Administrative Services Committee Meeting Committee Room- 7/13/2009- 12:45 PM

ADMINISTRATIVE SERVICES

1. Approve BlueCross BlueShield of Georgia as Augusta-Richmond County's Health Insurance Provider for 2010. Attachments

2. Approve the proposed Early Retirement Incentive Program (ERIP). Attachments

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Administrative Services Committee Meeting
7/13/2009 12:45 PM
Approve BCBS as Augusta-Richmond County's Health Insurance Provider for 2010.

Department: Human Resources

Caption: Approve BlueCross BlueShield of Georgia as Augusta-Richmond County's Health Insurance Provider for 2010.

Background: BlueCross BlueShield of Georgia has offered Augusta-Richmond County a 0% renewal for fully insured Health Insurance coverage in 2010. · Augusta has more than 2,400 employees eligible for the medical plan. · Premiums are split 77.5% Employer/22.5% Employee. · The total cost for this year will be approximately $18.5 million. · The plan is currently funded using a fully-insured arrangement with BCBSGA. · Most groups of Augusta's size are self-funded since this size group is a predictable risk. · Augusta questioned what would have likely been the outcome had it been self-funded over the past 3 years

Analysis: Highlights of a Fully-insured funding arrangement • Predictable monthly cash flow • All administrative issues are BCBSGA responsibility and Augusta is not involved outside of eligibility and premium payment • All appeals and special requests must go through and be approved by BCBSGA • BCBSGA takes all risk for the medical plan • Augusta has no ability to modify the plan outside of BCBSGA's plans that have been filed with the State and has no authority regarding special requests • Augusta saves when claims costs exceed premiums but it loses when premiums exceed claim costs Highlights of a Self-funded arrangement • Unpredictable monthly cash flow • Administrative and plan related decisions become Augusta's responsibility • All appeals and special requests must go through Augusta • Augusta takes all risk for the medical plan, but the risk may be reinsured through stoploss insurance • Augusta has full flexibility to design its plan as long as the claims administrator's systems can accommodate it • Augusta must protect itself though reinsurance for years where claims costs exceed premiums and it will benefit when funding rates (premium equivalents) exceed claim costs Benalytics Consulting Group analyzed the past 3 years' claims experience • Fully-insured premiums paid during 2006, 2007 and 2008 were compare to the actual claim cost and estimated fixed cost for the same period • It was determined that there would have been savings had Augusta been self-funded 2009 – 2010 Projections • It was determined that the premium rates set for 2009 would most likely break even with the overall plan costs • Claims projections for 2010 would suggest an increase of approximately no more than 7%, BCBS initially proposed a 2.1% (approximately $400,000) increase for 2010. After negations this was reduced to 0%. • The cost and coverage will remain the same for 2010. Suggested strategy • Look to move forward on a self-funded basis in the near future • Make sure all processes and procedures are in place to accommodate the additional responsibility • Remain with BCBSGA on a fully-insured basis for an additional year as long as their renewal is below 7% Transitional considerations • An RFP for another carrier or administrator this year would not be advised • Augusta did a medical RFP in 2008 and if it continues to go to the market with such frequency, the market will begin to lose interest due to a lack of long term commitment • Even if the decision to go self-funded is immediate, remaining with BCBSGA would be advised in order to maintain program continuity during the transition • Transitional cost of approximately $500,000 (training, publication, overtime, plan disruption, coordination of current care benefits, etc.)

Financial Impact:	No additional financial impact if we retain BCBS for 2010, will review self funding option for cost-benefit next year
Alternatives:	Do not approve BCBS as Augusta-Richmond County's Health Insurance Provider for 2010.
Recommendation:	Approve BCBS as Augusta-Richmond County's Health Insurance Provider for 2010
Funds are Available in the Following Accounts:	

<u>REVIEWED AND APPROVED BY</u>:

Finance.
Law.
Administrator.
Clerk of Commission

Administrative Services Committee Meeting
7/13/2009 12:45 PM
Approve the proposed Early Retirement Incentive Program (ERIP)

Department:	Human Resources
Caption:	Approve the proposed Early Retirement Incentive Program (ERIP).
Background:	The Human Resources Department was asked to obtain a cost study of an Early Retirement Incentive Program. There are several long term Augusta employees who are either close to or at retirement age. Offering an ERIP will make several of the employees who are otherwise not eligible to retire due to age or service eligible to retire. It will also give retirees a boost to their retirement income and make retirement more inviting. The program will incentivize higher paid employees to retire and offer long term savings in job elimination, delayed rehirings, and entry level pay for any new hires.
Analysis:	In researching and developing criteria for our proposed Early Retirement Incentive Program (ERIP) I have narrowed the criteria to the following: • Benefits are for Defined Benefit (DB) retirement plans only • One time window to apply from August 15 - September 31, 2009 • Applicants must be 60 years old and have 20 years of service as of December 31, 2009 • Effective date of retirement is October 1, 2009 – December 31, 2009 • 5 years credited service • Change multiplier to 1.65% on October 1 instead of 2010 for GMEBS participants • Accrued Sick leave converted to credited service up to six months • No reduction/penalty due to age if otherwise qualified for ERIP The Administrator has the discretion to delay an applicant's retirement through December 31, 2010, if the applicant is in a critical position and there is a need to delay the retirement for business purposes. Departments must show savings incurred by the early retirement in one of the following methods: • Eliminate or vacate position for at least one year • Eliminate a lower level position • Contact the Human Resources Department for assistance with a reorganization plan • Freeze the hiring of vacated position for a period of time specified by the Administrator • Limit the hiring level of the to the entry level of the salary range of the vacation position If the position is critical or the department is sound the Administrator may choose to allow the position to be filled with no savings.
Financial Impact:	The financial impact will vary depending on how many employees take the ERIP offer and how the filling of the vacated positions is managed.
Alternatives:	Do not approve the proposed Early Retirement Incentive Program (ERIP).
Recommendation:	Approve the proposed Early Retirement Incentive Program (ERIP).
Funds are Available in	

Cover Memo

Item # 2

the Following Accounts:

<u>REVIEWED AND APPROVED BY</u>:

Finance.
Law.
Administrator.
Clerk of Commission