

Response to Questions on the FY 2017 Budget

Request By: Supervisor Gross

Question: Please provide a comparison of FCPS health insurance costs versus County health insurance costs over the last three years, the employer/employee cost sharing percentages, and the projected impact of the Cadillac tax.

Response: **Health Insurance Costs**

Both the County and FCPS offer a selection of self-insured health plans as well as a fully-insured health plan.

The County offers four self-insured health plans, all of which are managed by Cigna. They include a co-pay plan with \$25 primary care and \$50 specialist co-pays, two co-insurance plans with 90 percent or 80 percent co-insurance after a modest deductible is satisfied, and a high deductible 90 percent co-insurance plan with a health savings account. FCPS offers two self-insured health plans, the Aetna/Innovation Health Plan and the CareFirst BlueChoice Advantage Plan. Both plans include a modest deductible, after which the Aetna/Innovation Health plan includes \$20 primary care and specialist co-pays and the CareFirst BlueChoice Advantage plan includes \$20 primary care and \$40 specialist co-pays. Premium increases for self-insured plans are set by the County and FCPS. County premium decisions are based on the impact to employees and retirees, the actual experience of each plan, the maintenance of adequate reserves, and the impact on the County's OPEB liability.

The fully-insured options for both entities are Kaiser HMO plans, which provide local medical center-based care. Co-pays in the County plan are \$10 for primary care and specialists, while co-pays in the FCPS plan are \$20 for primary care and \$40 for specialists. Out-of-network coverage is limited to emergency medical care in both plans. Premium increases for the full-insured plans are set by Kaiser.

The premium increases in each of these plans over the past three years is provided below.

	Plan	January 2014	January 2015	January 2016	3-year Average
Fairfax County	Cigna Co-Pay Plan	2.0%	8.0%	7.0%	5.7%
	Cigna 90% Coinsurance Plan ¹	N/A	5.5%	4.0%	4.8%
	Cigna 80% Coinsurance Plan ²	(2.0%)	5.5%	7.0%	3.5%
	Cigna MyChoice CDHP with HSA ³	N/A	N/A	N/A	N/A
	Kaiser HMO	2.5%	5.6%	0.0%	2.7%
Fairfax County Public Schools	Aetna/Innovation Health Plan ⁴	10.8%	0.0%	6.1%	5.6%
	CareFirst BlueChoice Advantage Plan ⁵	14.8%	0.0%	10.1%	8.3%
	Kaiser HMO	6.4%	0.0%	3.0%	3.1%

¹ The Cigna 90% Coinsurance Plan was introduced in January 2014.

² The Cigna OAP Low Plan, a 90% coinsurance plan, was transitioned to the Cigna 80% Co-Insurance Plan in January 2014. The premium change shown for January 2014 reflects the difference in premium between these two plans.

³ The Cigna MyChoice CDHP is a new plan is offered beginning January 2016.

⁴ The Aetna/Innovation Health Plan replaced the former CareFirst PPO Plan in January 2014. The premium change shown for January 2014 reflects the difference in premium between these two plans.

⁵ The CareFirst BlueChoice Advantage Plan replaced the CareFirst POS-OA Plan in January 2014. The premium change shown for January 2014 reflects the difference in premium between these two plans.

The table below shows the annual employee share of premium for family coverage under each of the County and FCPS health plans. Direct comparison between plans is difficult, as the plans differ on a variety of factors including deductibles, co-pays, co-insurance, prior authorization requirements, and coverage for certain treatments and services. In addition, the premiums for each plan are impacted by the experience of the population subscribing to that plan (e.g. a plan with lower premiums but higher out-of-pocket costs may be more attractive to employees with lower healthcare system utilization). However, the premiums for the self-insured plans generally fall within the same range between the County and FCPS. The County's Cigna Co-Pay Plan is the outlier among the self-insured plans, due to plan design features as well as the utilization trends of the plan's participants. The County and FCPS fully-insured Kaiser HMO plans have similar premium levels, though the County premium is slightly higher due in part to the lower co-pay structure of the County plan.

	Plan	Annual Employee Share of Premium (Family)		
		CY 2014	CY 2015	CY 2016
Fairfax County	Cigna Co-Pay Plan	\$5,971	\$6,447	\$6,898
	Cigna 90% Coinsurance Plan	\$5,125	\$5,405	\$5,623
	Cigna 80% Coinsurance Plan	\$3,755	\$3,960	\$4,237
	Cigna MyChoice CDHP with HSA	N/A	N/A	\$4,027
	Kaiser HMO	\$4,734	\$4,999	\$5,001
Fairfax County Public Schools	Aetna/Innovation Health Plan	\$4,829	\$4,829	\$5,124
	CareFirst BlueChoice Advantage Plan	\$3,723	\$3,723	\$4,099
	Kaiser HMO	\$4,495	\$4,495	\$4,628

Cost Sharing

Both the County and FCPS provide an employer cost share to full-time, active employees that is equal to 85 percent of the premium for individual coverage and 75 percent for family coverage. FCPS also provides a spousal discount for families in which both spouses are employed by FCPS, with an employer cost share of 80 percent of the premium.

Cadillac Tax

The excise tax on high-cost health plans that was established under the Patient Protection and Affordable Care Act was initially set to be imposed beginning in 2018. However, the tax was recently delayed until 2020 as part of the Consolidated Appropriations Act of 2016. The most recent projections for both the County and FCPS were completed in 2015 prior to the delay, estimating that the excise tax would first impact the County as early as 2021 and FCPS as early as 2018. Initial tax liabilities were estimated to be small, but were projected to grow substantially over time as the excise tax is indexed to the consumer price index, which has historically lagged medical inflation. It should be noted that many details of the tax are not yet known, such as the actual thresholds that will be in place in 2020 and the impact of employees in high-risk occupations on the calculation of the tax. Cost growth and changes in health plan design will also affect the excise tax liability. Therefore, more accurate projections of the impact of the excise tax on the County and FCPS will be available closer to the implementation of the tax.

Information related to the FCPS health plans was provided by FCPS in the attached response.

FY 2017

Response to Questions on the FY 2017 Budget

Fairfax County Board of Supervisor Requesting Information: Supervisor Gross

Answer Prepared By: Chace Ramey

Date Prepared: January 18, 2016

Question:

Please provide a comparison of FCPS health insurance costs versus County health insurance costs over the last three years, the employer/employee cost sharing percentages, and the projected impact of the Cadillac tax.

Response:

Fairfax County Public Schools offers two self-insured health plans and one fully-insured health plan. The two self-insured plans are Aetna/Innovation Health and CareFirst BlueChoice Advantage. FCPS' medical coverage includes vision, hearing and prescription benefits. Aetna/Innovation Health has \$20 primary care and specialist co-pays. CareFirst has \$20 primary care co-pays and \$40 specialist co-pays. First dollar deductibles were introduced for both plans effective January 1, 2016; therefore, co-pays/coinsurance apply after meeting the deductible. The fully-insured Kaiser HMO plan provides local medical center-based care with co-pays and limited out of network coverage. Medical plan premium increases for the last three years are as follows:

Plan	January 2014	January 2015	January 2016
Aetna/Innovation Health 1	10.8%	0%	6.1%
CareFirst BlueChoice Advantage 2	14.8%	0%	10.1%
Kaiser HMO	6.4%	0%	2.97%

¹ The Aetna/Innovation Health Plan replaced the former CareFirst PPO Plan in January 2014. Rates for the Aetna/Innovation Health plan reflect a 10.8 percent increase over the former CareFirst PPO plan's calendar year 2013 rates.

² The CareFirst Blue Choice Advantage Plan replaced the CareFirst POS-OA Plan in January 2014. Rates for BlueChoice Advantage reflect an increase of 14.8 percent over calendar year 2013 rates.

The three year premium history for health plans offered by Fairfax County Government and Fairfax County Public Schools can be found on the following pages. Fairfax County Government annual premium rates were provided by County staff.

Cost Sharing

Both the County and Schools use the same cost sharing formula for assessing premiums for full-time active employees:

Medical Plan	Employee Share	Employer Share
Individual	15%	85%
Mini-family/2 Party coverage	25%	75%
Family Coverage	25%	75%

Additionally, FCPS provides a premium discount when both the employee and spouse work for FCPS:

Medical Plan	Employee Share	Employer Share
FCPS 2 Employee Spouse/Family	20%	80%

The County and schools use different contribution formulas for dental coverage:

	FCPS Employee Share	FCPS Employer Share
All tiers of coverage	30%	70%
	FCG Employee Share	FCG Employer Share
All tiers of coverage	50%	50%

Cadillac Tax

In December 2015, Congress delayed implementation of the 'Cadillac Tax' to January 1, 2020 as part of Consolidated Appropriations Act, 2016. Thus, it is difficult to predict with any certainty what the Cadillac tax may look like at that time. Cadillac tax calculations are impacted by premiums, enrollment in flexible spending account programs, and occupational groups (i.e., high risk occupations - such as police and fire – are subject to higher thresholds).

Calculations performed by AonHewitt in 2015 projected FCPS' Cadillac tax to be \$110,000 in 2018. New calculations must be performed to adjust for plan/premium changes implemented in 2016, along with the delayed effective date of the excise tax.

FCPS Annual Premiums (full and part time employees)*												
Plan		Plan Year 2014			Plan Year 2015			Plan Year 2016			Total Contribution	
		Employee Annual Contribution	Employer Annual Contribution	Total Contribution	Employee Annual Contribution	Employer Annual Contribution	Total Contribution	Employee Annual Contribution	Employer Annual Contribution	Total Contribution		
Blue Choice Advantage	Individual	\$893.40	\$5,062.94	\$5,956.34	\$893.40	\$5,062.94	\$5,956.34	\$983.69	\$5,574.24	\$6,557.93		
	Mini-Family	\$2,978.20	\$8,934.48	\$11,912.68	\$2,978.20	\$8,934.48	\$11,912.68	\$3,278.97	\$9,836.89	\$13,115.86		
	Family	\$3,722.80	\$11,168.12	\$14,890.92	\$3,722.80	\$11,168.12	\$14,890.92	\$4,098.73	\$12,296.17	\$16,394.90		
Kaiser Permanente	Individual	\$1,078.80	\$6,113.04	\$7,191.84	\$1,078.80	\$6,113.04	\$7,191.84	\$1,110.82	\$6,294.62	\$7,405.44		
	Mini-Family	\$3,595.80	\$10,787.76	\$14,383.56	\$3,595.80	\$10,787.76	\$14,383.56	\$3,702.69	\$11,108.06	\$14,810.75		
	Family	\$4,494.80	\$13,484.68	\$17,979.48	\$4,494.80	\$13,484.68	\$17,979.48	\$4,628.37	\$13,885.10	\$18,513.47		
Aetna/Innovation Health	Individual	\$1,159.00	\$6,567.96	\$7,726.96	\$1,159.00	\$6,567.96	\$7,726.96	\$1,229.75	\$6,968.55	\$8,198.30		
	Mini-Family	\$3,863.40	\$11,590.52	\$15,453.92	\$3,863.40	\$11,590.52	\$15,453.92	\$4,099.15	\$12,297.46	\$16,396.61		
	Family	\$4,829.40	\$14,487.86	\$19,317.26	\$4,829.40	\$14,487.86	\$19,317.26	\$5,123.90	\$15,371.71	\$20,495.61		

* Premium reporting may differ slightly due to rounding.

FCG Annual Premiums (full time employees only) *												
Plan	Plan Year 2014			Plan Year 2015			Plan Year 2016			Total Contribution	Employer Annual Contribution	Total Contribution
	Employee Annual Contribution	Employer Annual Contribution	Total Contribution	Employee Annual Contribution	Employer Annual Contribution	Total Contribution	Employee Annual Contribution	Employer Annual Contribution	Total Contribution			
OAP Copay plan (CIGNA)	Individual	\$1,231.62	\$6,978.92	\$8,210.54	\$1,329.64	\$7,534.02	\$8,863.66	\$1,422.46	\$8,060.52	\$9,482.98		
	2 Party	\$4,001.92	\$12,006.02	\$16,007.94	\$4,320.68	\$12,961.78	\$17,282.46	\$4,623.06	\$13,868.92	\$18,491.98		
	Family	\$5,971.42	\$17,914.26	\$23,885.68	\$6,446.70	\$19,340.10	\$25,786.80	\$6,898.32	\$20,694.70	\$27,593.02		
OAP 90% Coinsurance plan (CIGNA)	Individual	\$1,064.18	\$6,029.92	\$7,094.10	\$1,122.16	\$6,359.60	\$7,481.76	\$1,167.14	\$6,614.14	\$7,781.28		
	2 Party	\$3,485.04	\$10,455.38	\$13,940.42	\$3,675.62	\$11,027.12	\$14,702.74	\$3,823.30	\$11,469.64	\$15,292.94		
	Family	\$5,124.86	\$15,374.58	\$20,499.44	\$5,405.14	\$16,215.16	\$21,620.30	\$5,622.50	\$16,867.24	\$22,489.74		
OAP 80% Coinsurance plan (CIGNA)	Individual	\$774.54	\$4,388.54	\$5,163.08	\$816.66	\$4,628.00	\$5,444.66	\$873.60	\$4,950.92	\$5,824.52		
	2 Party	\$2,516.28	\$7,549.10	\$10,065.38	\$2,653.56	\$7,961.20	\$10,614.76	\$2,839.20	\$8,518.12	\$11,357.32		
	Family	\$3,754.92	\$11,264.76	\$15,019.68	\$3,959.80	\$11,879.40	\$15,839.20	\$4,237.22	\$12,711.66	\$16,948.88		
Kaiser Permanente HMO	Individual	\$979.68	\$5,552.30	\$6,531.98	\$1,034.54	\$5,863.52	\$6,898.06	\$1,035.06	\$5,864.82	\$6,899.88		
	2 Party	\$3,182.40	\$9,546.68	\$12,729.08	\$3,360.50	\$10,081.76	\$13,442.26	\$3,361.80	\$10,085.66	\$13,447.46		
	Family	\$4,733.56	\$14,200.68	\$18,934.24	\$4,998.76	\$14,996.54	\$19,995.30	\$5,001.10	\$15,002.78	\$20,003.88		
My Choice CDHP (CIGNA) **	Individual		Not offered			Not offered				\$830.18	\$4,705.22	\$5,535.40
	2 Party									\$2,698.54	\$8,095.36	\$10,793.90
	Family									\$4,026.88	\$12,080.90	\$16,107.78

* Premium reporting may differ slightly due to rounding

** Premiums do not reflect any additional employee or employer contributions that may be associated with the Health Savings Account component.

Cadillac Tax Projections – FCPS (as of May 2015)										
Option Name	Status	Tier	2018 Estimated Coverage Cost					Year Crossing Threshold	Excise Tax (Pre-Tax Equivalent)	10 Year PV of Estimated Excise Tax
			Estimated Enrollment	Non-FSA Participants	FSA Participants	Aggregate Premium and FSA Contributions				
Aetna - Active	Active	Single Family	4,144	\$ 9,585	\$ 10,713	\$145,000,000	2018	\$110,000	\$31,100,000	
			4,644	\$ 22,370	\$ 24,009		2023			
Aetna - Pre-65	Pre-65	Single Family	377	\$ 9,585	\$ 9,585	\$6,790,000	2025	\$0	\$223,000	
			158	\$ 20,080	\$ 20,080		2033			
Aetna - Post-65	Post-65	Single Family	3,127	\$ 6,192	\$ 6,192	\$38,800,000	2036	\$0	\$0	
			1,450	\$ 13,391	\$ 13,391		2044			
CareFirst - Active	Active	Single Family	3,812	\$ 7,937	\$ 9,033	\$136,000,000	2023	\$0	\$1,090,000	
			5,569	\$ 18,688	\$ 20,164		2030			
CareFirst - Pre-65	Pre-65	Single Family	350	\$ 7,937	\$ 7,937	\$6,250,000	2032	\$0	\$0	
			203	\$ 17,087	\$ 17,087		2040			
Kaiser - Active	Active	Single Family	1,504	\$ 8,768	\$ 9,851	\$53,600,000	2020	\$0	\$2,920,000	
			1,962	\$ 20,410	\$ 21,755		2027			
Kaiser - Pre-65	Pre-65	Single Family	209	\$ 8,768	\$ 8,768	\$3,950,000	2028	\$0	\$0	
			111	\$ 19,038	\$ 19,038		2035			
Kaiser - Post-65	Post-65	Single Family	817	\$ 3,156	\$ 3,156	\$5,530,000	2061	\$0	\$0	
			386	\$ 7,655	\$ 7,655		2065			
TOTAL			28,823			\$395,920,000		\$110,000	\$35,333,000	