



ALBUQUERQUE PUBLIC SCHOOLS

FY17 Insurance Appropriation Request

Presented to the Legislative Education Study Committee
Representative Dennis Roch, Chair
Senator John Sapien, Vice Chair

November 19, 2015

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HISTORICAL INFORMATION

- APS offers a comprehensive benefits program in comparison to other state public entities
 - Key differentiator for attracting and retaining employees
 - Key for maintaining this structure is to shift our culture from a tendency of entitlement to one of personal accountability, employee wellness and prevention of chronic disease
- Premium increases over the last 5 years have been minimal (single digit) as have benefit plan design changes
- The primary determinant of costs are claims, not administrative costs, and the primary driver of claims are the risk factors and health of plan members
- APS currently realizes improved unit costs and administrative costs through the IBAC RFP procurement process
- APS has and will likely continue to face pressure to spend down our health plan insurance reserves to the minimum level. (Incurred But Not Reported) (IBNR) is approximately \$9 million

LEGISLATIVE APPROPRIATION REQUEST

- Medical Insurance Request:
 - \$0.0
- Workers Compensation Request:
 - \$0.0
- Property and Liability Request:
 - \$0.0

*This request is based off of information presented to the APS Board of Education in August of 2015. Please refer to slide 7 for additional information.

BREAKDOWN OF ESTIMATED 2016 MEDICAL COSTS

Total Dollars	Medical
\$89,136,731	2015 Contributions
<u>\$82,766,415</u>	2016 Projected Costs
\$6,370,316	Difference
-7.1%	Decrease Total

*Based on headcount as of May 2015

BREAKDOWN OF DENTAL AND VISION COSTS

Total Dollars	Dental
\$5,991,611	2015 Contributions
<u>\$6,321,150</u>	2016 Projected Costs
(\$329,539)	Shortfall
5.5%	Increase Needed

Total Dollars	Vision
\$866,856	2015 Contributions
<u>\$848,642</u>	2016 Projected Costs
\$18,214	Shortfall
-1.79%	Decrease Total

COMBINED MEDICAL/RX, VISION & DENTAL 2016 COSTS

Plan	Total Dollars
Medical	\$82,152,013
Dental	\$6,321,150
Vision	<u>\$848,642</u>
Total Cost	\$89,321,805
Total 2015 Contributions	\$95,333,430
Total Decrease Amount	\$6,011,625
Shortfall	\$0.0

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

Description	June 2015	July 2015	August 2015	Sept. 2015
Beginning Reserve Balance	\$15,166,506.95	\$19,880,065.97	15,996,506.37	\$13,943,636.90
TOTAL CONTRIBUTIONS	\$12,051,550.44	\$3,151,730.76	\$5,786,981.75	\$15,489,814.39
TOTAL PLAN COSTS	(\$7,340,122.05)	(\$7,038,083.17)	(\$7,842,555.67)	(\$21,741,347.99)
INTEREST EARNING	\$2,130.63	\$2,792.81	\$2,704.45	\$7,433.09
Ending Reserve Balance	\$19,880,065.97	15,996,506.37	13,943,636.90	\$13,635,965.46

*August and September ending balances cause concern for APS. The district may adjust its insurance appropriation request once the remainder of the calendar year claims are reported.

**Statutorily Required “Incurred but Not Reported” Fund Balance Level
 ≈ \$9.0 million
 Board of Education and Superintendent Required Fund Balance
 ≈ \$13.0 million

2016 BENEFIT PLAN RECOMMENDATIONS

○ Medical Plan Changes

- We are recommending no plan design changes or premium increases for the medical plans.

○ Dental Plan Changes

- We are recommending no plan design changes to the dental plans.
- We are recommending a 5.5% increase to dental plan premiums, which will result in an increase of approximately \$1.00 per month for Individual Coverage and approximately \$5.00 per month for Family Coverage

○ Vision Plan Changes

- We are recommending no plan design changes or premium increases for the vision plan.

PY16 APPROVED MEDICAL BENEFITS

(REFLECTS MEDICAL PLAN DESIGN CHANGES 2013-2015)

Benefit	2013	In-Network 2014	In-Network 2015 & 2016
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

BENEFIT PLAN COST SAVINGS STRATEGY

- Medical Claims Audit
 - Estimated \$825k in savings (savings can vary greatly based on payer's adherence to plan language)
- Flexible Spending Maximum Increase to \$2550
 - Negligible savings on taxes from payroll
- Changes to the Prescription Drug Plan
 - Detailed prior authorization for PCSK9 drugs (already implemented)
- Other Plan Change Options
 - Change Eligibility Requirement for Dental and Vision plan administration to cover children until age 26

COST SAVING STRATEGY: ON-SITE HEALTH CLINIC

- APS is moving forward with opening an on site health clinic.
- The RFP was issued August 10, 2015
- RFPs were reviewed the second week of November.

COST SAVING STRATEGY: IBAC

- IBAC RFP for Project Manager for medical, dental and vision RFP
 - Decision to be made in August 2015
 - IBAC RFP for medical, dental and vision coverage is scheduled to be released in the fall of 2015 (effective date for APS is January 1, 2017)

COST SAVING STRATEGY: HEALTHCARE VALUE

- New Mexico Coalition for Healthcare Value
- Executive Committee and Board Members met with Governor Martinez's Staff on August 3, 2015 to introduce the Coalition's mission and goals
- Presented to Legislative Finance Committee on August 20, 2015
 - Topic was "Delivering Better Healthcare for Less"

SELF-FUNDED RISK MANAGEMENT INSURANCE RESERVE FUND BALANCE

Workers Comp	End of FY15	Sept. 2015
Beginning Reserve Balance	\$11,751,810.58	\$9,626,739.84
TOTAL CONTRIBUTIONS	\$4,188,900.25	\$264,642.44
TOTAL PLAN COSTS	(\$5,485,724.31)	(\$510,324.74)
INTEREST EARNING	\$19,967.41	\$1,336.51
Ending Reserve Balance	\$10,474,953.93	\$9,382,394.05

Property & Liability	End of FY15	Sept. 2015
Beginning Reserve Balance	\$14,620,154.75	\$16,014,635.90
TOTAL CONTRIBUTIONS	\$6,710,448.00	\$517,537.33
TOTAL PLAN COSTS	(\$5,787,898.71)	(\$316,579.01)
INTEREST EARNING	\$28,360.27	\$2,223.36
Ending Reserve Balance	\$15,571,064.31	\$16,217,817.58

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