

IPS Advisors, LLP

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Insurance Planning Services

We Help You Uncover - Then Cover Your Risks

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Choosing Your Company Retirement Plan is a Big Decision - We Offer Big Help

Brazos River Authority

Board Presentation – Health Insurance Recommendations

Presented By:

Brent A. Weegar, MBA
Principal

Andrew Weegar
Employee Benefits Specialist

Bennett Champagne
Benefit Analyst



IPS Advisors, LLP
10000 North Central Expressway, Ste. 1100
Dallas, Texas 75231
214-443-2400 (phone)
214-443-2424 (fax)
www.ipsadvisors.com



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Historical Health Plan Cost – Calendar Year

		Claims Data		Fixed Cost			
	Average Enrollment	Medical	Rx	TML Admin	Agg S/L	Individual S/L	Total Cost
2014 Total	223	\$2,720,868.66	\$493,122.00	\$93,580.05	\$13,441.68	\$378,447.30	\$3,699,459.69
Stop Loss		\$978,408.06					\$978,408.06
Net Claims		\$1,742,460.60	\$493,122.00	\$93,580.05	\$13,441.68	\$378,447.30	\$2,721,051.63
Per Capita		\$7,799.15	\$2,207.19	\$418.86	\$60.16	\$1,693.91	\$12,179.27
		Claims Data		Fixed Cost			
Month	Average Enrollment	Medical	Rx	TML Admin	Agg S/L	Individual S/L	Total Cost
2015 YTD Total	231	\$1,100,945.62	\$173,424.90	\$40,277.57	\$6,463.24	\$192,829.56	\$1,513,940.89
Stop Loss		\$265,329.03					\$265,329.03
Net Claims		\$835,616.59					\$1,248,611.86
Annualized		\$2,005,479.82	\$416,219.76	\$96,666.17	\$15,511.78	\$462,790.94	\$2,996,668.46
\$ Change		\$263,019.22	-\$76,902.24	\$3,086.12	\$2,070.10	\$84,343.64	\$275,616.83
% Change		15.1%	-15.6%	3.3%	15.4%	22.3%	10.1%
Per Capita		\$8,666.72	\$1,798.70	\$417.74	\$67.03	\$1,999.96	\$12,950.17
% Change		11.1%	-18.5%	-0.3%	11.4%	18.1%	6.3%

Note: 2015 YTD Total = January 2015 to May 2015

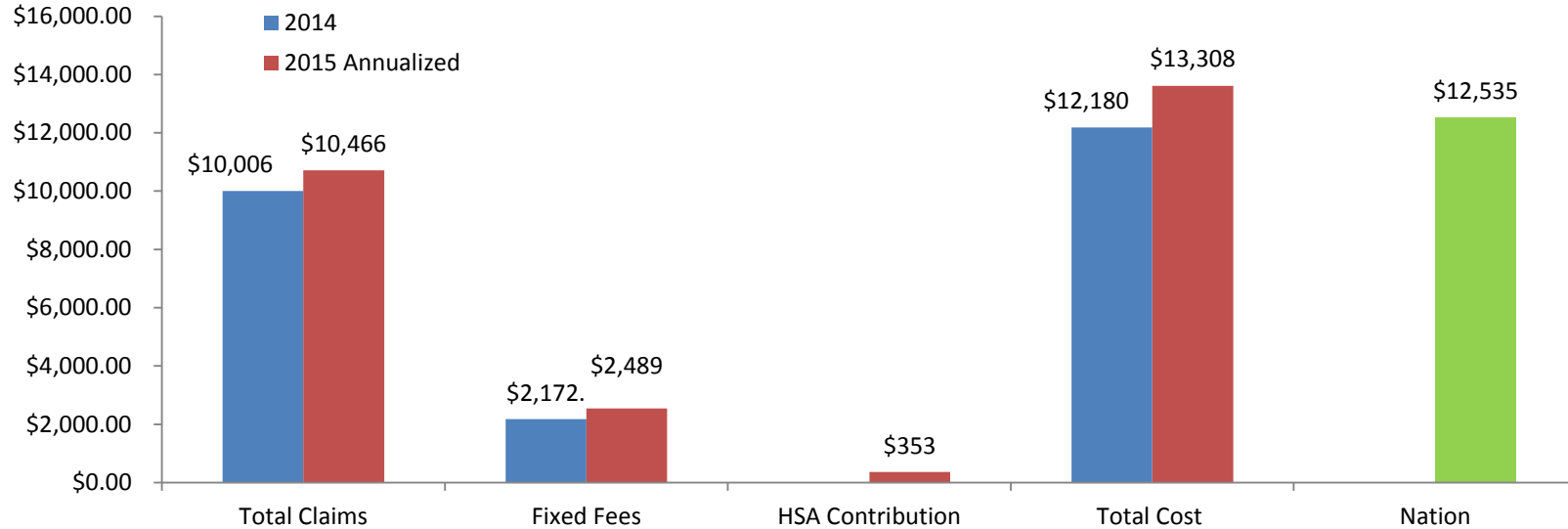
Total Paid Claims – Per Capita



Year	Enrollment	Net Total Claims -Per Capita	% Δ
2010	250	\$6,955.65	N/A
2011	246	\$6,340.33	-8.85%
2012	243	\$8,906.86	40.48%
2013	231	\$7,871.46	-11.62%
2014	223	\$10,006.34	27.12%
2015 Annualized	231	\$10,465.42	4.59%

Note: 2015 Annualized = Claims through May 2015

Per Capita Premium Cost vs. Nation



	Enrollment	Total Claims	Fixed Fees	HSA Contribution	Total Cost
2014	223	\$2,235,582.60	\$485,469.03	0	\$2,721,275.05
2015 Annualized	231	\$2,421,699.58	\$574,968.89	\$81,600.00	\$3,078,499.46
	Enrollment	Total Claims	Fixed Fees	HSA Contribution	Total Cost
Amount Δ	8	\$186,116.98	\$89,499.86	\$81,600.00	\$357,224.42
% Δ	3.39%	8.33%	18.44%	n/a	13.13%

2016 Budget Projections

	2014 Actual PSF	2015 Annualized PSF	2015 Projected PSF	2015 Funding Rates	2016 Projected PSF	2016 Projected Fully Insured
Medical and Prescription Claims / Premium	\$2,235,583	\$2,421,700	\$2,369,944	\$2,460,078	\$2,470,771	\$2,772,056
Stop Loss Fees	\$391,889	\$478,303	\$478,303	Included	\$550,048	n/a
Medical Administration	\$93,580	\$96,666	\$96,666	Included	\$98,599	n/a
Health Care Reform Fees	\$26,455	\$18,722	\$18,722	Included	\$11,803	Included
Projected IBNR and Fees	n/a	n/a	n/a	n/a	n/a	\$304,616
HSA Contribution	n/a	\$81,600	\$81,600	Included	\$81,600	\$81,600
Total	\$2,747,507	\$3,096,991	\$3,045,235	\$2,460,078	\$3,212,822	\$3,158,272
\$ Change off Actual / Projected	n/a	\$349,484	\$297,729	-\$287,429	\$167,587	\$113,036
% Change off Actual / Projected	n/a	12.7%	10.8%	-10.5%	5.5%	3.7%
Enrollment	223	231	231	231	232	232

Budget Projection Notes:

Projections Assume:

7.8% Health Trend

8.6% Pharmacy Trend

Stop loss fees assume – 15% Increase

Medical administration Assumes – 2% Increase

HSA contributions assume \$1,200 employer funding into account.

IBNR = Incurred but Not Reported Claims to be paid after plan termination.

Health Care Reform Fees included for both partial self funded and fully insured

Fully Insured Considerations

- Fixed Premium Cost – carrier assumes the financial risk for paying incurred claims costs.
- No opportunity for “laser deductibles.” – a fixed internal pooling point for large claims exists within fully insured contracts. However, the large claims risk is spread amongst a statistically significant population of employers / members.
- Maximum Annual Liability – is fixed under a fully insured program and is set based on projected claims and administration fees. Under partial self insuring the BRA’s maximum annual cost is set at the aggregate deductible level (25% above projected claims) + administrative fees. This liability is projected to be significantly above fully insured projections for the BRA.
- Less legal risk (Fiduciary, HIPAA, Affordable Care Act)
- Affordable Care Act fees paid for and administration components are provided by the health insurance carrier.

Findings

- In 2014 the BRA experienced a 27.1% increase in its per capita paid claims cost and are currently experiencing an annualized 4.6% increase over 2014 year end results.
- Overall, including increases fixed fees and HSA funding, the BRA sits at a 13.1% increase over 2014 year end results.
- For 2015, the addition of stop loss laser deductibles increased stop loss premiums, and increased deductible retention (\$90,000) have been the primary drivers of the health plan cost increases. The BRA would be experiencing a claims decrease in 2015 if stop loss risk retention levels matched 2014 levels.
- Currently the BRA has 3 lasers individuals with specific deductible levels greater than \$90,000. These include lasers of \$300,000, \$125,000 and \$125,000.

Recommendations

- Based upon review of the BRA's historical claims experience, projected 2016 claims and current liability retention levels, IPS recommends that the BRA conduct a request for proposal process for fully insured and partial self insured options.
- It is IPS Advisors' recommendation to implement a fully insured approach to benefits funding, if proposals come in favorably.

