of reserves. A 4.8% increase requires **additional funding of \$3.879 million** (APS and employees combined).
- APS desires to provide additional support for lower paid employees for recruitment and retention purposes by increasing the district share of premiums to 80% for employees earning less than \$34,500 and 70% for employees earning between \$34,500 and \$39,999. At the current contribution rates, this would **shift \$1.536 million from employees to APS**.
- The projected reserve balance as of 12/31/17 is a little under \$12.3 million. So there are limited funds in the reserves that can be used to offset these increases. Therefore either plan design changes must be made or premiums must be increased.
- §10-7-4 NMSA 1978 requires that every public school district contribute Minimum and Maximum percentage amounts towards premiums.
 - This Statute, §10-7-4 NMSA 1978 constrains employers ability to increase premiums to employees unless there are matching funds for employers to increase their contribution to premiums.
- The **APS portion of the 4.8% increase is \$2.498 million** before any additional contributions for lower paid employees.
 - This means that APS would require a minimum of an additional \$2.498 million appropriation/District funding to manage the health insurance costs by premiums alone.

2018 Medical Cost Projections (Cont.)

- To provide the most financially responsible health plan management we are continuing to offer employees value-based plan options.
 - NMHC Exclusive Provider Organization (EPO) - **(no Out-of-Network Benefits)**
 - BCBS and Presbyterian Three-Tier Option Plan
 1. Tier One = Narrow Network Plan
 2. Tier Two = Open Access Network Plan (Full Open Access Network)
 3. Tier Three = Out-of-Network Coverage
- The goal of offering a three-tier option plan is to encourage employees to become better educated about their health care options and encourage them to use value-based providers.

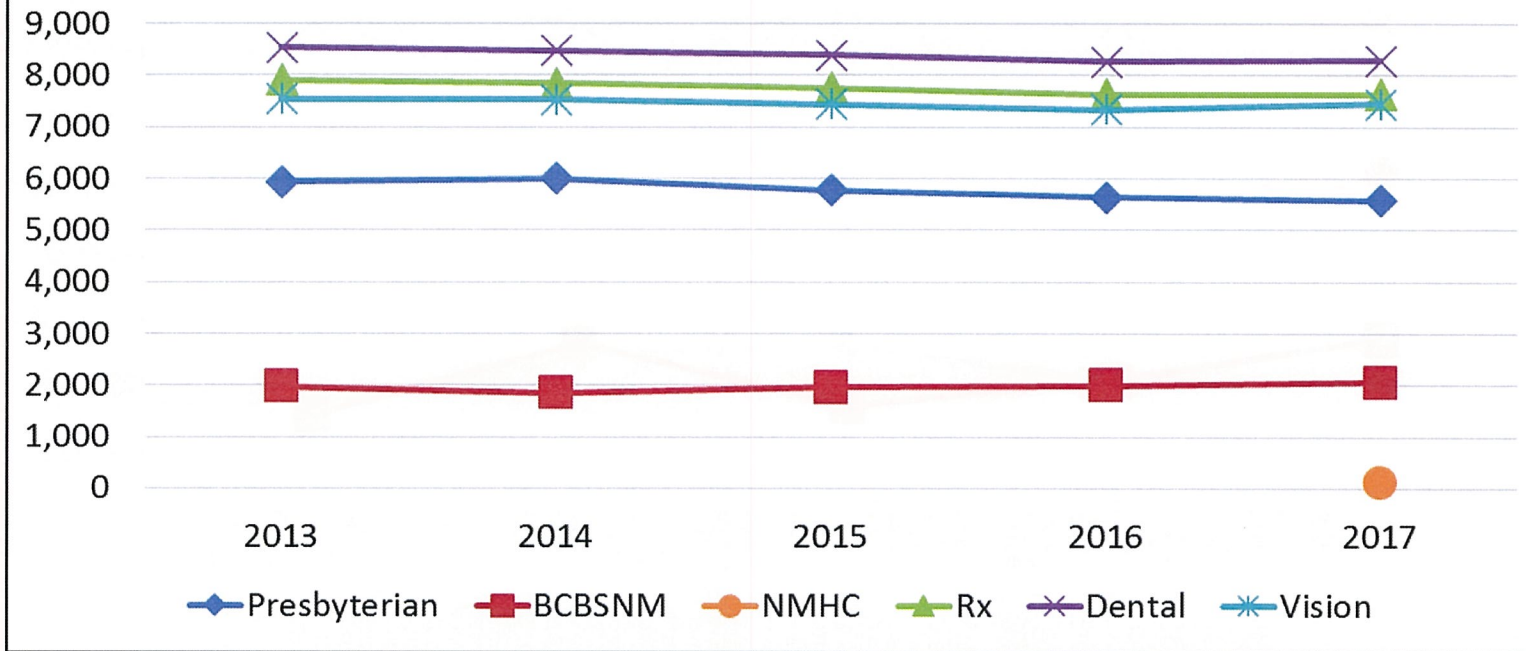
Medical/Rx Plan Trend



*2017 Claims are through June

Enrollment History

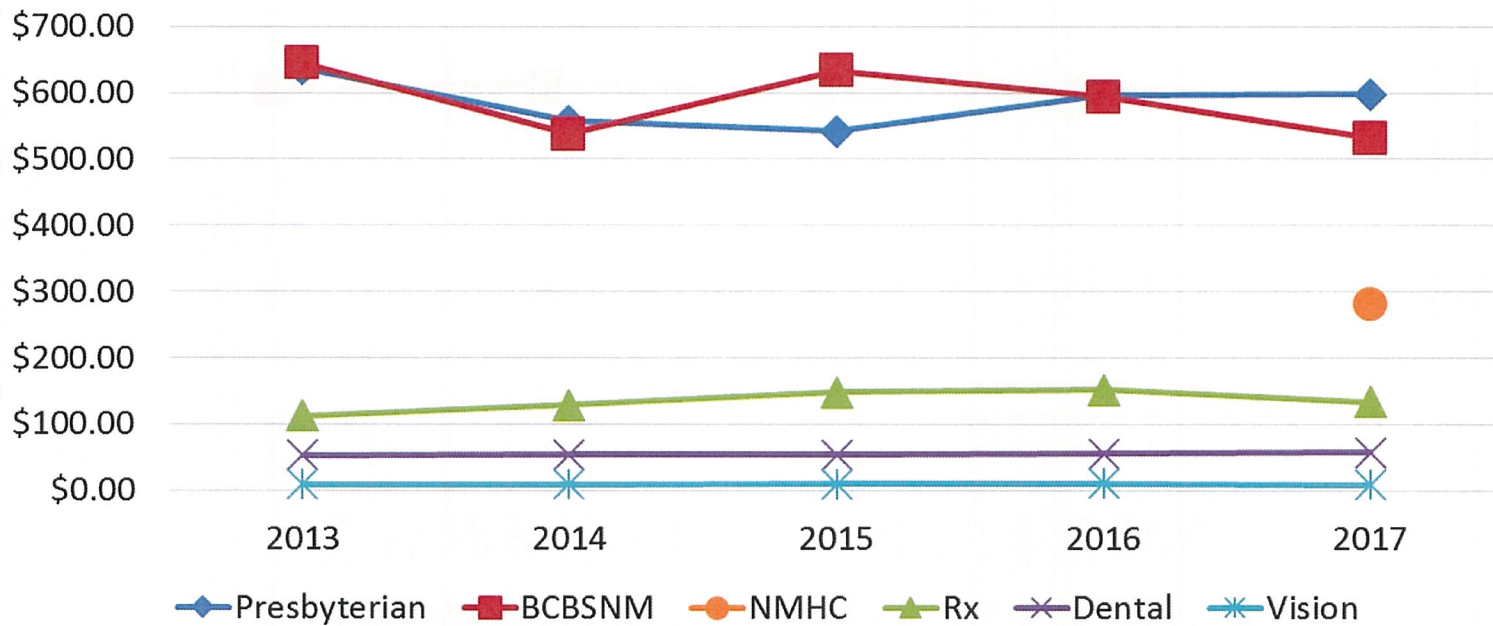
Albuquerque Public Schools 5 Year Enrollment History



*Average enrollment per year

APS 5-Year Paid Claims Per Employee

Albuquerque Public Schools 5 Year Paid Claims per Employee



APS Insurance Reserve Fund Balance

ALBUQUERQUE PUBLIC SCHOOLS
TOTAL MEDICAL INSURANCE RESERVES
FISCAL YEAR 2016/17

DESCRIPTION	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	TOTAL
BEGINNING RESERVE BALANCE	20,020,276.29	16,639,888.45	13,873,591.64	14,111,631.87	12,624,798.55	11,856,247.80	12,612,045.48	10,391,685.41	11,209,127.60	9,990,879.43	10,589,209.02	10,276,276.69	20,020,276.29
CONTRIBUTIONS:													
Employee Premiums	2,331,500.80	2,257,086.77	2,267,085.08	2,302,263.17	2,311,250.73	2,290,846.95	2,437,894.94	2,441,398.41	2,439,998.29	2,461,354.94	2,441,744.89	2,499,247.32	28,481,672.29
Premium Refunds	-	(179.50)	-	-	(1,133.70)	(89.84)	(70.00)	(736.30)	(179.88)	-	(206.84)	-	(2,596.06)
Net Employee Premiums	2,331,500.80	2,256,907.27	2,267,085.08	2,302,263.17	2,310,117.03	2,290,757.11	2,437,824.94	2,440,662.11	2,439,818.41	2,461,354.94	2,441,538.05	2,499,247.32	28,479,076.23
Employer Premiums	398,636.54	2,551,012.07	4,135,217.91	4,173,589.74	4,183,211.20	4,196,469.36	4,227,182.31	4,210,862.54	4,221,972.79	4,223,204.75	4,222,181.18	9,470,070.98	50,213,611.37
Rebate	-	453,497.00	174,813.51	247,983.60	99,867.70	-	415,683.72	207,262.00	178,237.64	277,588.88	290,325.82	41,260.98	2,386,520.85
Cigna - Refund of Account Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
COBRA/LOA Premiums	50,439.39	52,553.41	42,744.99	38,799.26	42,070.06	31,694.98	41,242.39	22,591.82	33,404.10	19,132.39	27,800.26	26,938.13	429,411.18
TOTAL CONTRIBUTIONS	2,780,576.73	5,313,969.75	6,619,861.49	6,762,635.77	6,635,265.99	6,518,921.45	7,121,933.36	6,881,378.47	6,873,432.94	6,981,280.96	6,961,845.31	12,037,517.41	81,508,619.63
PLAN COSTS													
Medical Claims	5,631,956.16	5,585,366.65	4,635,252.87	6,603,903.21	5,629,317.92	4,092,949.78	6,518,888.27	4,377,439.76	6,180,492.22	4,771,881.39	5,570,198.01	4,903,085.50	64,500,731.74
Rx Claims	77,969.19	2,081,820.55	1,316,515.45	1,251,762.99	1,382,714.47	1,252,198.89	1,990,053.89	1,353,786.97	1,433,914.14	1,195,996.03	1,386,889.20	1,171,236.75	15,894,858.52
Professional Services and Premiums	77,058.95	3,194.84	19,048.64	6,676.69	343.88	34,795.67	447,236.85	21,261.78	43,807.33	15,833.33	20,416.66	15,833.33	705,507.95
Administration Fees	351,448.16	365,826.76	346,972.66	343,029.02	345,380.58	341,341.19	345,058.50	270,476.83	370,795.76	359,452.57	277,519.31	362,100.70	4,079,402.04
Salary and Benefits	22,532.11	44,057.76	64,031.64	44,087.18	46,059.89	41,838.24	41,055.92	40,970.94	62,671.66	39,788.05	39,754.46	(486,857.85)	-
TOTAL PLAN COSTS	6,160,964.57	8,080,266.56	6,381,821.26	8,249,469.09	7,403,816.74	5,763,123.77	9,342,293.43	6,063,936.28	8,091,681.11	6,382,951.37	7,294,777.64	5,965,398.43	85,180,500.25
INTEREST EARNINGS	-	-	-	-	-	-	-	-	-	-	-	68,532.01	68,532.01
ENDING RESERVE BALANCE	16,639,888.45	13,873,591.64	14,111,631.87	12,624,798.55	11,856,247.80	12,612,045.48	10,391,685.41	11,209,127.60	9,990,879.43	10,589,209.02	10,276,276.69	16,416,927.68	16,416,927.68

Plan Year 2018 Reserve Fund Projection

	Medical/Rx/Dental/Vision		
	Jan to June 2017	Jul to Dec 2017 (Projected)	CY2018 (Projected)
Beginning Reserve Balance	\$12,612,000	\$16,348,000	\$12,288,000
Contributions	\$45,467,000	\$34,891,000	\$80,358,000
Pharmacy Rebates	\$1,410,000	\$1,913,000	\$3,629,000
TOTAL REVENUE	\$46,877,000	\$36,805,000	\$83,987,000
Claims	\$40,854,000	\$38,095,000	\$82,194,000
Administration Fees	\$1,985,000	\$2,414,000	\$4,399,000
Salary and Benefits	(\$263,000)	\$265,000	\$529,000
Stop Loss Premiums			\$513,000
Segal Consulting & Actuarial Services	\$564,000	\$92,000	\$190,000
ACA Fees (PCORI)			\$40,000
TOTAL COSTS	\$43,141,000	\$40,865,000	\$87,866,000
Ending Reserve Balance	\$16,348,000	\$12,288,000	\$8,409,000
Surplus/(Deficit) in period		(\$324,000)	(\$3,879,000)

2018 Benefit Plan Recommendations

Reserves

- Reset projected year end reserves to \$10 million or above

District Contributions

- No change in total premium rates (APS plus Employee) for plan year 2018
- 80% for employees earning less than \$34,500, 70% for employees earning between \$34,500 and \$39,999, 60% for employees earning \$40,000 and above
 - Requires \$0.768 million contribution from operational fund for second half of FY18 and additional \$0.768 million for FY19 (\$1.536 million cost of increased District share of premiums for lower paid employees).

Prescription Benefit

- Introduce SaveOn program to capture manufacturer assistance funds for select specialty medications

Dental Plan

- Increase deductible from \$50 individual/\$150 family to \$100 individual/\$300 family (waived for preventive services)
- Increase member coinsurance for Basic Services from 20% to 30%
- Decrease Basic Plan annual plan maximum from \$1,250 to \$1,000

Medical Plan

- No change to NMHC to encourage enrollment in lowest cost option
- Harmonize medical out-of-pocket maximums for BCBS and Presbyterian.
 - Increase BCBS all tiers
 - Lower Presbyterian tier 1 and increase tier 2 and 3 to encourage use of tier 1 providers

Copay Offset Savings Program



About the Program

- Manufacturers make funds available to assist patients with their share of the cost
- Utilizes Affordable Care Act (ACA) state benchmark to **change client plan design**
- Targets **64** specialty drugs in **13** therapy classes
- Reduces patient’s responsibility to **zero**



Average savings range from \$2.50 to \$4.50 PMPM



Sample Medications Covered

Therapy Class	# of Drugs	Assistance/Fill
Blood Cell Deficiency	2	\$1,040
Oncology	27	\$1,878
Endocrine	1	\$1,666
Hemophilia	1	\$1,000
Hepatitis C	6	\$6,987
HAE	1	\$1,666
HIV	1	\$500
Inflammatory	10	\$1,141
Iron toxicity	2	\$1,250
MS	12	\$1,505
PAH	1	\$1,000

Note: ESI does not endorse the services provided by SaveonSP or provide any guidance or endorsement to SaveonSP on the legal structure of the services offered by SaveonSP, including without limitation, any representation of compliance with any applicable laws.

SAVEONSP

Cost Comparison – Humira®

The Scenario:



\$25 initial patient copay

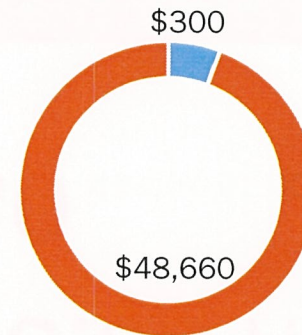


12 annual fills

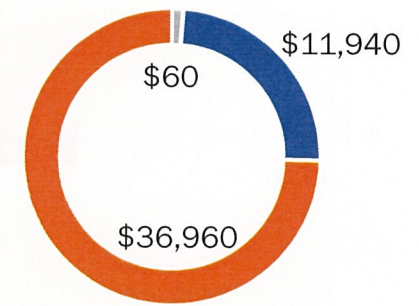


Total cost of treatment, including copay and plan cost is **\$48,960** annually

No copay assistance



Using SaveonSP



- Employer responsibility
- Patient responsibility
- SaveOnSP
- Drug manufacturer

SaveonSP helps the patient achieve a zero dollar copay

Client Savings Albuquerque Public Schools

CLIENT EXAMPLE

- 16K lives
- 119 Members with 823 refills

IMPACT FOR PATIENTS AND THE CLIENT



- \$712K savings for the plan
- \$3.63 PMPM client savings*
- \$0 member copay

BY IMPLEMENTING SAVEON SP COPAY OFFSET PROGRAM

*Savings based on most expansive drug list and actual savings will vary based on state certification and are not guaranteed. Official savings will be provided by SaveonSP. ESI does not endorse the services provided by SaveonSP or provide any guidance or endorsement to SaveonSP on the legal structure of the services offered by SaveonSP, including without limitation, any representation of compliance with any applicable laws.

2018 Proposed Medical Plan Options

		Current Plan Design							Proposed Plan Design						
		NMHC	BCBSNM			Presbyterian			NMHC	BCBSNM			Presbyterian		
		HMO	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	HMO	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Deductible	Individual	\$250	\$500	\$2,000	\$4,000	\$250	\$1,500	\$4,000	\$250	\$500	\$2,000	\$4,000	\$250	\$1,500	\$4,000
	Two Person	\$500	\$1,000	\$4,000	\$8,000	\$500	\$3,000	\$8,000	\$500	\$1,000	\$4,000	\$8,000	\$500	\$3,000	\$8,000
	Family	\$750	\$1,500	\$6,000	\$12,000	\$750	\$4,500	\$12,000	\$750	\$1,500	\$6,000	\$12,000	\$750	\$4,500	\$12,000
Out of Pocket Maximum	Individual	\$2,250	\$2,500	\$4,000	\$8,000	\$4,000	\$4,000	\$8,000	\$2,250	\$3,000	\$4,500	\$8,500	\$3,000	\$4,500	\$8,500
	Two Person	\$4,500	\$5,000	\$7,000	\$14,000	\$7,000	\$7,000	\$14,000	\$4,500	\$6,000	\$7,875	\$14,875	\$6,000	\$7,875	\$14,875
	Family	\$6,750	\$7,500	\$10,000	\$20,000	\$10,000	\$10,000	\$20,000	\$6,750	\$9,000	\$11,250	\$21,250	\$9,000	\$11,250	\$21,250
Coinsurance		20%	10%	40%	50%	20%	30%	50%	20%	10%	40%	50%	20%	30%	50%
Emergency Room Visit		\$150 copay + ded/coins	\$150 copay (subject to tier 1 ded/coins)			\$150 copay (subject to tier 1 ded/coins)			\$150 copay + ded/coins	\$150 copay (subject to tier 1 ded/coins)			\$150 copay (subject to tier 1 ded/coins)		
Office Visits	PCP	\$15 copay	\$15 copay	\$50 copay	50%	\$15 copay	\$25 copay	50%	\$15 copay	\$15 copay	\$50 copay	50%	\$15 copay	\$25 copay	50%
	Specialist	\$40 copay	\$40 copay	\$75 copay	50%	\$40 copay	\$40 copay	50%	\$40 copay	\$40 copay	\$75 copay	50%	\$40 copay	\$40 copay	50%
	Urgent Care	\$50 copay	\$50 copay	\$75 copay	\$75 copay	\$50 copay	\$75 copay	\$75 copay	\$50 copay	\$50 copay	\$75 copay	\$75 copay	\$50 copay	\$75 copay	\$75 copay
Inpatient Hospital		Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins

Plan Designs for 2018

- Under this proposal, we are able to:
 - Reduce employee contributions for those employees earning between \$30,000 and \$39,999
 - Keep the contributions for both employees and APS the same as they were in 2017 for employees earning under \$30,000 and those earning \$40,000 and over.
- Employees have the option to select NMHC EPO which offers the lowest out-of-pocket costs.
- For employees who wish to remain on PHP or BCBS, many will find their doctors are part of the tier 1 network (narrow value-based network).
- In both PHP and BCBS we will continue to offer the full PPO Open Access network for employees that use a doctor that is not part of a tier 1 network.
- The addition of the SaveOn program will reduce cost for employees with specified specialty drugs as long as they agree to participate in the program.

IBAC Value Based Purchasing Initiatives

Effective January 1, 2017 - Contractual Requirements of Health Plans

1. Managing Chronic Illness

Require accurate baseline measuring and improvements in the number of diabetic patients under appropriate clinical treatment and monitored for kidney disease.

2. Managing Acute Care Episodes

Require health plan Medical Director to review medical records to confirm that high cost claimants are being correctly managed – 5% of members account for over 60% of costs.

3. Use of Third-Party Prescription Data

Require the health plans to use prescription data provided by Express Scripts in their analytical tools. Develop reporting related to prescribing patterns of network providers with emphasis on appropriateness and avoidance of potential harms associated with polypharmacy.

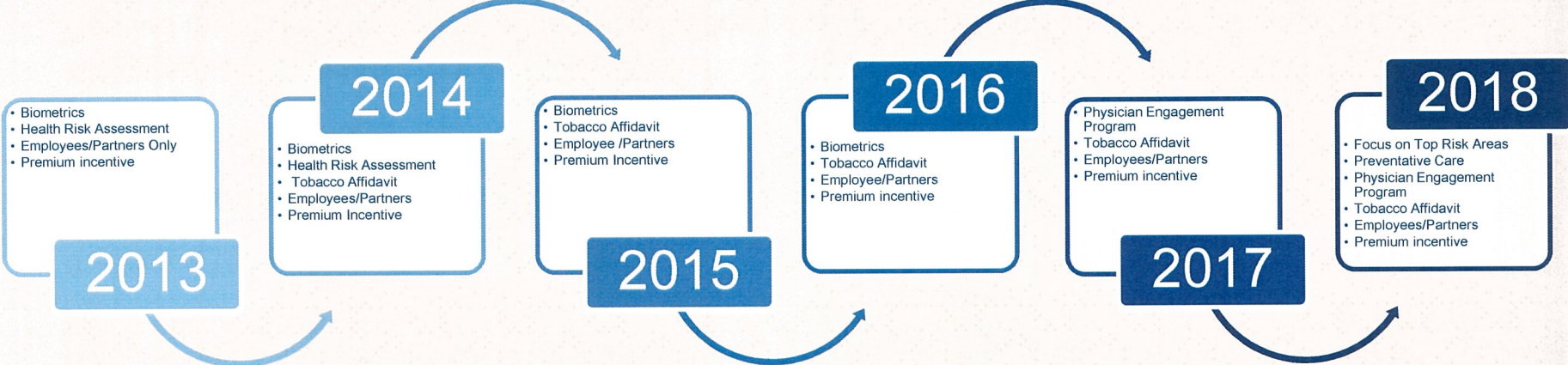
4. Preference Sensitive Surgeries

Require the application of shared decision making principles (e.g. Choosing Wisely guidelines) to establish baseline utilization and subsequent reduction in the number of potentially low value procedures. This is to include knee, spine and shoulder surgeries.

5. Value-Based Provider Agreements

Prior to December 31, 2016, health plan partners shall report the percentage of contracted physicians and inpatient hospital facilities with negotiated value-based agreements.

History of Employee Wellness Incentive Program



Risk Management Overview

The Risk Management department has been a separate department within Albuquerque Public Schools (APS) for over forty years. The APS Risk Management Program continues to be self-insured. The primary function of the Risk Management Department is to preserve the assets of Albuquerque Public Schools by providing our employees and the public with the highest level of Safety and Claims management services. The Risk Management department's two main areas of operation are loss control and claims management.

The loss control department is charged with the oversight of the safety programs for of all of the various schools and departments within the District. The department visits and inspects each school facility every year with over 140 schools inspected annually. They report on safety issues and suggest areas of improvement to prevent and mitigate losses. This department is also in charge of the District's hazardous waste management program as well as chemical safety management and bio-hazardous waste management. The department works in conjunction with the State's Workers' Compensation Administration (WCA), State and Federal Occupational Health and Safety Administration (OSHA), local Fire Safety officials and other governmental entities. The Risk Management department continues to monitor all school fire drills and works closely with fire safety officials and school administrators to develop site safety and evacuation plans

The Risk Management claim department handles claims made by entities and individuals against the school district. The Albuquerque Public Schools is self-insured for all workers compensation, property and casualty exposures. Although self-insured, the Albuquerque Public School district has insurance for large claims in excess of the self-insured limit. All claims for these loss exposures are self-administered with APS claims staff. The self-insured program has existed for decades. The district's liability and property claims have been self-administered with its own claim staff. The District is currently using the Third-Party Claims management services of CCMSI to adjust its workers' compensation claims.

The risk management department provides support services and research to other departments. These support services such as research of types and locations of accident. Our Facilities and Design Department and Risk Management collaborate on analysis of playground accidents for site development. We also work with our Community Support for issues with volunteers and other related insurance issues.

Our claim volume has remained consistent over the past several years for most lines of coverage. We have noticed an inflationary measure in all lines of coverage. In our Workers' Compensation Program, there has been a significant reduction in the average cost (severity/claim) per workers' compensation claim. In addition, the number of workers' compensation claims (claim frequency) for the District are well below its 10-yr historical average. That is, the Frequency and Severity numbers for the District are trending favorably. These two factors are the key to controlling workers' compensation costs.

APS Risk Management

- Albuquerque Public Schools serves approximately 84,000 students
- The district employees 12,090 permanent employees as of June 30, 2017 of which 6,961 are certified staff (teachers/counselors/librarians/nurses) and 1,803 classroom educational assistants.
- Geographic Area: the APS district covers a 1,230-square mile area that encompasses all of the Albuquerque Metropolitan area in Bernalillo County and a small portion of Sandoval County, New Mexico.
- APS has 89 elementary -Middle Schools: APS has 27 middle schools - 13 high schools and 12 schools of choice- 72% of the District's schools are Title I high poverty schools
- Total insured value of \$2,537,000,000
\$100M Per Occurrence; XS \$150M Per Occurrence
- Excess general liability insurance to \$15M
- Recent alignment of Risk Management with Human Resources
- As of January 1, 2017 CCMSI begins to handles the District's W/C claims
Property and Liability claims managed by in-house adjusters

Appropriations FY12 – FY17

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
W.C. Budget	\$12,199,641.00	\$13,212,386.00	\$11,686,595.00	\$11,401,327.00	\$10,474,953	\$7,598,839
P.C. Budget	\$8,866,469.00	\$11,313,023.00	\$14,255,634.00	\$14,162,342.00	\$15,571,064.00	\$13,530,022.00
Total Budget	\$21,066,110.00	\$24,525,409.00	\$25,942,229.00	\$25,563,669.00	\$26,046,017.00	\$21,128,561.00
W.C. Payments	\$3,564,649.00	\$5,034,941.00	\$4,133,816.00	\$5,246,160.00	\$6,215,929	\$5,178,251
P.C. Payments	\$3,216,531.00	\$3,221,343.00	\$4,314,509.00	\$3,504,831.00	\$5,044,715.00	\$4,669,284
Total Payments	\$6,781,180.00	\$8,256,284.00	\$8,448,325.00	\$8,750,991.00	\$11,260,644.00	\$9,847,535

ALBUQUERQUE PUBLIC SCHOOLS HISTORICAL RETENTION & DEDUCTIBLE HISTORY

COVERAGE						
POLICY TERM	* PROPERTY	EXCESS LIABILITY	SCHOOL BOARD LEGAL LIABILITY	EXCESS WORKER'S COMPENSATION	* BOILER & MACHINERY	CRIME
2016-2017	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2015-2016	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2014 - 2015	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2013 - 2014	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2012 - 2013	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2011 - 2012	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2010 - 2011	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2009 - 2010	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$250,000
2008 - 2009	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$250,000
2007 - 2008	\$500,000	\$350,000	\$350,000	\$500,000	\$5,000	\$250,000
2006 - 2007	\$100,000	\$350,000	\$350,000	\$500,000	\$5,000	\$100,000
2005 - 2006	\$100,000	\$350,000	\$350,000	\$400,000	\$5,000	\$100,000

Footnote(s):

* Deductible in lieu of self - retention (SIR)
Boiler & Machinery: \$25,000 deductible for Transformers/MEA

Actuarial Confidence Level for W/C

Actuarial Confidence level for W/C	70%	80%	90%
Five-Year average	\$10,623,778	\$11,084,241	\$12,010,183
Estimated Outstanding Losses			
2016	\$10,971,974	\$11,493,012	\$12,270,033
2015	\$10,551,576	\$10,942,375	\$12,212,473
2014	\$10,332,960	\$10,715,663	\$11,481,067
2013	10,512,911	11,008,804	11,802,231
2012	10,749,471	11,261,350	12,285,109
2011	11,114,679	11,643,950	12,702,491
2010	8,770,444	11,576,986	13,857,302
2009	7,562,928	9,983,065	11,949,426

Actuarial Confidence Level for P/C

Actuarial Confidence level for P/C	70%	80%	90%
Five year average	5,524,174	6,272,763	7,808,581
Estimated Outstanding Losses			
2016	\$6,087,002	\$6,917,965	\$9,441,967
2015	\$5,749,787	\$6,570,355	\$7,872,634
2014	\$4,495,136	\$5,158,335	\$6,334,097
2013	4,748,641	5,401,190	6,661,792
2012	6,540,305	7,315,972	8,732,415
2011	7,805,775	9,077,527	11,478,710
2010	7,443,841	8,805,251	11,311,155
2009	7,606,353	9,102,888	11,513,885

Thank you!
Questions?