

2009 BUDGET SAVINGS

Date	Dept	Position	action	savings	basis
Jan-09	Treasurer	Secretary to the Treasurer	position eliminated	\$ 11,810.00	annual
Jan-09	Treasurer	Account Clerk	didn't replace (3) Principal Acct Clk's 35 to 40 hrs		
Jan-09	DSS	Principal Welfare Examiner	retirement-disapproved to replace	\$ 36,207.27	annual
Jan-09	DSS	Support Investigator	disapproved to replace	\$ 28,549.24	annual
Feb-09	DSS	Community Services Worker	not replacing	\$ 20,651.21	annual
Feb-09	PVI	Senior Clerk Grade 10	replaced w/P/T Typist Grade 7	\$ 31,723.00	annual
Mar-09	Sheriff's	Typist	resigned working without-attend staffing 6/09	\$ 1,840.42	to date
Mar-09	OFA	Dietician/Nutritionist	resigned working without	\$ 5,355.70	to date
Mar-09	Real Property	Tax Map Technician	not replacing	\$ 28,300.00	annual
May-09	Real Property	GIS Technician	temporary 12 wk - summer		
Apr-09	DSS	Caseworker	transferred to Probation - working without	\$ 11,194.32	to date
Apr-09	Buildings & Grounds	Building Maintenance Helper	retired & not replaced	\$ 20,414.00	annual
Apr-09	DSS	Social Welfare Examiner	resigned & not replaced - working without	\$ 6,112.83	to date
Apr-09	Code Enforcement	5 Code Enforcement Officers	hrs decreased from 40 to 35	\$ 16,700.00	annual
May-09	PVI	Administrative Secretary Gr 10	retired & replaced w/Gr 7 Typist	\$ 6,700.00	annual
				\$ 225,557.99	



**WASHINGTON COUNTY  
OFFICE OF THE ADMINISTRATOR**

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TO: Finance Committee  
FROM: Kevin Hayes, County Administrator *KH*  
DATE: May 5, 2009  
RE: Health Insurance Costs

**HISTORY**

The County switched to the current provider, Blue Shield, in June of 2004. The previous carrier was Blue Cross. The switch was made in order to obtain a lower cost plan.

In June 2006, the County again moved to reduce costs by changing the way we pay our health insurance carrier (at this time still Blue Shield). Prior to this change the County paid a premium for coverage as established by the carrier. Historically, the County has been spending 90% or less than what the carrier estimated and in effect, overpaying. Beginning 6/1/06, the County made an agreement with Blue Shield wherein the County would pay Blue Shield's administrative cost and all claims up to a set amount. Monthly and individual stop loss coverage was put in place as part of this arrangement. The County then established a "premium" based on the amount we expected to spend under the new agreement. The Self Insurance Health Benefits Fund was created to hold these funds.

In June of 2008, the County projected the 2008-09 health insurance rate at 93.5% of maximum claims. This increased the premium by 17.2% over the previous year. In order to lower costs, the County switched coverage for retirees to a "wrap-around" Medicare program. This saved approximately \$650,000 in retiree coverage costs.

**BLUE SHIELD**

In the current health insurance period, June 1, 2008-May 31, 2009, payment of claims has exceeded the maximum expected by \$930,000. As stated above, the County's set the maximum premium amount at 93.5%, which amounted to approximately \$7,700,000. The current total year-to-date contract with Blue Shield is \$8,300,000, leaving a \$600,000 shortfall in the County's obligation.

Capital Financial, Inc., the County's broker obtained quotes for June 1, 2009-May 21, 2010. The quote from Blue Shield contained a 20% increase in cost, a maximum cost of \$9,974,000.

**BLUE CROSS**

The Insurance Sub-Committee met frequently throughout February and March, working with Capital Financial and the County employee labor unions to find a way to lower this cost. The group focused on working with Blue Cross as this carrier had a lower initial quote than Blue Shield for comparable coverage. The final agreement reached with Blue Cross allowed the County to switch with a total projected cost of \$6,771,000 for the same coverage as Blue Shield provided the County would also raise member co-payments as follows:

- Doctor visits - raise co-payment from \$15 to \$30 for
- Prescription drugs – raise co-payments from \$5/\$20/\$40 to \$15/\$30/\$45

REIMBURSEMENTS

In order to offset the increased co-payments, the County will begin partial reimbursement of co-pays through health reimbursement accounts (HRAs). The reimbursement amounts will be: \$10 for doctor visit and \$8/\$8/\$3 for prescription drugs. The reimbursement program will cost the County \$260,000 in reimbursements and administrative costs.

TOTAL COST COMPARISON

In order to change companies the County must pay a \$675,000 run out fee to Blue Shield. However, if the County stayed with Blue Shield and paid the shortfall as well as the increased cost for the new period as discussed above, the total new cost would be:

Cost to stay with Blue Shield:

Shortfall cost	\$600,000
2009-2010 coverage with Blue Shield	<u>\$9,974,000</u>
	\$10,574,000
Less Employees' Share	<u>(\$1,653,320)</u>
Net Total Annual Cost	\$8,920,680

In comparison, the switch to Blue Cross will cost:

Shortfall cost in operating fund	\$600,000
2009-2010 coverage with Blue Cross	\$6,771,000
Reimbursements - HRA accounts	\$260,000
Run-out fee paid to Blue Shield	<u>\$675,000</u>
	\$8,306,000
Employees' Share	<u>(\$1,377,768)</u>
Net Total Annual Cost	\$6,928,232

The cost of returning to a premium-only plan:

Cost of premium-only plan	\$9,100,000
Employees' Share	<u>(\$1,456,000)</u>
Net Total Annual Cost	\$7,644,000

The above figures do not include expenses for retiree coverage or the cost of dental coverage for 2009-2010. The cost for retirees over 65 will be approximately \$871,700. The total cost for dental coverage will be \$63,880. These costs will remain the same whether or not the County switches health insurance providers.

PROJECTION OF HEALTH COST  
2009 2010

MEDICARE

HEALTH INSURANCE	2009 BUDGETS	DENTAL	RETIREES	REIMBURSEMENT / MEDICAID	UNDER 65 RETIREES	EMPLOYER COST OF HEALTH	EMPLOYER HRA COST	TOTALS
2009 ALL FUNDS	5,420,000	10,730.00	\$141,334.25	\$5,784.00	\$164,245.19	\$896,899.94		1,218,993.38
GENERAL SHARE	195,750	541.13				\$43,883.73		44,424.86
SOLID WASTE SHARE	18,500	38.80				\$3,424.94		3,463.74
CAR POLL SHARE	510,000	1,380.00				\$131,777.51		133,157.51
CO ROAD MACH SHARE	61,300	130.07				\$16,333.94		16,464.01
SEWER DIST #2 SHARE	116,145	270.00				\$25,519.28		25,789.26
WORKERS COMP SHARE	16,000	30.00				\$2,921.70		2,951.70
PLEASANT VALLEY SHARE	1,377,645	2,850.00				\$258,169.41		261,019.41
TOTALS	7,715,340	15,970.00	141,334.25	5,784.00	164,245.19	1,378,930.43		1,706,263.87

SWITCH TO BLUE CROSS

2009								
5 MOS B/S	\$26,616.67	\$235,557.08	\$9,640.00	\$273,741.98	\$2,298,217.38	\$151,700.00		2,843,773.12
7 MOS B/C	\$37,263.33	\$495,000.00	\$13,496.00	\$383,238.78	\$3,217,504.34			\$4,298,202.45
YEARLY COST	\$63,880.00	\$730,557.08	\$23,136.00	\$656,980.76	\$5,515,721.72			\$7,141,975.56
2010								
5 MOS B/C	\$26,616.67	\$353,571.43	\$9,640.00	\$273,741.98	\$2,298,217.38	\$108,357.14		\$3,070,144.60
7 MOS B/C	\$37,263.33	\$569,250.00	\$13,496.00	\$440,724.59	\$3,700,129.89	\$174,455.00		\$4,935,318.91
YEARLY COST	\$63,880.00	\$922,821.43	\$23,136.00	\$714,466.58	\$5,998,347.37	\$282,812.14		\$8,005,463.52

ASSUMING A 18% INCREASE

IF STAY WITH BLUE SHEILD

2009								
5 MOS	\$26,616.67	\$235,557.08	\$9,640.00	\$273,741.98	\$2,298,217.38			\$2,843,773.12
7 MOS	\$37,263.33	\$495,000.00	\$13,496.00	\$383,238.78	\$3,861,005.20			\$4,790,003.31
YEARLY COST	\$63,880.00	\$730,557.08	\$23,136.00	\$656,980.76	\$6,159,222.59			\$7,633,776.43

A 20% INCREASE

IF STAY WITH BLUE SHEILD

2010								
5 MOS	\$26,616.67	\$353,571.43	\$9,640.00	\$273,741.98	\$2,757,860.86			\$3,421,430.94
7 MOS	\$37,263.33	\$544,500.00	\$13,496.00	\$421,562.65	\$4,753,508.66			\$5,770,330.64
YEARLY COST	\$63,880.00	\$898,071.43	\$23,136.00	\$695,304.64	\$7,511,369.52			\$9,191,761.58

ASSUMING A 10% INCREASE