Decision Making Analysis **March 28, 2012**

Health Insurance Program

Goal: To determine if the County should bid the Health Insurance program and potentially leave the State's insurance plan.

Objective: To review the County's current program and identify the possible affect on Roane County's employees and retirees.

Assumptions/Facts:

1. The County was self-insured for health insurance until joining the State's insurance program in the early 1980's. The self-insurance fund remained healthy until a period of time in which premiums were not increased to support the number claims being paid.
2. The County considered changes from the State plan during 2007 and bids were opened for health insurance on April 27, 2000. It was determined that there would be no savings realized by leaving the State's program and the only way to save money was to raise deductibles and decrease employee benefits.
3. The State's insurance program has consistently increased in cost on an annual basis. The State's program offers County employees a choice of plans that best suits particular family needs. Because of the number of participants in the State's health insurance program large claims are not as devastating to the program and the provider networks are extensive.
4. The State's plan offers a consistency in management of the plan and the plan is bid every three (3) years to obtain the best pricing available.
5. The County insures 236 employees excluding school personnel.
6. There are significant effects on the County's current and future retirees that could be a detriment to their insurance coverage. If the County leaves the State plans the retirees will have to leave also.
7. The County provides insurance coverage to employees from the point they retire until they reach 65 and are eligible for Medicare. There are currently five (5) employees enrolled in this program. Within the next five years, there are forty-two (42) employees eligible for this benefit.
8. If the County leaves the State's plan, we could not go back to the State for at least two (2) years. The County currently has a Level I status which is the lowest premiums. Upon returning to the State's plan, the County's status would be reevaluated and would most likely not be a Level I. Increases in premiums per participant per month could be as much as $100.
9. The School System has confirmed that their employees are not to be included in a bid for health insurance. The School System did not participate in the 2000 bid.
10. The County and the School System currently have the same health care benefit. If the insurance for county employees is bid and does change, there could be an inequality of benefits between the County and the School System. With the feeling of inequality that already exists on other benefits, to further lessen the County's employee's benefit or increase their cost for insurance could be very demoralizing.
11. Attached is a spreadsheet reflecting the current total average yearly cost per each employee, the county portion of the cost, and the employee's portion of the cost. The data further reflects the total estimated budget cost for the county.

Analysis:

1. Based on past history with bidding health insurance and current trends, it is not likely that the County with 236 participants could purchase the same coverage of insurance as is now available with the State's plan. However, savings could be realized with a change in the coverage and higher deductibles.

2. Currently, there are five (5) employees enrolled in the county's retirement benefit program where in the County continues to pay the County's portion of their health insurance until the retiree reaches the age of 65. If the County leaves the State's plan, the retirees would have to leave also. There are forty-two (42) employees that are going to be eligible for this benefit within the next five (5) years. This is 18% of the County's employees. Retirees are also eligible to take a supplemental Health Insurance Plan (POMPCO) which is less expensive than most supplemental plans and the premiums are deducted from their retirement check. Of course, if the insurance is bid, a plan could possibly be negotiated to cover the retirees but it could be cost prohibitive. Should the County choose to leave the State plan and then at some later time chose to go back, only those retirees that stayed with the County's insurance would be allowed to do so.

3. If the County leaves the State plan, we could not go back for at least two (2) years and we would probably lose the Level I status that the County currently has. Should the County leave and then to back into the State plan, the County's premiums could increase as much as $283,200 annually. (236 employees x $100/month x 12 months = $283,200)

4. The State's plan offers different types of insurance, POS, PPO, HMO for the employees to choose from. The provider network is very large. With the institution of the different premium levels of, Employee, Employee + Spouse, Employee + Child and Family, there have been savings realized for the employees subscribed to the County's insurance. With less than 250 employees our buying power is not as strong and could prove to be difficult to offer different types of insurance plans, e.g. POS, PPO, & HMO's.

Conclusion:

Based on the assumptions/facts and analysis above, it is our recommendation that the County stay with the State's plan. Current trends and the last bid that was done suggest that the County could save money on premiums by lowering the coverage of insurance and raising the employee's deductibles. The State's plan offers a variety of plans, a large participant base and a large provider network. The State's plan offers a consistency in management of the plan and is bid every three (3) years to obtain the best pricing available. Should the County leave and try to return to the State, it could cost as much as $283,000 annually to return.

The retirees are and should be a major factor in the decision to stay with the State. The State's plan works in concert with the Tennessee Consolidated Retirement System to offer retirees supplemental insurance. While the number of employees affected today is not that many, a decision to leave the State could affect approximately 18% of the County's employees over the next five years due to their eligibility to retire. Moving retirees in and out of different insurance plans could prove to be costly due to the cost of insuring an aged group and would be very disruptive in their lives.

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AVERAGE CURRENT COST OF HEALTH INSURANCE FOR DIFFERENT TIERS

Tier	Current Participants	Employee Annual Cost	County Annual Cost	Total Annual Cost	Employee Annual Cost	County Annual Cost	Total Annual Cost
Employee Only	154.00	360.00	6,672.00	7,032.00	55,440.00	1,027,488.00	1,082,928.00
+ Children	25.00	1,908.00	8,580.00	10,488.00	47,700.00	214,500.00	262,200.00
+ Spouse	23.00	4,020.00	10,692.00	14,712.00	92,460.00	245,916.00	338,376.00
+Family	33.00	5,892.00	12,564.00	18,456.00	194,436.00	414,612.00	609,048.00
Totals	235.00	12,180.00	38,508.00	50,688.00	390,036.00	1,902,516.00	2,292,552.00