



Healthcare Consortium Update – Excise Tax and Pooling

November 12, 2015



History

- ▶ BCIU-led initiative
- ▶ Founding member
- ▶ First year 2012-13
- ▶ Currently 22 Bucks and Montgomery Districts
- ▶ Over 10,000 member lives covered
- ▶ Management trustee/Labor trustee
- ▶ Wellness leadership

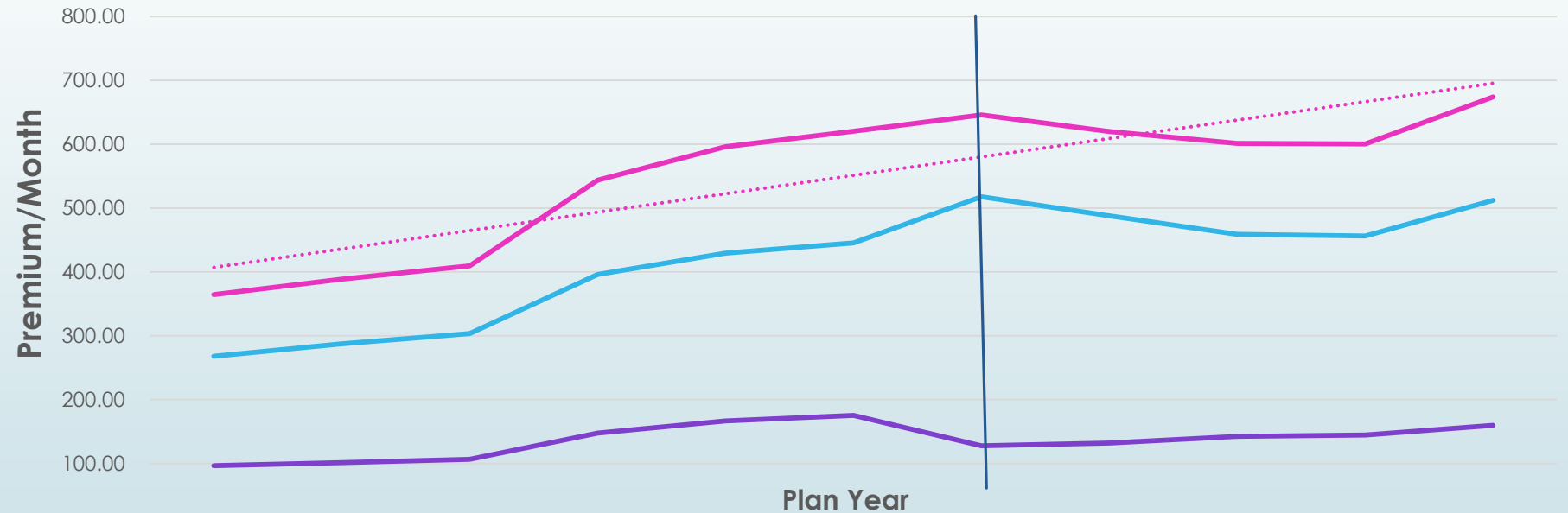


Benefits of Consortium Membership

- ▶ Large group (>10,000 lives) creates savings in multiple ways:
 - ▶ Administrative fees and related costs (total of 17.8% over 4 years)
 - ▶ Self funding payment mechanism (included in savings above)
 - ▶ Self funding of stop loss premiums
 - ▶ Purchasing power
- ▶ Labor-management structure creates a shared approach to controlling healthcare costs
- ▶ Access to benefits expertise in the ACA environment
- ▶ Education of the membership

QCSD Rate History and Cost Savings from Consortium Membership

QCSD Premium History



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (P)
10/20/70 Single	268.00	287.51	303.18	396.01	429.31	445.31	517.81	487.91	458.85	455.94	512.02
Prescription Single	96.31	101.13	106.18	147.49	166.67	175.00	127.75	131.90	142.34	144.31	159.61
Combined Single	364.31	388.64	409.36	543.50	595.98	620.31	645.56	619.81	601.19	600.25	674.08

— 10/20/70 Single
 — Prescription Single
 — Combined Single
 ⋯ Linear (Combined Single)



The Problem: Strategies to avoid the Excise Tax are expensive for QCSD

- ▶ To avoid any district in the consortium from hitting the Excise Tax threshold, the Consortium will be voting in November on several strategies to contain costs.
- ▶ One of those strategies – pooling - will result in significant cost increases for QCSD in the short term
- ▶ As a result of implementing the pooled ISL methodology, QCSD will experience total premium increases of just over \$1 million for 2016-17



Consortium strategies to avoid the Excise Tax – and their impact on QCSD

- ▶ Pooling of claims over \$50,000
 - ▶ Increased cost for QCSD of approximately \$550,000 in addition to our trend (\$1 million estimated in total)
- ▶ Plan design changes to reduce the actuarial value of one plan (cost neutral to QCSD)
- ▶ Wellness requirements and penalties (cost neutral to QCSD)
- ▶ RFP for medical/prescription provider (potential cost savings for QCSD)



Options

- Remain in the Consortium
 - Short term cost, most likely a long term benefit
 - Mitigate some of the cost increase by drawing down a portion of the QCSD Consortium fund balance (currently \$3.1 million)
 - Seek Meet and Discuss with QCEA to explore cost sharing options
- Seek proposals for independent fully insured coverage
 - Will require selection and hiring of a broker
 - May achieve short term savings, but long term benefit unclear
 - Will return plan design and related issues to local bargaining table



Summary of Key Points

- Consortium membership has benefitted QCSD in multiple ways, and has saved at least \$3 million over the time we have been members
- While QCSD will not hit the excise tax until sometime after 2020, some consortium districts will hit the tax when it goes into effect in 2018
- One of the multiple strategies to avoid the excise tax will cost QCSD significantly more, at least in the short term
- There are options, including using consortium fund balance and exploring cost sharing with QCEA, we can use to mitigate the impact of the increased costs attributable to pooling



Questions