FY 2016 Recommended Budget

Budget Question

Board Question #: 39

BUDGET QUESTIONS:

What would it cost the County to transition all employees and retirees to KeyCare 20 (KC20)?

RESPONSE:

Scenario A: Employer/Employee Cost Shares Remain Same as Existing for KC20

The County currently pays the same amount for the base KeyCare 30 (KC 30) and the premium (KC20) plan, with current employees paying the full cost differential in premium costs if they choose to participate in the County's premium plan (KC20). If all employees were transitioned to the premium plan (KC20) at the current cost share splits, there would be no increase to the County for current employees, but there would be an increased cost to current employees. That cost would vary from one employee to another, ranging from $44 to $110 per month, depending on the coverage they selected.

Scenario B: Employee Share of Cost for KC20 Set for FY 2016 at Current KC30 Rate

However, if:

- all current employees and retirees are moved to the premium plan (KC20),
- all current employees pay the rate currently charged for the base plan (KC30),
- the County increases its share of costs to pick up the difference in costs to reduce the (KC20) employee cost to the current (KC30) employee cost; and
- the County continues to pay the full cost for retirees,

then the County's cost for health insurance would increase by at least **$800,000** annually. This calculation is based on the coverage enrollments that were included in the FY 2015 health insurance renewal and does not factor in the County's cost when vacant positions are filled and/or when new positions are added in FY 2016.

Regardless of the Scenario

It is also important to note that this calculation does not take into account that transitioning all current employees from the base plan (KC30) to the premium plan (KC20) could change the rates of the current premium (KC 20) plan. The premium (KC20) plan is a richer plan and the rates would need to be recalculated by Anthem, based on the larger participant pool.

Another factor to consider is the impact this change would have on the County's Other Post Employment Benefit (OPEB) liability. Based on our most recent actuarial analysis, which assumed that the County would provide retirees with the base (KC30) health insurance coverage, the County should be setting aside approximately $5 Million annually to meet our annual required contribution (ARC) obligations. If we provide retirees the more costly premium plan (KC20), our ARC obligation will increase.