

## Response to Questions on the FY 2017 Budget

**Request By:** Supervisor Foust

**Question:** Referencing slide 33, please provide the estimated premium adjustment provided in the annual budget compared to the actual premium adjustments required for the last five fiscal years data is available.

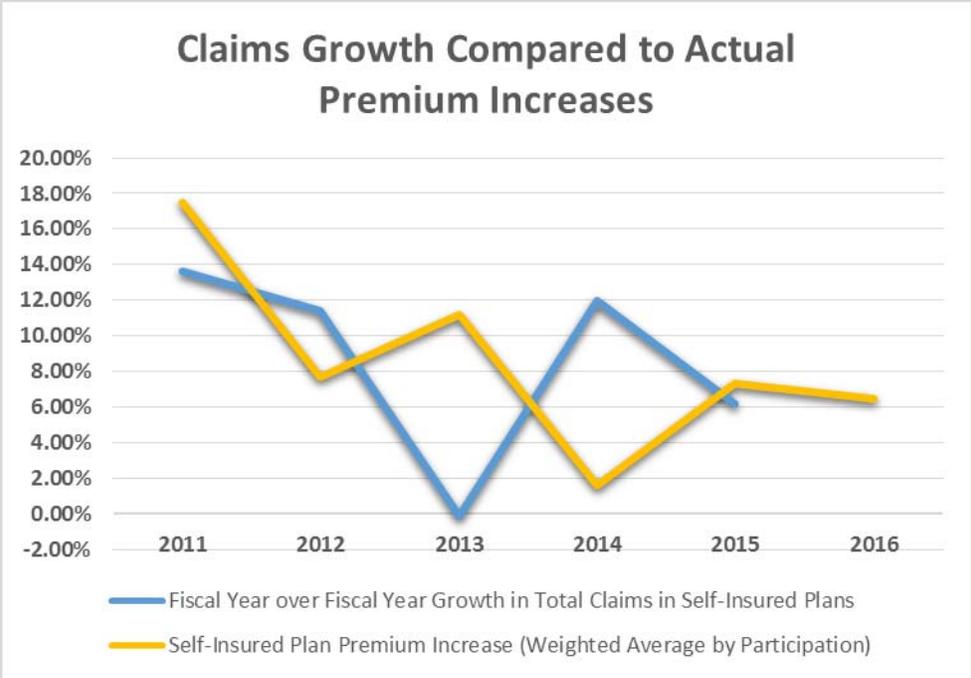
**Response:** The table below provides a five-year history of the budgeted premium increases included in the Advertised and Adopted budgets as well as the actual premium increases for each plan.

	2012	2013	2014	2015	2016
Advertised Budget Plan	10.0%	10.0%	8.0%	8.0%	10.0%
Adopted Budget Plan	10.0%	8.0%	7.0%	6.0%	10.0%
<b>Self-Insured Plans</b>					
Cigna Co-Pay Plan	10.0%	13.6%	2.0%	8.0%	7.0%
Cigna 90% Coinsurance Plan	N/A	N/A	N/A	5.5%	4.0%
Cigna 80% Coinsurance Plan	(15.0%)	11.2%	(2.0%)	5.5%	7.0%
CareFirst POS Plan	5.0%	6.8%	N/A	N/A	N/A
<b>Weighted average by participation</b>	<b>7.7%</b>	<b>11.2%</b>	<b>1.6%</b>	<b>7.3%</b>	<b>6.5%</b>
<b>Fully-Insured Plan</b>					
Kaiser HMO	4.9%	8.6%	2.5%	5.6%	0.0%

The actual premium increase of the Cigna Co-Pay Plan, the plan with the highest enrollment, was equal to or greater than the estimated premium increase included in the Advertised Budget Plan in three of the five years. The average budgeted premium increase included in the Advertised budget over the five-year period was 9.2 percent, while the five-year average in the Adopted budget was 8.2 percent. Meanwhile, the average increase of the self-insured plans (weighted by enrollment) over the five-year period was 6.9 percent. It should be noted that the County's health plans experienced exceptionally low claims growth in 2013 as a result of several high-utilization brand name drugs coming off of patent, which in turn allowed 2014 premiums to be set with minimal increases or slight decreases.

As General Fund fringe benefits are budgeted centrally in Agency 89, the savings that result from setting actual premium increases below the budgeted amount are not available for any agency to spend. These savings fall to balance at the end of the fiscal year and are available for appropriation by the Board as part of the Carryover Review. Any savings from lower than budgeted premium increases in the current fiscal year are also taken into account for the following fiscal year. When actual premium increases are greater than the budgeted amount, the half-year impact in the current fiscal year and full-year impact in the following fiscal year may necessitate a budget increase if the increased expenditure level cannot be absorbed through savings in other benefit categories.

The chart below shows claims growth in the self-insured plans in comparison to the weighted average by participation of actual premium increases. Claims growth in the chart is based on the increase in total claims in one fiscal year (July to June) over the prior fiscal year. Meanwhile, premium increases are determined in the fall and go into effect the following plan year (January to December). Therefore, the claims growth and final results of each fiscal year are the most recent historical experience available when determining the premium increases for the following January. As shown in the chart, claims growth has been highly erratic, as it exceeded 10 percent in three of the past five years but was essentially flat in FY 2013. Premium increases have generally followed the same pattern as claims growth, though they have lagged based on the timing of premium decisions.



The FY 2017 Advertised Budget Plan includes projected premium increases of 7 percent for January 2017. This budgeted premium increase is an estimate based on the assumption that cost growth will continue at a level similar to the 6.2 percent growth experienced in FY 2015. Deviations from this level of cost growth, plan design changes, and other factors will impact the actual premium increase when it is set in the fall. In addition, the actual premium increases of individual plans will vary based on the actual experience of each plan.