

October 1, 2014

**MEMORANDUM**

To: Legislative Education Study Committee

From: Brad Winter, APS Superintendent *BW*

Re: Albuquerque Public Schools: Projected FY16 Insurance Request

For FY16, Albuquerque Public Schools (APS) is requesting an appropriation of approximately \$5.4 million to provide for the increasing cost of insurance for its members. The benefits portion of the FY16 budget request considers:

- a 9.0 percent increase in medical insurance premiums
- a 7.0 percent increase in dental insurance premiums;
- a 5.0 percent increase in vision insurance premiums;
- a 23.0 percent increase for life and disability insurance; and
- 2 percent enrollment growth.

Albuquerque Public Schools reports that, as of August 31, 2014, APS' unaudited fund balance for medical, dental and vision reserves was \$13,365,240.

Plan Year 2014 Situation → Fiscal Year 2014 Request

APS requested an appropriation of \$11.25 million for increasing costs of insurance benefits for its employees in FY14. This request was made to cover costs of plan year 2014 and ensure there were funds available in fund balance at the end of the plan year to help offset costs in plan year 2015. APS, via the funding formula, received \$4.2 million of the original request. APS expended approximately \$2.8 million of fund balance to cover increasing claims costs in plan year 2013. The Board of Education also authorized \$1.6 million of fund balance to offset insurance costs in plan year 2014. As a result, on December 30, 2014, APS was correct in projecting that the district would be at our incurred but not reported (IBNR) statutory limit plus a fraction of the superintendent mandated margin of error for claim fluctuation.

ASP experienced a medical, vision and dental contribution shortfall of \$8,901,000 for the 2014 plan year. The Albuquerque Public Schools Board of Education has approved \$3,425,541 worth of plan design changes and premium increases to offset the contribution shortfall.

The plan design changes that took effect January 1, 2014 are as follows:

- APS eliminated its low plan option and now only offers a single plan option as an employer
- APS converted its copayment plan to be a deductible/coinsurance plan making APS aligned with NMPSIA.
- Increase dental insurance premiums by 7.34%
- Increase medical insurance premiums by 5%

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<b>Plan Design Change</b>	<b>Plan Year 2013</b>	<b>Plan Year 2014</b>
Deductible (3x family)	None	\$250
Coinsurance (3x family)	None	20%
Coinsurance Maximum	\$2,000	\$2,000
Out of Pocket Max (ded & coins)	\$2,000	\$2,250
PCP & Primary Care Copay	\$25	\$25
Specialist Copay	\$40	\$40
IP Hospital Admission	\$750 copay	Ded/Coins
OP Surgery	\$250 copay	Ded/Coins
Advanced Radiology	\$100 copay	\$100 copay, then Ded/Coins
Emergency Room	\$150 copay	\$150 copay, then Ded/Coins
Urgent Care Copay	\$50	\$50
Radiology, Dialysis, Chemotherapy	Paid at 100%	Ded/Coins

#### Plan Year 2015 Situation → Fiscal Year 2015 Request

APS requested \$11.57 million for FY15 as an attempt to alleviate the impact of increasing costs of insurance from district employees. The request was meant to cover the entirety of the projected shortfall for plan year 2015.

APS, via the funding formula, received \$3.5 million of the original request. APS has seen a decline in utilization of the health insurance plan, which has driven our projected shortfall for 2015 down. Due to decreased utilization, the Board of Education was not required to authorize drastic plan design changes for plan year 2015. APS has implemented the following cost savings measures to contain costs in plan year 2015:

- Aligned prescription drug plan mail order co-pays with retail co-pays;
- Increased oversight and management of compound drugs;
- Currently conducting an independent dependent audit to exit non-eligible members off the plan;
- Participating in Aligning Forces for Quality and the Business Health Advisory Group; and
- Beginning planning stages of an on-site health clinic for APS employees.

#### Plan Year 2016 Situation → Fiscal Year 2016 Request

APS' request of \$5,397,154 for FY16 is meant to cover the entirety of the projected shortfall for plan year 2016. APS projects there will only be \$12 million in fund balances by December 31, 2014. Therefore, the entirety of the projected shortfall for plan year 2016 will have to be funded through legislative appropriations in the state equalization guarantee and/or through further plan design changes and employee premium increases. APS is committed to alleviating the impact of increasing health care costs on district employees to the best of our ability.

#### Wellness Plan

The APS Health Assessment tied to the Biometric Screening Incentive Program implemented July 2011 through September 2014 and encouraged employees and their spouses/domestic partners enrolled in Presbyterian or Blue Cross Blue Shield health plans to complete a biometric screening and online health assessment. These screenings provided a detailed assessment of an individual's basic health indicators such as:

- Blood pressure
- Body Mass Index (calculated from height and weight)
- Cholesterol

- Blood Glucose and
- Pulse/Heart rate.

APS added a tobacco free requirement to earn the Wellness Incentive in plan year 2014. An employee must fill out an affidavit related to their tobacco use. If the employee uses tobacco he must complete a cessation program as an alternative standard.

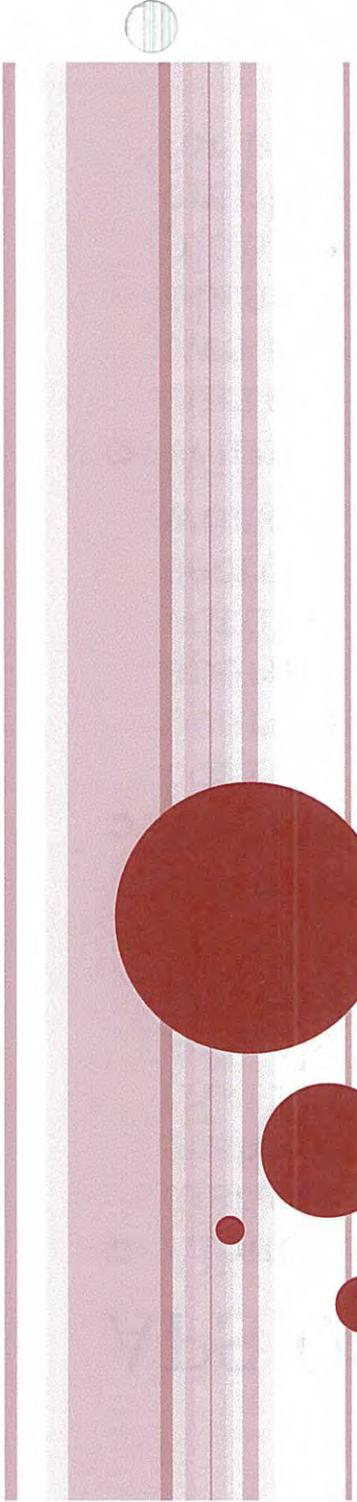
In plan year 2015, APS withdrew the requirement that employees complete a health assessment tied to their biometric screening but continues to require employees and spouses complete the biometric screening and be tobacco free.

Completion of the two requirements by the employee and the employee spouse is required to receive a \$25/month per member discount to the plan premiums.

#### Risk Program

Regarding the risk program, the FY16 request does not include any request because the APS administration will request the Board of Education to draw down from reserves any increases in property and liability premiums and worker's compensation claims.

If you have specific questions or concerns, there are APS staff members who are available to discuss the district's benefit plans.



# ALBUQUERQUE PUBLIC SCHOOLS

## FY16 Insurance Appropriation Request

Presented to the Legislative Education Study Committee  
Senator John Sapien, Chair  
Representative Mimi Stewart, Vice Chair

October 14, 2014

# APS DEMOGRAPHICS

- Albuquerque Public Schools (APS) is the 32<sup>nd</sup> largest school district in the nation and the largest school district in the state of New Mexico. APS provides educational services (K-12) to approximately 90,000 students in 89 elementary schools, 27 middle schools, 13 high schools, and 11 alternative schools. APS is Albuquerque's second largest employer, providing jobs for nearly 15,000 employees, including hourly employees and substitute teachers.
- The district is governed by a seven-member elected school board that sets policy and approves the annual budget. The board also hires the APS Superintendent, who oversees the operations of the district. There are six separate unions within APS that represent teachers, educational assistants, secretarial/clerical workers, maintenance and operations workers, food service personnel, and school police.
- With approximately 11,000 benefit-eligible employees, APS currently covers approximately 17,127 members under its two medical plans, 18,807 members under its two dental plans, and 16,348 members under its vision plan. The APS plan year runs from January through December. Full-time employees who work 30 or more hours per week are eligible for benefits.

# APS BENEFIT PROGRAMS

APS offers the following benefit programs:

- Pre-tax insurance premium plan (PIPP)
- Flexible Spending Accounts (FSAs) - Health Care FSA (with optional, employee-elected debit card) and Dependent Care FSA
- Self-funded medical plan with two carriers – Blue Cross Blue Shield NM and Presbyterian Health Plan
- Self-funded prescription drug plan managed by a Pharmacy Benefit Manager (PBM) – Express Scripts
- Employee Wellness Incentive Program – Biometric Health Screenings, Tobacco Cessation Program and Health Coaching
- Self-funded dental plan, two plan options – Basic & Comprehensive – Delta Dental Plan NM
- Self-funded vision plan – Davis Vision Plan
- Fully-insured Long Term Disability plan – Standard Insurance Company
- Fully-insured Basic Life, Voluntary Additional Life, Voluntary Dependent Life – Standard
- Voluntary Long-Term Care Insurance Plan
- Employee Assistance Plan (administered by the district)
- Voluntary 403(b) and 457(b) retirement savings plans

# SELF-FUNDED MEDICAL/RX, DENTAL & VISION PLANS INSURANCE RESERVE FUND BALANCE

Description	August 2014
Beginning Reserve Balance	\$15,612,002.65
TOTAL CONTRIBUTIONS	\$5,672,757.64
TOTAL PLAN COSTS	(\$7,922,434.34)
INTEREST EARNING	\$2,914.25
Ending Reserve Balance	\$13,365,240.20

\*Figures represent closing balances as of August 31, 2014

\*\*Statutorily Required “Incurred but Not Reported” Fund Balance Level

≈ \$8.0 million

Board of Education and superintendent Required Fund Balance

≈ \$12.0 million

# PY15 APPROVED MEDICAL BENEFITS

(REFLECTS MEDICAL PLAN DESIGN CHANGES 2013-2015)

Benefit	2013	In-Network 2014	In-Network 2015
Deductible (3x Family)	None	\$250	\$250
Coinsurance (3x Family)	None	20%	20%
Coinsurance Max	\$2,000	\$2,000	\$2,000
Out-of-Pocket Max (ded + coins)	\$2,000	\$2,250	\$2,250
PCP & Primary Care Co-Pays	\$25	\$25	\$25
Specialist Co-Pays	\$40	\$40	\$40
IP Hospital Admission	\$750 copay	Ded/Coins	Ded/Coins
OP Surgery	\$250 copay	Ded/Coins	Ded/Coins
Advanced Radiology	\$100 copay	\$100 copay, then Ded/Coins	\$100 copay, then Ded/Coins
Emergency Room	\$150 copay	\$150 copay, then Ded/Coins	\$150 copay, then Ded/Coins
Urgent Care Co-Pays	\$50	\$50	\$50
Radiation, Dialysis, Chemotherapy	Paid at 100%	Ded/Coins	Ded/Coins

## PY2015 PROJECTED SITUATION

- APS requested \$11.57 million for FY15 as an attempt to alleviate the impact of increasing costs of insurance from district employees.
- APS, via the funding formula, received \$3.5 million of the original request.
- Due to plan design changes implemented in PY14, APS has experienced a decrease in utilization of the health plan making our projected costs for PY14 lower than anticipated.
- APS has allocated the entirety of the \$3.5 million received through the funding formula in addition to several cost saving measures to meet the needs of the health plan for FY15.

# PY2015 COST SAVING MEASURES – PREMIUM INCREASES

- Increase Dental Premiums by 3.37%
- Increase Vision Premiums by 2.95%
- Do not increase Medical Premiums

<b>Employee/Employer Contributions</b>	<b>Employee/Employer Contributions</b>	<b>FY15 Medical Rates with &amp; without Employee Wellness Incentive Discount</b>
<u>Earnings &lt; \$30,000/Year</u>	<u>Earnings &gt; \$30,000/Year</u>	<u>Presbyterian &amp; BCBSNM</u>
Employee Contributes 20%	Employee Contributes 40%	\$179.50 Single With \$484.72 Family With
APS Contributes 80%	APS Contributes 60%	\$204.50 Single Without \$509.72 Family Without

# PY2015 COST SAVING MEASURES PRESCRIPTION DRUG PLAN DESIGN CHANGES

- Align mail order co-pays with retail co-pays

Category	Percent	Minimum	Maximum	Mail Order	Mail Order Rec.
Generics	20%	\$8	\$20	\$15	\$20
Preferred Brand	30%	\$25	\$55	\$30	\$55
Non-Preferred Brand	40%	\$45	\$105	\$70	\$120
				Projected Savings	\$56,000

# PY2015 COST SAVING MEASURES – MANAGING LOSSES AND HEALTH CARE COSTS

Benefit Strategy	Projected Savings
Medical, Dental, Vision <ul style="list-style-type: none"><li data-bbox="197 578 827 626">• Dependent Audit in PY15</li></ul>	<ul style="list-style-type: none"><li data-bbox="974 578 1419 626">• \$1.5 – 2.0 Million</li></ul>
Prescription Drug Plan/RX <ul style="list-style-type: none"><li data-bbox="197 711 827 813">• Align Mail Order Co-Pays with Retail</li><li data-bbox="197 824 926 984">• Compound Drug Program – Manage High-Cost Compound Medications</li></ul>	<ul style="list-style-type: none"><li data-bbox="974 769 1209 818">• \$56,000</li><li data-bbox="974 943 1209 992">• \$44,000</li></ul>

# PY2015 COST SAVING MEASURES - IBAC VALUE-BASED CONSOLIDATING PURCHASING

## Aligning Forces for Quality (AF4Q)

- AF4Q funded by the Robert Wood Johnson Foundation.

## Business Health Advisory Group (BHAG)

- The Business Health Advisory Group is comprised of small, medium and large local employers/businesses. The purpose of the group is to provide a forum for employers and businesses to come together and work with providers and health plans to improve health care quality while improving efficiencies to reduce costs. APS has been a member of the BHAG for the past three years. The New Mexico Retiree Health Care Authority (NMRHCA) and New Mexico Public Schools Insurance Authority (NMPSIA) joined the BHAG in 2013.

## Goals:

- Bring together local small, medium and large, public and private employers to focus on the reporting and outcomes of local health care quality, consumer engagement and address issues of cost and payment reform. This will be done in collaboration with the multi-stakeholder coalition (New Mexico Coalition for Healthcare Quality).

## PY2015 COST SAVING MEASURES – WELLNESS INCENTIVES

- PY15 Employee Wellness Incentive Program – Biometric Screening (BMS) and Tobacco Cessation Program (Tobacco Affidavit)
  - We anticipate more than 11,300 (90%) APS employees and their spouses/and/domestic partners will complete the Employee Wellness Incentive program to save \$25-\$50 per month in medical plan contributions.
- APS was nominated and awarded the National 100 Healthiest Employer in 2014 (Ranked 86<sup>th</sup> out of 100 Employers)

# PY2015 COST SAVING MEASURES – ON-SITE HEALTH CLINIC

- Provide primary health services to employees, spouses and children over the age of 2, covered under the district's health plans
- Provide Occupational Health Services – Pre-employment testing, drug and alcohol testing, workers compensation services, and fitness for duty exams for all employees and applicants
- All health center services provided at no cost to APS Members
- List of common prescriptions dispensed by the on-site physician at no cost to APS members
- Estimated Return On Investment (ROI) – Range from 1:1 to 5:1

## FY2016 INSURANCE REQUEST (PY2016 FUNDING)

- APS requests \$5,397,154 for FY16 to cover the entirety of the projected shortfall for PY2016.
- This requests assumes:
  - a 9.0 percent increase in medical insurance premiums
  - a 7.0 percent increase in dental insurance premiums;
  - a 5.0 percent increase in vision insurance premiums;
  - a 23.0 percent increase for life and disability insurance; and
  - 2 percent enrollment growth.
- APS projects there will only be \$12 million in fund balances by December 31, 2014.
- APS' request does not include funding for the Risk Program. The Board of Education has authorized any increases be funded through excess reserve balances.

# RISK MANAGEMENT – REVENUE FY11- FY15

	FY2011	FY2012	FY2013	FY2014	FY2015
Workers Compensation Budget	\$10,990,164.00	\$12,199,641.00	\$13,212,386.00	\$11,686,595.00	\$11,401,327.00
Property & Liability Budget	\$ 9,114,211.00	\$ 8,866,469.00	\$11,313,023.00	\$14,255,634.00	\$14,162,342.00
Total Budget	\$20,104,375.00	\$21,066,110.00	\$24,525,409.00	\$25,942,229.00	\$25,563,669.00
Workers Compensation Payments	\$ 3,225,072.00	\$ 3,564,649.00	\$ 5,034,941.00	\$ 4,133,816.00	\$ 0.00
Property & Liability Payments	\$ 6,351,385.00	\$ 3,216,531.00	\$3,221,343.00	\$ 4,314,509.00	\$ 0.00
Total Payments	\$ 9,576,457.00	\$ 6,781,180.00	\$ 8,256,284.00	\$ 8,448,325.00	\$ 0.00

# SELF-FUNDED RISK MANAGEMENT INSURANCE RESERVE FUND BALANCE

<b>Risk Management Fund</b>	<b>Insurance Reserve Fund Balance</b>
Workers Compensation	\$11,401,327.72
Property & Liability	\$14,255,634.60

\*Figures represent closing balances as of May 31, 2014

# ACTUARIAL CONFIDENCE LEVEL FOR WORKERS COMPENSATION

Actuarial Confidence level for W\C	70%	80%	90%
Six year average	9,922,951	11,299,141	12,890,675
Estimated Outstanding Losses			
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
2008	10,827,273	12,320,690	14,747,492

# ACTUARIAL CONFIDENCE LEVEL FOR PROPERTY & LIABILITY

Actuarial Confidence level for P/C	70%	80%	90%
Six year average	7,193,271	8,414,356	10,553,649
Estimated Outstanding Losses			
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
2008	9,014,711	10,783,310	13,623,934