



# WASHOE COUNTY

Integrity Communication Service

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## STAFF REPORT

BOARD MEETING DATE: October 13, 2020

**DATE:** Thursday, October 08, 2020

**TO:** Board of County Commissioners

**FROM:** Patricia Hurley, Director of Human Resources  
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**THROUGH:** Christine Vuletich, Assistant County Manager  
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**SUBJECT:** Recommendation to approve the CY 2021 Health Benefits Program for employees, retirees, and their dependents at an approximate annual cost of \$59.3 million, and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program. (All Commission Districts)

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### SUMMARY

Staff is requesting the approval of the Health Benefits Program for the upcoming 2021 calendar plan year to include benefit changes to the County's medical, dental, vision and life insurance as recommended by the Insurance Negotiations Committee (INC).

**Washoe County Strategic Objective supported by this item:** Valued, Engaged Employee Workforce

### PREVIOUS ACTION

On May 12, 2020 the Board approved an increase to the Health Benefits Fund budget with an augmentation in the amount of \$3.1 million to cover CY2020 unbudgeted expenses related to medical and pharmacy claims increases.

On August 27, 2019 the Board approved the CY 2020 Health Benefits Program for employees, retirees, and their dependents at an approximate annual cost of \$55.9 million and authorized the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program.

On September 11, 2018 the Board approved the CY 2019 Health Benefits Program for employees, retirees, and their dependents at an approximate annual cost of \$55.1 million.

On September 26, 2017, the Board approved the CY 2018 Health Benefits Program at an approximate annual cost of \$53.5 million.

AGENDA ITEM # \_\_\_\_\_

## **BACKGROUND**

The Health Benefits Program consists of three (3) types of plans: 1) a self-funded group health plan (PPO), 2) a fully insured Health Maintenance Organization (HMO) plan coupled with a GAP plan, and 3) a self-funded High Deductible Health Plan (HDHP) paired with a Health Savings Account (HSA) for active employees and a Health Reimbursement Arrangement (HRA) for retirees.

Each year the Insurance Negotiating Committee (INC) reviews the plan benefit design options for the PPO, the HDHP and the HMO to provide input and review premiums in an effort to help control costs while continuing to provide a valuable benefit to employees. Current enrollment for active employees is approximately 20% in the PPO, 20% in the HMO, and 60% in the HDHP. The Program also offers self-funded dental, vision, and life insurance for all enrollees and their dependents.

For the 2020 Plan Year, the County agreed to have the Health Benefits Fund absorb 2% of each plan's increase from each tier of coverage. This resulted in a lesser premium amount collected from enrollees and County departments. Premiums increased an average of an 8.6% across all tiers of coverage on the PPO; 3.52% across all tiers of coverage on the HMO; and rates were held for all tiers on the HDHP. No benefit changes were recommended by the INC for Board approval; although, an increase to the HDHP Family Deductible was required by the IRS. Health Savings Account contribution limits also increased.

During the Open Enrollment period for the 2020 Calendar Plan Year, the Human Resource Health Benefits staff provided 17 educational meetings across 5 locations to educate and inform employees, retirees, their dependents, as well as outside agencies participating in the County Health Benefits Program of the plans available and the nuances of each. The Health Benefits staff also provided monthly HDHP educational meeting.

The medical and pharmacy coverage components for the PPO and HDHP as well as the dental plan rates have generally been based upon the annual plan valuations provided by Milliman, Inc., an actuarial firm hired by Washoe County. For the 2021 Plan Year, the County did not solicit bids for the HMO as permitted under NRS 332.115 which exempts insurance from the competitive bidding process.

Provided below is a summary of the rate and recommended plan changes impacting each plan for the 2021 Plan Year.

### **Self-Funded PPO and HDHP**

Providing our employees with choice regarding facility and providers has been a cornerstone of the Health Benefits Program for several years. In 2017 and 2018, we expanded our self-funded plan offerings to allow employees to select either Renown Regional Medical Center or St. Mary's Medical Center for both the HDHP and PPO respectively which resulted in four (4) self-funded plan options under two (2) Third-Party Administrators (TPAs), CDS Group Health and Hometown Health.

Staff recommends that the PPO and HDHP be administered by a single TPA, Hometown Health, beginning January 1, 2021. Hometown Health has offered an expanded provider

network, exclusive to Washoe County, which will include both Renown and St. Mary's as in-network providers. This network proposal would reduce the self-funded option from four (4) to two (2) plans; one PPO and one HDHP.

- The network includes the same Hometown Health Network the County currently utilizes under our plans administered by Hometown Health, with the addition of St. Mary's Medical Center, St. Mary's Urgent Care and St. Mary's Medical Group
- The transition to a single TPA would allow members to select their facility or provider at the time of service instead of at the point of enrollment which creates more flexibility for the member
- Ensures consistent claims adjudication
- Provides disease management opportunities
- Creates administrative efficiencies

It should be noted that with this new network option, Northern Nevada Medical Center will no longer be an in-network facility under this agreement but, along with others, would be available to enrollees under the HMO.

Staff also recommends that the pharmacy benefits, administered by MaxorPlus, implement a more narrow formulary; implement the exclusion of low-value drugs based on medications reviewed and with the clinical recommendations by MaxorPlus on their Low Value Drug List; and also implement mandatory mail order for all enrollees' maintenance medications.

The combined calendar year cost reductions of the changes being recommended above total approximately \$477, 791.

### **Self-Funded Group Health Plan (PPO)**

The renewal rate for the self-funded PPO plan, which includes the rate components provided by Milliman, Inc., reflect an average increase of 21.4% across all active tiers of coverage. Due to the unanticipated high renewal rate for the PPO plan and an effort to reduce premium increases, the INC recommends the following changes to this plan:

- Increase Annual Individual Deductible to \$375 (+\$25)
- Increase Individual Annual In-Network Out-of-Pocket Maximum to \$3,450 (+\$100)
- Increase Individual Annual Out-of-Network Out-of-Pocket Maximum to \$6,675 (+\$325)
- Increase Annual Family Deductible to \$750 (+\$50)
- Increase Family Annual In-Network Out-of-Pocket Maximum to \$6,900 (+\$200)
- Increase Family Annual Out-of-Network Out-of-Pocket Maximum to \$13,350 (+\$650)
- Reduce Ambulatory Surgery Center Benefit to 80%/20% after deductible (from 100%/0%)
- Implement ShaRx Program requiring members receiving any medication which costs \$5,000 or more per dose to participate in this Program to reduce or eliminate the out-of-pocket costs to the member and pharmacy claims costs to the Plan.

The combined calendar year cost reductions of the benefit changes being recommended by the INC above total approximately \$161,700.

For the 2021 Plan Year, the County has agreed that, upon approval of these changes, the average premium increase for this plan will be 6.99% across all tiers of coverage and that the Health Benefits Fund will absorb the remaining \$647,673 of the premium increase.

### **Self-Funded High Deductible Health Plan (HDHP)**

The renewal rate for the self-funded PPO plan, which includes the rate components provided by Milliman, Inc., reflect an average increase of 20.34% across all active tiers of coverage. Due to the unanticipated high renewal rate for the HDHP plan and an effort to reduce premium increases, changes this plan are being recommended by the INC as follows:

- Increase Annual Individual Deductible to \$2,600 (+\$100)
- Increase Individual Annual In-Network Out-of-Pocket Maximum to \$5,250 (+\$250)
- Increase Individual Annual Out-of-Network Out-of-Pocket Maximum to \$10,500 (+\$500)
- Increase Annual Family Deductible to \$2,950 (+\$150)
- Increase Family Annual In-Network Out-of-Pocket Maximum to \$6,350 (+\$350)
- Increase Family Annual Out-of-Network Out-of-Pocket Maximum to \$10,750 (+\$750)
- Reduce Ambulatory Surgery Center Benefit to 80%/20% after deductible (from 100%/0%)
- Implement ShaRx Program requiring members receiving any medication which costs \$5,000 or more per dose to participate in this Program to reduce or eliminate the out-of-pocket costs to the member and pharmacy claims costs to the Plan.

The combined cost reductions of the benefit changes being recommended by the INC above total approximately \$343,793.

For the 2021 Plan Year, the County has agreed that, upon approval of these changes, the average premium increase for this plan will be 8.36% across all tiers of coverage and that the Health Benefits Fund will absorb the remaining \$1,142,279 of the premium increase.

Each year, the IRS reviews and sets HDHP individual and family deductible minimums, and individual and family coverage maximum contribution limits for the HSA. The 2021 HSA individual contribution limit is \$3,600 (+\$50) and the HSA contribution limit for family coverage is \$7,200 (+\$100).

### **Health Maintenance Organization (HMO)**

For the 2021 Plan Year, Prominence provided a renewal of 2.7% for medical and prescription coverage. The County did not solicit bids for the HMO as permitted under NRS 332.115 which exempts insurance from the competitive bidding process. The HMO will have an average increase of 4.78% across all active tiers of coverage after all rate components (i.e. dental claims funding, ACA fees, GAP premiums, etc.) are totaled.

The GAP plan paired with the HMO will continue for the 2021 plan year.

No benefit changes are being recommended for this plan.

### **Open Enrollment and Education**

Informing members of changes and assisting them in navigating the selection of their health plan is a priority for Health Benefits staff which we will continue to keep in the forefront during these unprecedented times.

Health Benefits staff will continue to provide educational sessions, open enrollment meetings, and one-on-one meetings with eligible enrollees. In prior plans years in which changes to the health plans have been recommended and approved, the response from eligible members has been overwhelming. Due to the anticipated high-volume of questions and requests during the Open Enrollment period (November 2 – December 4), and concerns related to COVID-19, we will encourage enrollees and their dependents to contact Washoe County Health Benefits Team via telephone or email to discuss their individual situation so that we can address their health plan questions. In-person meetings will be by appointment only.

### **FISCAL IMPACT**

The funding for the recommended Health Benefits Program is included in the adopted budget for FY2020/2021 in Internal Service Fund 618 (Health Benefits Fund).

The Health Benefits Fund will absorb a significant portion of the needed premium increases to cover anticipated expenditures. This will impact the Health Benefits Fund by increasing expenditures by 3% or \$1,792,161.

### **RECOMMENDATION**

It is recommended to the Board of County Commissioners to approve the CY 2021 Health Benefits Program for employees, retirees, and their dependents at an approximate annual cost of \$59.3 million, and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program.

### **POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion would be:

Move to approve the CY 2021 Health Benefits Program for employees, retirees, and their dependents at an approximate annual cost of \$59.3 million and authorize the Director of Human Resources/Labor Relations to execute all insurance contracts and service agreements pertinent to the Health Benefits Program.