Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS

Santa Fe County

Employee Benefit Program Update

DON HEILMAN AND MIKE ROHR | JULY 14, 2015

Discussion Guide

- Summary of historical plan costs
- Considerations of separating from State
- Benefits of self-funding
- Key considerations
- Other considerations
- Next steps
- Appendix

This analysis is for illustrative purposes only, and is not a proposal for coverage or a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. See your policy or contact us for specific information or further details in this regard.

Recap of historical cost review

Santa Fe County, NM
Summary of Benefit Plan Costs

	Three Year Cost Estimate - 1/1/2012 through 12/31/2014 [1]		
	Estimated funding to State	Illustrative plan cost - Insured	Illustrative plan cost - Self-funded
Medical/Rx			
1/2012 through 12/2012	$5,690,594 [2]	$5,745,180 [3]	$5,570,967 [4]
1/2013 through 12/2013	$6,090,532 [2]	$6,098,552 [3]	$5,891,136 [4]
1/2014 through 12/2014	$7,315,576 [2]	$6,291,899 [3]	$6,012,970 [4]
Medical/Rx (3-year total)	$19,096,702 [2]	$18,135,631 [3]	$17,475,073 [4]
Dental (3-year total) [5]	$1,500,704 [2]	$1,372,211 [3]	$1,320,645 [4]
Vision (3-year total) [5]	$246,062 [2]	$260,114 [3]	$250,378 [4]
Total funding premium (3-year toal)	$20,843,468	$19,767,956	$19,046,096
Differential vs.funding to State		($1,075,512)	($1,797,372)

[1] Summary of exhibits shared with Board during March 31, 2015 meeting.
[2] Estimated funding to State plan, based on estimated number of enrolled employees.
[3] Estimate of plan costs had County been separate from State on insured basis.
[4] Estimate of what might have been paid had County been separate from State on self-funded basis.
[5] Dental and vision costs would be subject to year over year claim flucuations similar to medical, with lower anticipated cost impact.

Considerations of separating from State

- Control/flexibility
  - Allows for more customized, tailored plan design to better meet needs of County employees
  - Choice of carriers
  - Employee cost share philosophy
- Better/more timely access to claims data
- Cost
  - Historical data suggests potential cost savings
  - Subject to greater potential claims fluctuation as a smaller group
- Administration
  - Increased oversight and ongoing administrative effort
- Ability to self-fund

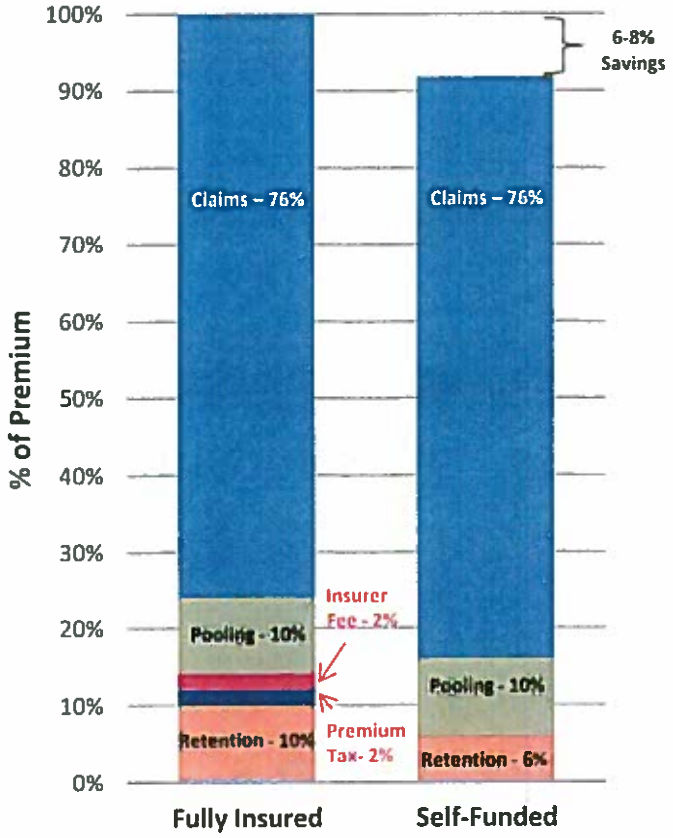
Self-funded vs. Fully Insured

Benefits of self-funding

- Control/flexibility of plan design
  - Allows for more customized, tailored plan design to better meet needs of County employees
- Better/more timely access to claims data
- Cost
  - Mitigates marginal risk and profit charges inherent in fully insured premium
  - Improved cash flow and interest earnings
  - Avoids health insurer fee under Health Care Reform

Self-funded vs. Fully Insured

Illustrative comparison



Self-funded vs. Fully Insured

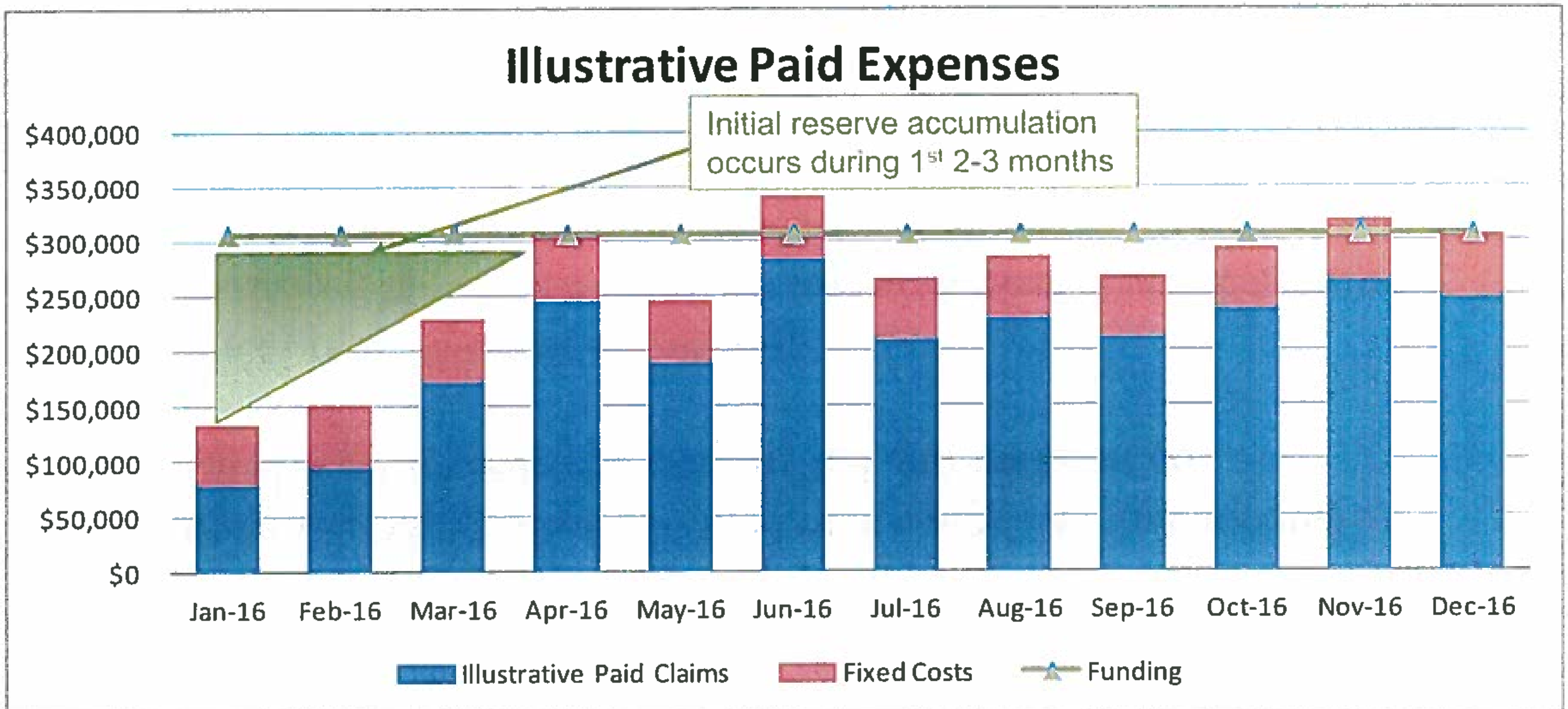
Key considerations – fiscal oversight

- Prudent oversight of self-funded plans suggests that adequate medical fund reserves be established and maintained
- Medical fund reserves are used to:
  - Anticipate/fund unpaid claims/expenses in the event of plan termination
  - Offset unexpected claims fluctuation in a given year
- Medical fund reserve build-up will be included in the self-funded medical budget projections, and therefore does not rely on one-time infusion
- Medical fund reserves maintained through appropriate policy and annual adjustments within rate-setting process

Illustrative first year cash flow *

* Illustrative figures not SFC specific

January 2016 through December 2016



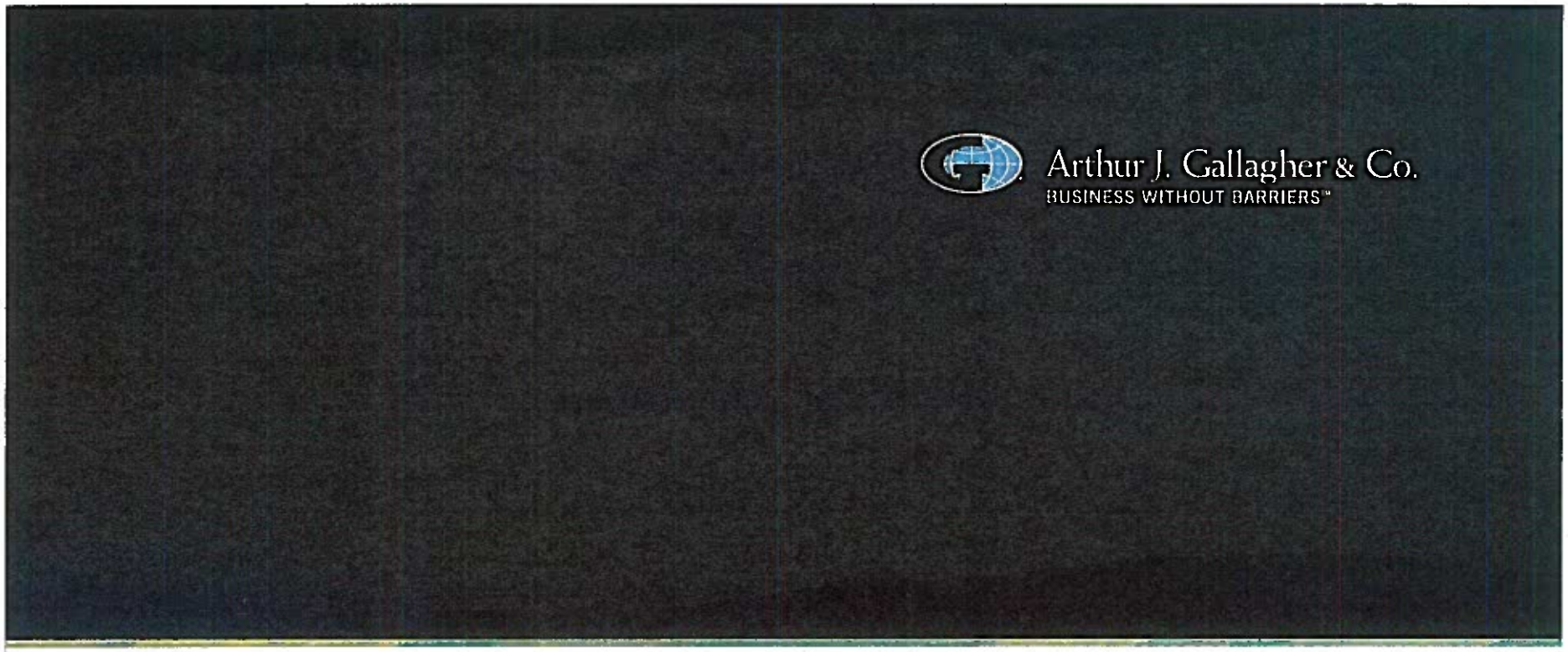
Next steps

- *Present/review findings of RFP analysis and recommendations regarding separating from State plan*

Based upon RFP Analysis & Discussion

- *~~Decision~~ regarding separation from State plan*

- ~~*Next steps as appropriate based on decision*~~



Thank You!

Don Heilman | Area Sr. Vice President
Gallagher Benefit Services, Inc.
don_heilman@ajg.com
303.889.2686

Mike Rohr | Client Consultant
Gallagher Benefit Services, Inc.
mike_rohr@ajg.com
303.889.2726

Appendix 1

Self-funded vs. Fully Insured

	ASO/Self-Funded	Fully Insured
Risk	Employer	Fully assumed by insurance carrier
Cash Flow	Variable	Fixed
Reserves	Held by employer, fiduciary obligation to the Plan	Maintained by the carrier, and carrier will be fiduciary
Claim Liability	Variable	Fixed
Claim Decisions	Administrator/formal appeals process Claims fiduciary can be transferred to ASO carrier/TPA for a fee	Administrator/formal appeals process
Expenses	•Actual claim dollars •Administrative & network access fees •Stop-loss insurance premiums	•Actual claim dollars •Retention/claims administration •Pooling charge •Margin/risk charge •PPACA insurer fee
Terminal Liability	Employer is liable for all eligible incurred claims	Insurance company assumes claim run-out liability in the event of contract termination
Plan Design	Set by employer – flexible	Less flexibility, carrier has final determination. Subject to state mandates and regulations
HIPAA Requirements	Access to PHI, may require additional policies and procedures	Limited based on access to PHI