

Durham County Government
FY 2018-2019 Benefits Plan Budget Adjustment Overview

All funds are monitored throughout the year to ensure expenditures do not exceed the authorized budget levels. This evaluation occurs based on monthly and historical annual trend analysis. For most funds, prior monthly and annual trends are the best gauge for year-end projections due to the predictable and cyclical nature of funding streams. However, certain budget activities are less predictable due to the non-cyclical nature of the transactions and/or policy changes that make historical patterns less predictable. For Durham County, two funds fall into the latter category, benefits and risk management. In both cases, claims can fluctuate due to usage patterns, changes in allowable expenses and/or payouts that may occur due to case settlements. Self-insurance funds are required to carry fund balances to ensure funding is available for such cost fluctuations.

Durham County's benefit plan fund is partially self-funded. This plan allows for more effective and efficient management of health care costs for both the County and its employees. The County retains profits that would normally accrue to the administrator (i.e. Aetna) of a fully-insured plan. As such, the County is able to provide a benefit package for all employees that includes health, dental, vision and one-time salary life insurance coverage for all employees and offers dependent coverage, more employees can afford. Many jurisdictions are fully insured, not partially self-insured, which results in higher overall costs and often less budgetary control. However, assuming the approach of partially self-insured also means there may be times that expenditure projections may pace higher than original budget projections. To mitigate for these occurrences, several years ago the Fund Balance Policy was revised so that unspent funds for the self-insured benefits (i.e. Health and Dental) can only be used as funding for these benefits and is committed in the County's fund balance for this purpose. By committing these unspent funds in the County's fund balance and establishing this process in amending the County's Fund Balance Policy, the Board added stronger internal controls to further ensure compliance.

Benefit expenditures can fluctuate month-to-month based on several factors including the types of claims, increase in number of claims, number of employees diagnosed and being treated for serious illnesses, changes in benefits structures that impact the number of allowable expenses, etc. In FY 2017-18, a budget amendment was taken to the BOCC due to projected expenditures. It was determined, after monitoring the expenditure activities over the year that additional funds were needed to support the FY 2017-18 benefits budget to ensure cost overruns did not occur. A budget amendment was approved for \$3,350,000 million based on annualized spending trends. The amount required totaled \$2,180,000.

Consistent with FY 2017-18 BOCC action, a \$2,500,000 budget amendment is required in FY 2018-19 to appropriate fund balance and recognize additional revenues for the benefits plan. A one-time County contribution transfer of \$2,500,000 is needed. The County contributes a fixed amount per employee per pay period into the Benefits Plan. Please note that to date, these contributions have not exceeded the current budget amount. As such, this amendment is needed to fund an additional County contribution for the fiscal year.

County staff does not anticipate the need for the entire amount; however, the Local Government Commission will not allow amendments to the budget after June 30, for the current fiscal year. Therefore, staff is requesting this conservative amount to ensure that we do not exceed budget appropriations for the expenditures as well as to ensure that sufficient budget is there for the amount of County contributions required as funding sources for the partially self-insured benefits per the County Benefits Plan; hence avoiding any audit findings.

The largest factor contributing to the budget adjustment is the higher expenditure trend pattern. This results from the types of claims incurred; employees reaching out of pocket maximum in June, employees that have already met their deductible who will seek additional services before the end of the fiscal year, and new hires with large claims that are not reflected in the trend and stop loss report activity.

Upon reviewing our healthcare claims data, our medical claims increased by 127% for the month of December 2018 (\$1,928,844) over the previous fiscal year (\$850,053). The 'year over year' increased trend continued for the month of January with a 78% increase in the amount of \$1,455,529 (versus \$814,4256 in January 2018) and February with a 11% increase for medical in the amount of \$1,304,097 (versus \$1,172,915 in February 2018).

One of the drivers of these increases is the number of high cost claimant medical plan members who incurred claims of \$25,000 or more. The data pictured illustrates how the medical needs of our members can fluctuate. In the month of August 2018, medical claims (greater than \$25,000) for six members accounted for \$301,525 while in December 2018, 13 members experienced high cost medical claims that accounted for more than \$806,000 alone.

The data vividly illustrates the unpredictability of claim costs even from month to month. Medical claims paid for this subset of members amounted to \$2,383,075 for approximately 1.6% of our average member population of 3,268 (July-February).

Member's Claims greater than \$25,000		
FY 18-19	# of	Medical Claim
	Members	Amount
Jul. 2018	3	\$ 94,375.22
Aug. 2018	6	\$ 301,524.75
Sept. 2018	2	\$ 64,712.57
Oct. 2018	2	\$ 170,327.53
Nov. 2018	7	\$ 228,380.10
Dec. 2018	13	\$ 806,247.06
Jan. 2019	7	\$ 281,178.24
Feb. 2019	5	\$ 203,597.91
Mar. 2019	5	\$ 174,860.97
Apr. 2019	2	\$ 57,870.24
Grand Total	52	\$ 2,383,074.59

Heart disease, oncology and end stage renal disease are the leading high claimant cost drivers. Some of the medical conditions that make up the top claimants are specifically related to thoracoabdominal aortic aneurysm, end stage renal disease, lobar pneumonia and various cancer related diagnoses and treatments.

For the medical conditions that are related to the leading high claimant cost, there's little that we can do to control those cost. However, there are areas in which we can influence members and achieve cost improvements with our upcoming Cigna partnership in FY 19-20. When members are having medically challenging times, Cigna provides them with a personal champion advocate who stands by during critical times, monitors claims for the member, coordinates

internal and external resources and ensures the member understands their coverage and expectations.

Cigna offers the County at no additional cost their Premium Concierge Service (Cigna One Guide) (valued \$3.50 PEPM – savings \$82,698 annually) that allows members a 24-hour, 7 day a week personal customer service advocate, who will advise them on how to integrate benefit offerings that the County has available and will connect them to the appropriate services based on their specific needs.

Cigna also provides Telehealth services through the Cigna App, which allows members to connect with Board Certified providers without leaving their home or office through video chat or over the phone. This service reduces the cost to the County that is associated with normal office visits. This service is also available for behavioral health visits (ex. Mental health and substance abuse conditions) which allows easier accessibility to these types of healthcare professionals. Members can also participate in live chats with Cigna representatives via the app when questions arise.

Cigna takes pride in the fact that their members have better health outcomes year after year and engage their members as soon as claims arise, to assist clients like us, with cost containment assurance. We look forward to working with Cigna and the entire team that they provide, which includes a Wellness Promoter, an Engagement Manager who provides communications, open enrollment team and Onboarding Implementation team.