

Lincoln Parish School Board
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Otha Anders
President

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Superintendent

TO: Lincoln Parish School Board Members

FROM: ^{GM} George Murphy, Business Manager
mm Mike Milstead, Superintendent

DATE: July 24, 2015

SUBJECT: Health Plan Recommendations

Background:

The Health Plan has been operating in the red during 2015. Through June 30, 2015, there is a deficit in the plan of \$795,049.99. Due to the deficit, we have been working with Mr. David Charpentier, Vice President of Brown & Brown Insurance to determine the changes that need to be made to the plan. Mr. Charpentier has been working with the board since 2001 and he has helped us make changes as necessary in the past. Mr. Charpentier's recommendations are attached.

Recommendation:

No action needed.

Contact Person:

George Murphy



Wednesday, July 22, 2015

Mr. Mike Milstead
Superintendent of Schools – Lincoln Parish
410 S Farmerville St
Ruston, LA 71270
United States
Copy Via Email; original via USPS

Reference: Health Plan Recommendations

Dear Mr. Milstead,

First, let me thank you for giving me the time to go through all of the statistics on Monday. I hope that they provided some illumination on the workings of the LPSB Health Plan.

My recommendations for 2016 are strategically designed to primarily affect the Prescription Benefit where the plan is having pain. The changes in the Medical Plan are primarily due to the requirements under the Affordable Care Act to make the "Out of Pocket" all-inclusive and the Preventive Services unlimited and at no cost to the employees. They are estimated to break even give or take two (2) percentage points on the Medical side.

Secondly, I have to disclose that these are actuarial calculations based upon available information. While your plan is large, it is not large enough to have near 100% confidence in the calculations. That would take about ten thousand lives. Additionally, utilization patterns are unpredictable and significantly affect plan cost. The actual results will vary.

My Recommendations for 2016:

- Increase the annual RX deductible to \$250, applicable to all tiers of prescriptions
- Change the member responsibility for Specialty Drugs to 25% of the cost, maximum of \$250 per prescription (this is currently a \$100 copay).
- Change the non-formulary co-pay to \$60 (from \$50)
- Increase the Individual Maximum In Network Out of Pocket to \$3,500
- Increase the Family In Network Maximum Out of Pocket \$10,500
- By making the changes above, ACA Grandfathering is lost and this causes the Preventive Benefit to become Unlimited, and at no cost to the members for the approximately 85 required services

When combined with the Pre-Authorization we are putting into place in October, these changes are estimated to reduce the cost to the plan by \$1,344,621 in 2016 compared to making no changes, bringing the cost back into line with historical costs. It is important to understand that these estimated savings are to be subtracted from what 2016 Claims would otherwise be in the absence of changes, it is not a direct reduction from the current years cost levels due to trend in both Medical and Prescription costs.

Unfortunately, this is not a one-time adjustment. We have to continue to monitor the plan and make course adjustments as needed. The cost of medical care continues to increase, new high cost drugs come to market, and distortions in the marketplace, such as the \$12,000 prescription we discussed present themselves.

I do have to caveat these recommendations due to the RDS reimbursement that Lincoln Parish gets on Retiree Prescription Claims. The benefits have to be "attested to" by an actuary as being at least as generous as Medicare each year. There has not been time to have these changes reviewed by the actuary.

Finally, I feel that I should illustrate somewhat how the higher Out of Pocket will work, as I can see how that may be concerning:

- Currently, the only thing that goes toward the Out of Pocket Limit is:
 - Co-insurance (the 20% that a member pays after the Deductible is met)

- With these changes, the following ALL apply to the Out of Pocket Limit:
 - Co-insurance
 - Medical Deductible
 - Drug Deductible
 - Drug Co-payments
 - Emergency Room Co-payments
 - MRI & CT Scan Co-payments

The bottom line for each member will vary. Some will benefit, some will have additional cost, but on average it will be an approximate break even.

In closing, please let me know if you have any questions, concerns or comments.

Sincerely,



David Charpentier CLU, ChFC
Vice President – Employee Benefits

cc: George Murphy