





**(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)**

**Page 3 – Background and Justification (continued)**

The County has self-insured its health insurance plans since 2003. Annual claims experience is difficult to predict, but in general is more favorable than the conservative numbers projected by the plan's actuary.

For PY 2023, the County (through a competitive RFP process) made a carrier change to UHC that provided additional opportunities for savings and network improvements. These changes have served to slow, but not eliminate cost increases to our self-insured plan. In order to maintain the financial stability of our plan in accordance with state guidelines, a 5% increase to the County (Employer funded) health plan rate is being suggested and has been included in the 2025 budget. The fund has experienced an increase in high dollar claimants. For the second consecutive year, this has resulted in a large proposed increase (53%) to the individual stop loss insurance. After a period of more favorable loss ratio outcomes, beginning with PY 2020, the loss ratio has consistently exceeded 100%, and in some years, quite substantially (236% in 2020 and 174% in 2023). The cost of prescription drug coverage is being monitored as a continued challenge, with prescription drug cost trends consistently exceeding medical cost trends. The recommendation to increase the employer funding is made to avoid larger, potentially required increases in funding in the future and will not affect the employee portion of the rates with the exception of applying the increase to overage dependent (age 26-30) coverage and employees who pay the total premium due to experiencing an unpaid leave of absence in accordance with the applicable County PPM. Because retirees pay unsubsidized rates, their increase for 2025 will match the sum of the employee and revised County rates combined.

Staff is recommending to continue to offer a cash incentive that allows employees to earn \$50 for voluntary participation in a biometric health screening that meets the requirements of the County's wellness program in PY 2025.



Insurance | Risk Management | Consulting

2255 Glades Rd.  
Suite 240W  
Boca Raton, FL 33431  
USA

[www.aig.com](http://www.aig.com)

September 7, 2024

Mr. Scott Marting  
Director, Risk Management  
Palm Beach County  
100 Australian Ave., Ste. 200  
West Palm Beach, FL 33406

Re: Calendar Year 2025 Health Plan Projections

Dear Scott:

We have reviewed the County's claim experience under your health plan through June 2024. We projected the total 2025 calendar year expense based on enrollment of 4,400 employees (enrollment at the time of these calculations). Below is a description of the methodology and assumptions used in the projections.

***Contribution Changes***

For 2025, the County contributions will increase 5% while the employee contributions will remain at the 2024 level. This is projected to increase the County total health care contributions to \$70 million from \$67 million. The employee contributions are projected to remain level at \$10 million.

***Stop-Loss Coverage***

The 2025 stop-loss premium quote from UnitedHealthcare increased from the current \$17.90 pepm to \$27.46 pepm or 53.4% (\$505,000 for the year) with no change to the specific deductible of \$625,000.

***Administrative Fees***

The administrative fees are guaranteed to remain flat for 5-years. This fee is \$38.74 pepm which includes the vision plan administration.

The COBRA administration fee is per event versus per employee per month and is billed quarterly. Fees for COBRA administration averaged \$2,400 per quarter since the beginning of the contract, January 1, 2023. The per event fee will not change in 2025.

There is a \$13.00 per employee per month (pepm) Naviguard fee. The Naviguard program negotiates discounts off billed charges from out-of-network (non-contracted) providers. The County has the option to convert the fixed pepm fee to a percentage of savings achieved through negotiations. The \$13.00 pepm fee totaled \$690,000 in 2023 compared to a fee of \$1.9 million if the plan was charged 35% of negotiated savings. Through June 2024, the \$13.00 pepm fees equate to \$345,000 compared to \$960,000 as a percent of savings. The Naviguard fee will renew at \$13.00 pepm in 2025 as this arrangement results in lower costs to the County.

***Pharmacy Rebates***

Rebates are projected to increase 5% in 2025 to \$8.4 million from \$8.0 million. The original rebate projection for 2024 was \$4.6 million which was completed prior to receiving actual rebates from UnitedHealthcare as rebate payments are 6 months in arrears. The \$4.6 million projection was based on the minimum guarantees included in UnitedHealthcare's proposal. The projections have been updated using

actual rebate payments received to date which have exceeded the minimum guarantees.

**Projected 2024 and 2025 Total Expense and Fund Balance**

Below is a table showing the components of the 2024 and 2025 plan years projected using data through June 2024 and stop-loss premiums.

	2024	2025
Projected Enrollment	4,409	4,400
Expected Claims (stop-loss recoveries reflected, includes Naviguard out-of-network negotiation fees)	\$76,060,784	\$80,393,004
Administration	\$2,049,772	\$2,045,472
Reinsurance Premiums	\$947,107	\$1,449,888
PCORI Fees	\$27,595	\$29,251
Internal expenses	\$1,550,424	\$1,581,433
Pharmacy Rebates	(\$8,018,148)	(\$8,419,056)
<b>Total Projected Expense</b>	<b>\$72,617,535</b>	<b>\$77,050,741</b>
<b>Total Projected Revenue</b>	<b>\$76,647,524</b>	<b>\$79,774,769</b>
<b>Projected Gain/(Loss)</b>	<b>\$4,029,989</b>	<b>\$2,724,028</b>
BOY Surplus	\$24,371,326	\$28,401,316
Transfers In/(Out)	\$0	\$0
EOY Surplus	\$28,401,316	\$31,125,343
OIR 60-Day Requirement	\$11,956,839	\$12,989,494
OIR 60-Day Days Met	143	144

In 2025, the County contribution will increase 5% (employee contributions were not increased). Without the increase in contribution in 2025, the surplus was projected to cover 128 days of projected claims.

Maintaining the current plans, if no further rate increases were to occur after 2025, the plan would begin to experience losses starting in 2026 (expenses would begin to exceed revenue), therefore, reducing the surplus by the amount of the loss. In 2027 with no increase in contributions, the surplus would be reduced to a level just above the 60-day threshold. By 2028, again with no increase in contributions, the surplus would fall below \$0 meaning the County would have to send a letter to the OIR stating there are enough unencumbered funds in the General Fund to cover the shortfall.

Please let me know if you have any questions about this or need any additional information.

Sincerely,

*Sharon Leach*

Sharon Leach ASA, MAAA, FCA  
Consulting Actuary

CC: Barbara Crowe, Gallagher  
Michelle Nathan, Gallagher

<b>Palm Beach County Board of County Commissioners</b>									
<b>2024 and 2025 Funding</b>									
<b>Plan</b>	<b>Tier</b>	<b>2024 Actual Rates</b>			<b>2025 Illustrative Rates</b>			<b>Employer Increase</b>	<b>Employee Increase</b>
		<b>Total</b>	<b>County</b>	<b>Employee</b>	<b>Total</b>	<b>County</b>	<b>Employee</b>		
<b>HMO</b>	EE	\$870.61	\$839.61	\$31.00	\$912.60	\$881.60	\$31.00	5.0%	0.0%
	EE + 1	\$1,798.35	\$1,597.35	\$201.00	\$1,878.22	\$1,677.22	\$201.00	5.0%	0.0%
	Family	\$2,461.13	\$2,121.13	\$340.00	\$2,567.20	\$2,227.20	\$340.00	5.0%	0.0%
	Overage Dep.	\$522.00	\$0.00	\$522.00	\$548.00	\$0.00	\$548.00	5.0%	5.0%
<b>Choice</b>	EE	\$908.12	\$859.12	\$49.00	\$951.08	\$902.08	\$49.00	5.0%	0.0%
	EE + 1	\$1,872.35	\$1,597.35	\$275.00	\$1,952.22	\$1,677.22	\$275.00	5.0%	0.0%
	Family	\$2,563.13	\$2,121.13	\$442.00	\$2,669.20	\$2,227.20	\$442.00	5.0%	0.0%
	Overage Dep.	\$545.00	\$0.00	\$545.00	\$571.00	\$0.00	\$571.00	5.0%	4.8%
<b>POS</b>	EE	\$962.36	\$895.36	\$67.00	\$1,007.12	\$940.12	\$67.00	5.0%	0.0%
	EE + 1	\$1,956.42	\$1,628.42	\$328.00	\$2,037.84	\$1,709.84	\$328.00	5.0%	0.0%
	Family	\$2,680.39	\$2,179.39	\$501.00	\$2,789.36	\$2,288.36	\$501.00	5.0%	0.0%
	Overage Dep.	\$577.00	\$0.00	\$577.00	\$604.00	\$0.00	\$604.00	5.0%	4.7%

Presented: September 8, 2024

Overage dependant rates are rounded to the nearest dollar and are 60% of the employee only rate.