



MID-YEAR BUDGET UPDATE AND REVIEW

September 18, 2013



Agenda

- Federal Healthcare Legislation
- Medical and Prescription Drug Plan Update
- Texas County & District Retirement System Update



Health Care Legislation Update

The Affordable Care Act (ACA)

Today is Tomorrow

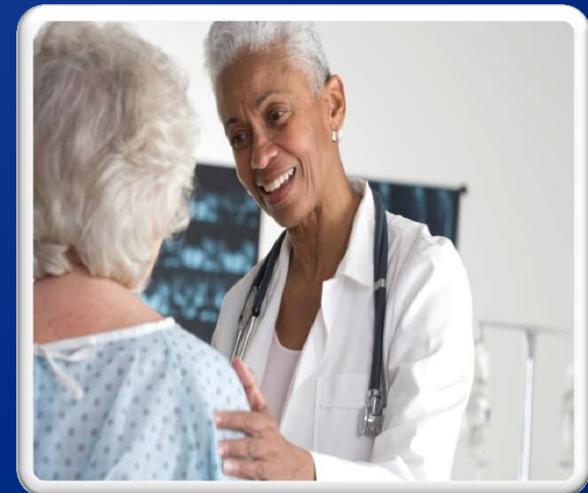
- Signed into law March 2010.
- Supreme Court upheld portions of the law June 28, 2012.
- Ongoing Regulations and Guidance have been issued.
- Changes in County's group health plan to comply as required.
- Effective March 1, 2012 Harris County lost its "grandfathered" status.



ACA

Where we've been

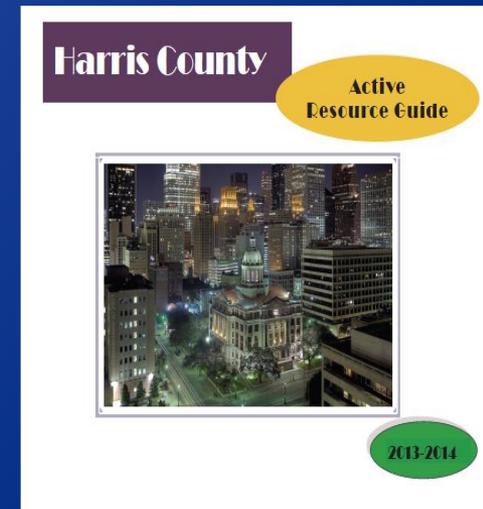
- Increased taxes for Tanning Services, Pharmaceuticals and Medical Device Manufacturers.
- Applied for the Early Retiree Reinsurance Program...funds exhausted in early 2012.
- Limits and limited reimbursement of over-the-counter medicine from Flexible Spending Accounts.
- “Adult children” ages 19-26 covered by plan regardless of student or marital status.
- Preventive care covered at 100%.



ACA

Where we've been

- Expanded preventative care benefits.
- Additional communication information included in enrollment materials.
- Appeals process expanded for internal claims and new external review requirements.
- Value of benefits reported on W-2's.
- Long-Term Care (CLASS Act) was repealed.



Coming soon

- Comparative Effectiveness Fee of \$1 per covered life per year in 2013 increasing to \$2 for 2014
- Marketplace Availability Model Notice to all employees by ~~October 1, 2013~~
- Marketplace exchanges open enrollment begins October 1, 2013
- Exchange coverage and individual compliance begins January 1, 2014



ACA

2014 and Beyond

- Annual Health Insurance Provider Fee (Tax) effective January 1, 2014 for Harris County's dental and vision plans
- Limit effective dates for coverage of newly hired eligible employees to 90 days or less beginning March 1, 2014
- Coverage for expenses related to approved clinical trials
- Transitional Reinsurance Fee, effective from January 1, 2014 through December 31, 2016. For 2014, the contribution will be \$5.25 per covered member per month
- Maximum out of pocket limits for "essential health benefits" (Medical only for 2014; prescription drugs added in 2015)

“Employer Mandate” Delay

- Must offer minimum essential coverage that is affordable as defined by the ACA
- Must identify and offer health coverage to all full-time employees as defined by the ACA
- Full-time (FT)= any employee who regularly works 30 or more hours per week, or averages 130 hours per month (look back period begins March 1, 2014).



ACA

2014 and Beyond

- “Essential” health benefits definitions will continue to be modified
- Annual reporting requirement for employers and self-insured plans recently delayed until 2015
- An excise tax (40% of incremental costs) is imposed on employer-sponsored health plans in 2018.



What does all this mean?



Medical Plan Update



Covered Employee/Retiree Changes

Insured Employees and Retirees



Note: November actual enrollment each year. 2013 enrollment projected.

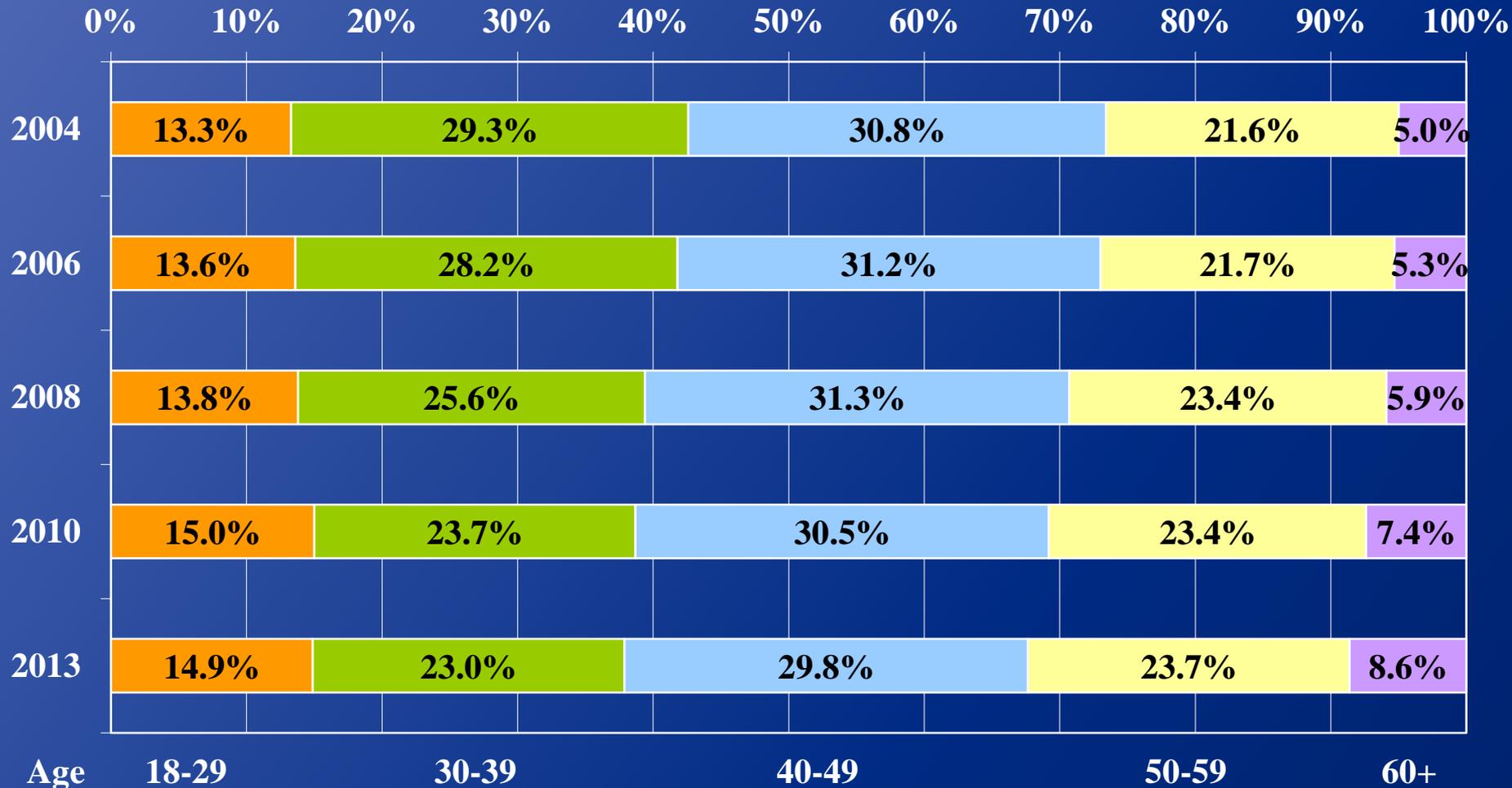
A look back...

Impact of Hiring Freeze



Active Workforce Demographics:

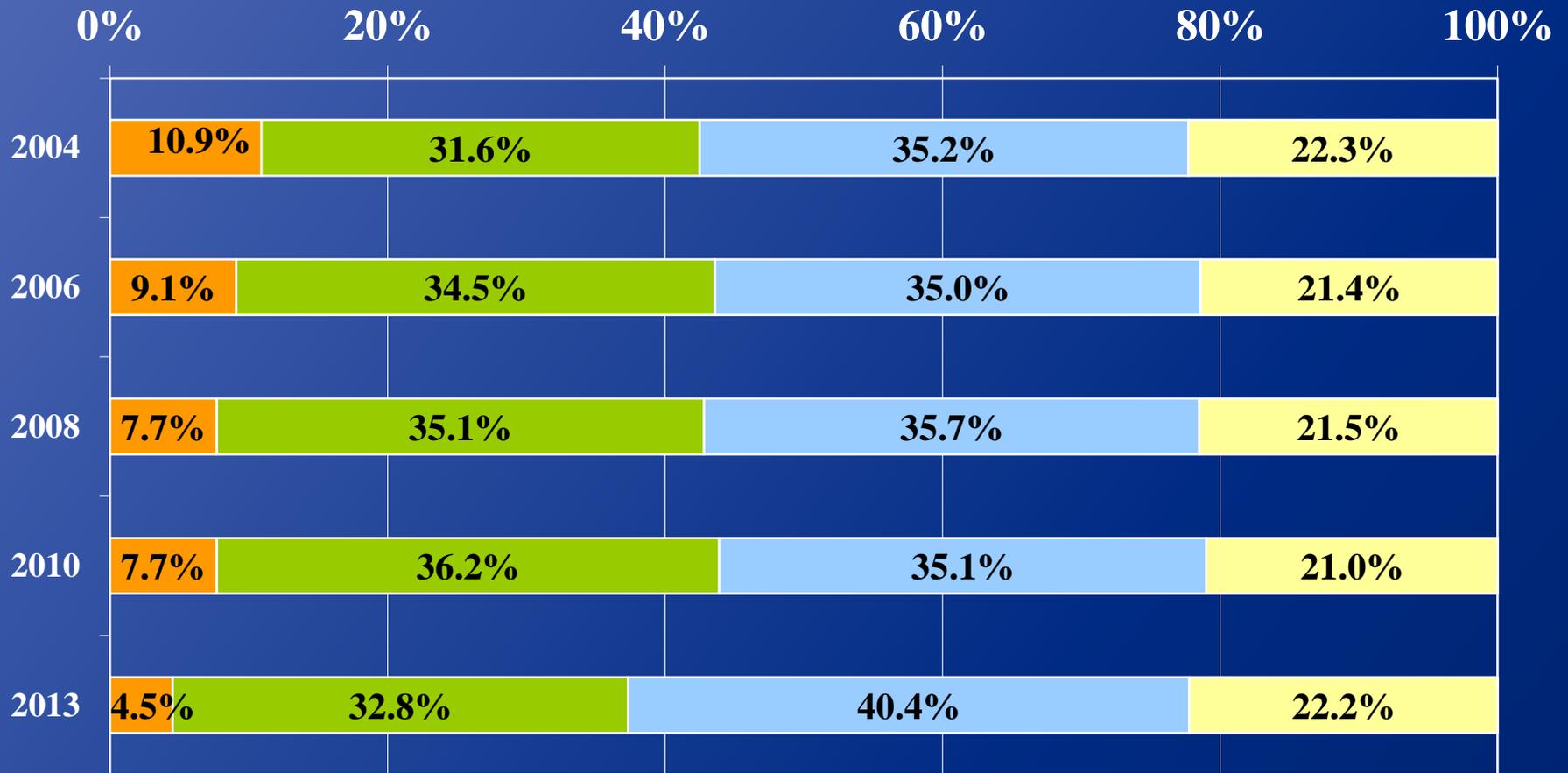
32% of Insured Employees Are Now Age 50 or Over (62% Are over Age 40)



Note: Data as of June of each year.

Impact of Under 65 Retirees:

37% of Insured Retirees are Non-Medicare Age



Age <55 55-64 65-74 75+

Note: Data as of June of each year.

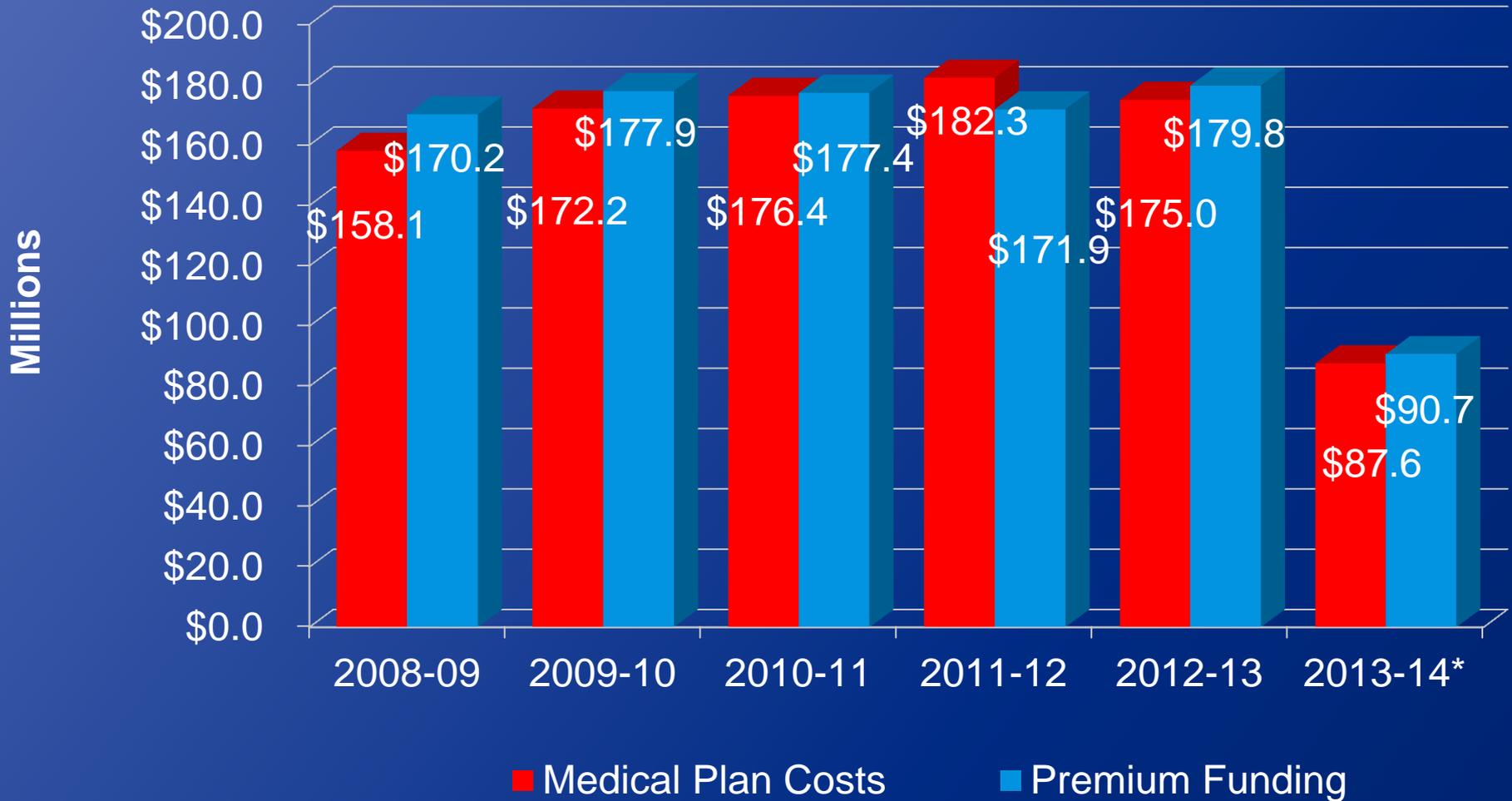
Covered Employee/Retiree Percentage Change

Insured Employees & Retirees



Note: November actual enrollment each year. 2013 enrollment projected.

Medical Plan is Fully Funded



*Through August 2013.

\$500,000 Every Day...

September Projections AS of
9/12

Premiums	15,094,432
Admin	702,173
Claims	16,009,831

MAR. < 1,617,572 >

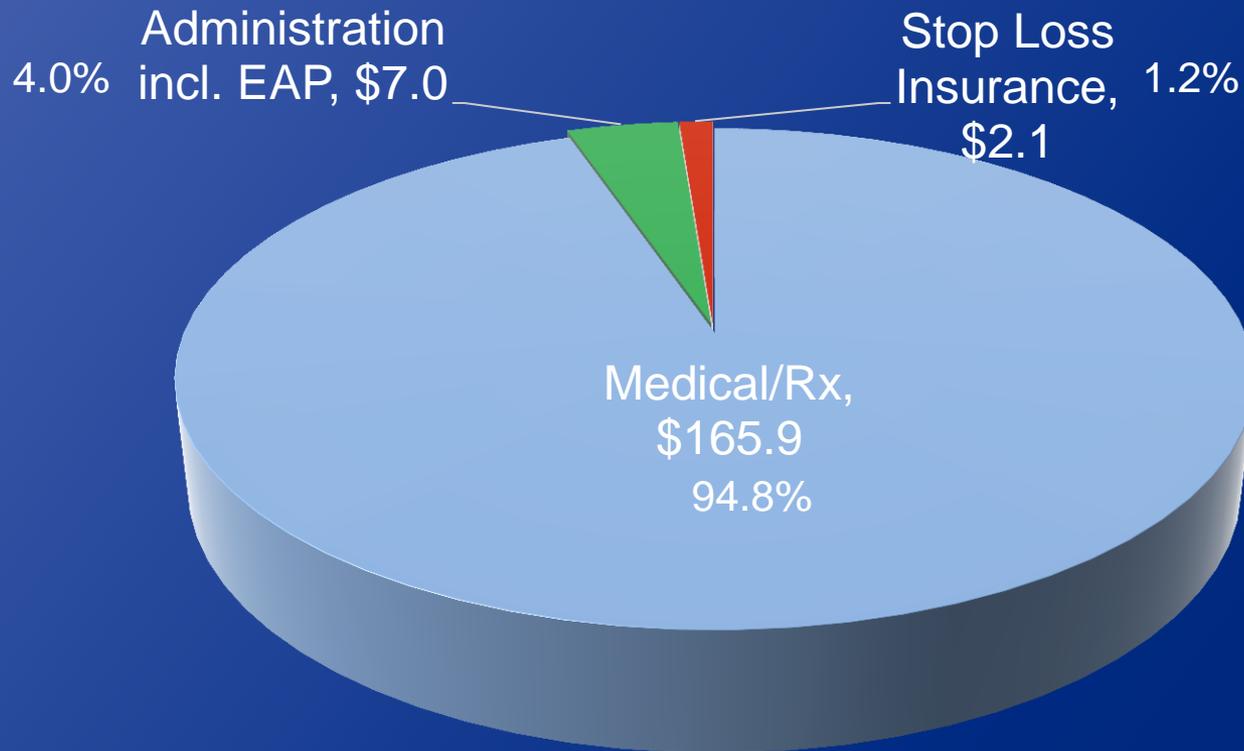
September Projections AS of
9/13

Premiums	15,094,432
Admin	702,173
Claims	15,041,160

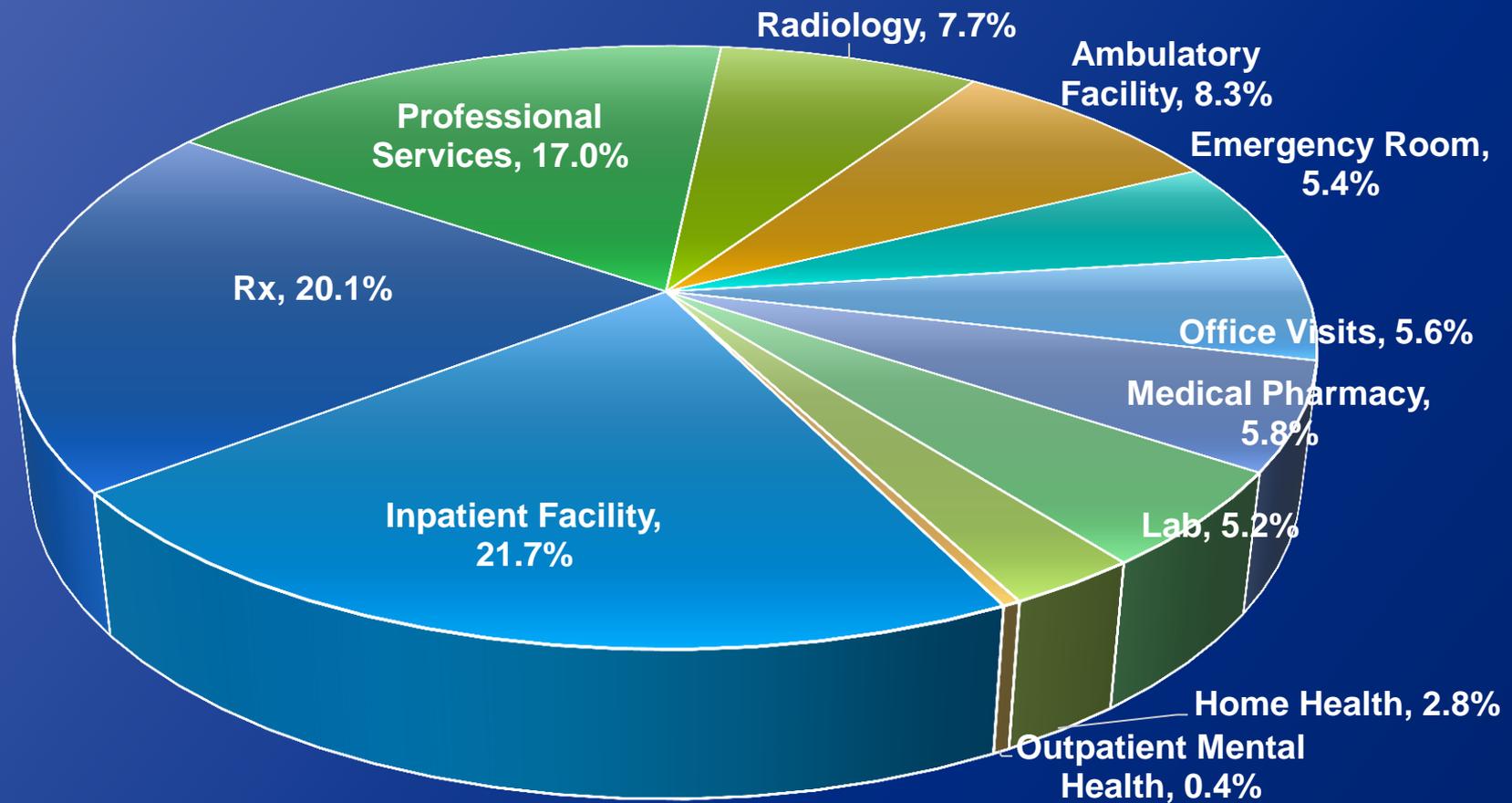
MAR. < 648,901 >

FY 2012-13 Total Medical Plan Costs

(\$ Millions)



Where Harris County Medical Plan Dollars Are Spent (FY 2012-13)



Note: Incurred with 2 month lag

Medical Cost Drivers

- **Uncompensated Care**
- **Medicare Reimbursement Rates**
- **Advancement in Treatment Options and Technology**
- **Waste and Fraud**
- **Pre-Mature Babies and Aging Population**
- **Increased Life Span**
- **Prescription Drugs**
- **Chronic and “New” Illnesses**
- **Legislative Changes/ACA**
- **Defensive Medicine**
- **Physician Ownership of Facilities**
- **Utilization (Demand)**
- **Catastrophic (and large) claims**



3% of Harris County Members Incurred 46% of All Claims Paid in 2012-13

Claims Amount	Total # Members*	% of Total	Total Claims Paid	% of Total	Annual Claims Paid per Member
<\$25,000	30,713	96.7%	\$88,856,565	53.86%	\$2,893
\$25,000 - \$49,999	625	2.0%	\$21,329,487	12.93%	\$34,127
\$50,000 - \$99,999	234	0.7%	\$15,805,251	9.58%	\$67,544
\$100,000 - \$199,999	118	0.6%	\$15,841,945	9.60%	\$134,254
\$200,000 - \$299,999	40		\$9,909,027	6.01%	\$247,726
\$300,000 - \$399,999	10		\$3,337,291	2.02%	\$333,729
\$400,000 - \$499,999	7		\$3,039,633	1.84%	\$434,233
\$500,000 - \$599,999	2		\$1,112,542	0.67%	\$556,271
\$600,000 - \$699,999	2		\$1,331,805	0.81%	\$665,903
\$700,000+	4		\$4,420,198	2.68%	\$1,105,050
Total	31,755		100%	\$164,983,744	100%

Note: Excludes administration.

*Includes all members covered throughout the plan year.

FY 2012-13 Top 10 High Cost Claimants

Claimant	Major Diagnosis Category	Medical Paid
1	Newborn	\$2,373,732
2	Colon Diverticulitis	\$1,040,982
3	Acute Respiratory Failure	\$930,471
4	Heart Failure	\$908,917
5	Intestinal Inflammation	\$739,205
6	Cancer	\$675,917
7	Influenza Virus / Pneumonia	\$665,757
8	Human Immunodeficiency Virus Disease	\$665,072
9	Heart Failure	\$560,276
10	Cancer	\$521,136

Note: Excludes administration and RX.

Top 10 Sites of Cancer (FY 2012-13)

Cancer Site	Members
Skin	402
Breast	310
Prostate	262
Colorectal	102
Hodgkin's Disease/Lymphoma	82
Malignant Melanoma	67
Lung	60
Leukemia	49
Bladder	45
Cervical	33

Cancer Incidence and Cost

	FY 2011-12	FY 2012-13	% Change
Members	1,596	1,527	-4.3%
Medical Paid	\$13,821,407	\$13,450,435	-2.7%
Pharmacy Paid	\$670,955	\$937,268	39.7%
Total Paid	\$14,492,362	\$14,387,703	-0.7%

Prescription Drugs

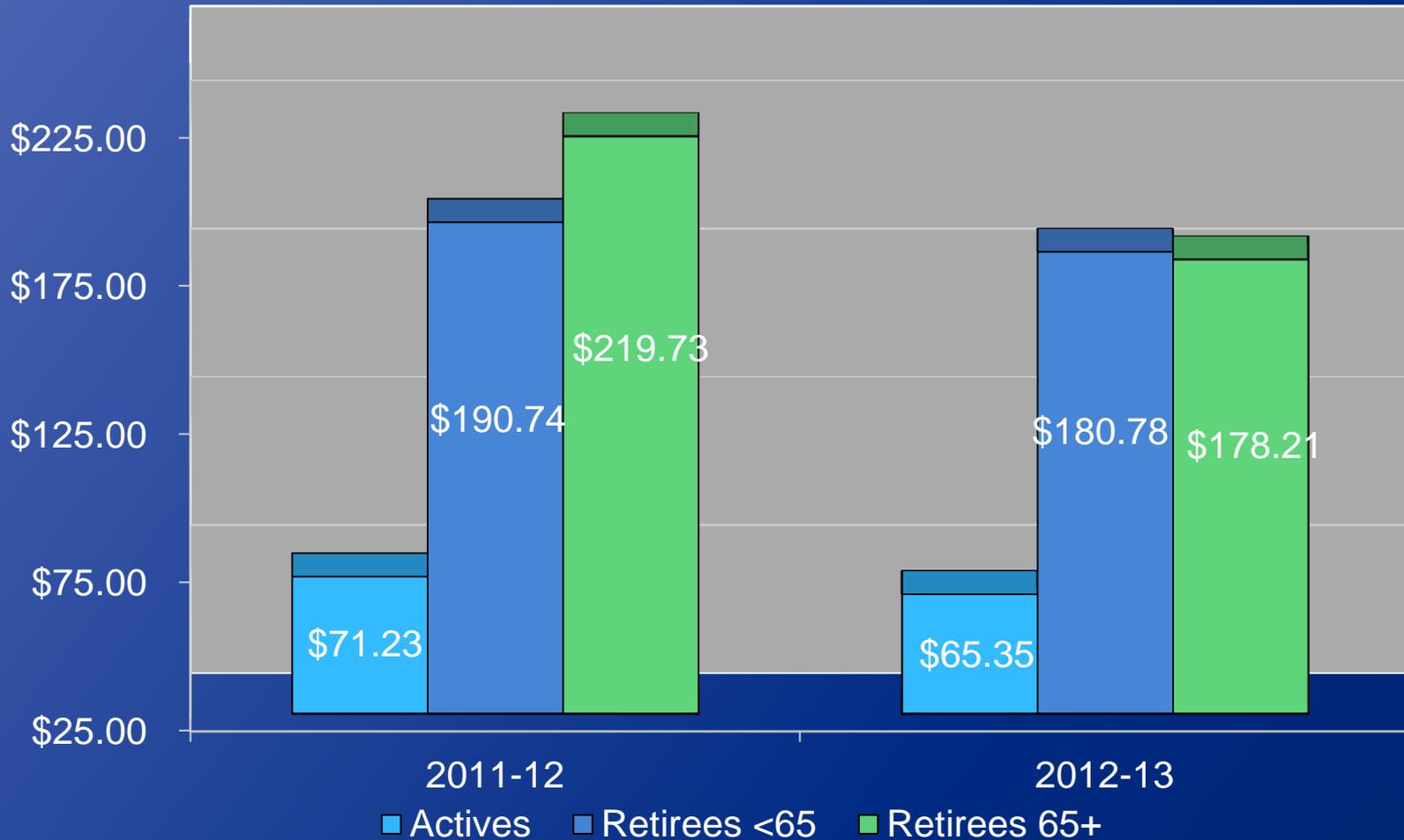


Prescription Drug Utilization of Harris County Members (FY 2012-13)

- Approximately 85% of all members had at least one prescription.
- Approximately 515,000 prescriptions filled (nearly 1,900 different drugs).
- Average of 17.7 prescriptions per member per year.

Prescription Drug Cost Trend

Per-Member-Per-Month



Upcoming Major Generic Launches



Recent Outpatient Drug Approvals

- [Zubsolv](#)

Addiction

- [Gilotrif](#)
- [Mekinist](#)
- [Tafinlar](#)

Cancer

- [Epaned](#)

Hypertension

- [Fetzima](#)
- [Khedezla](#)

Depression

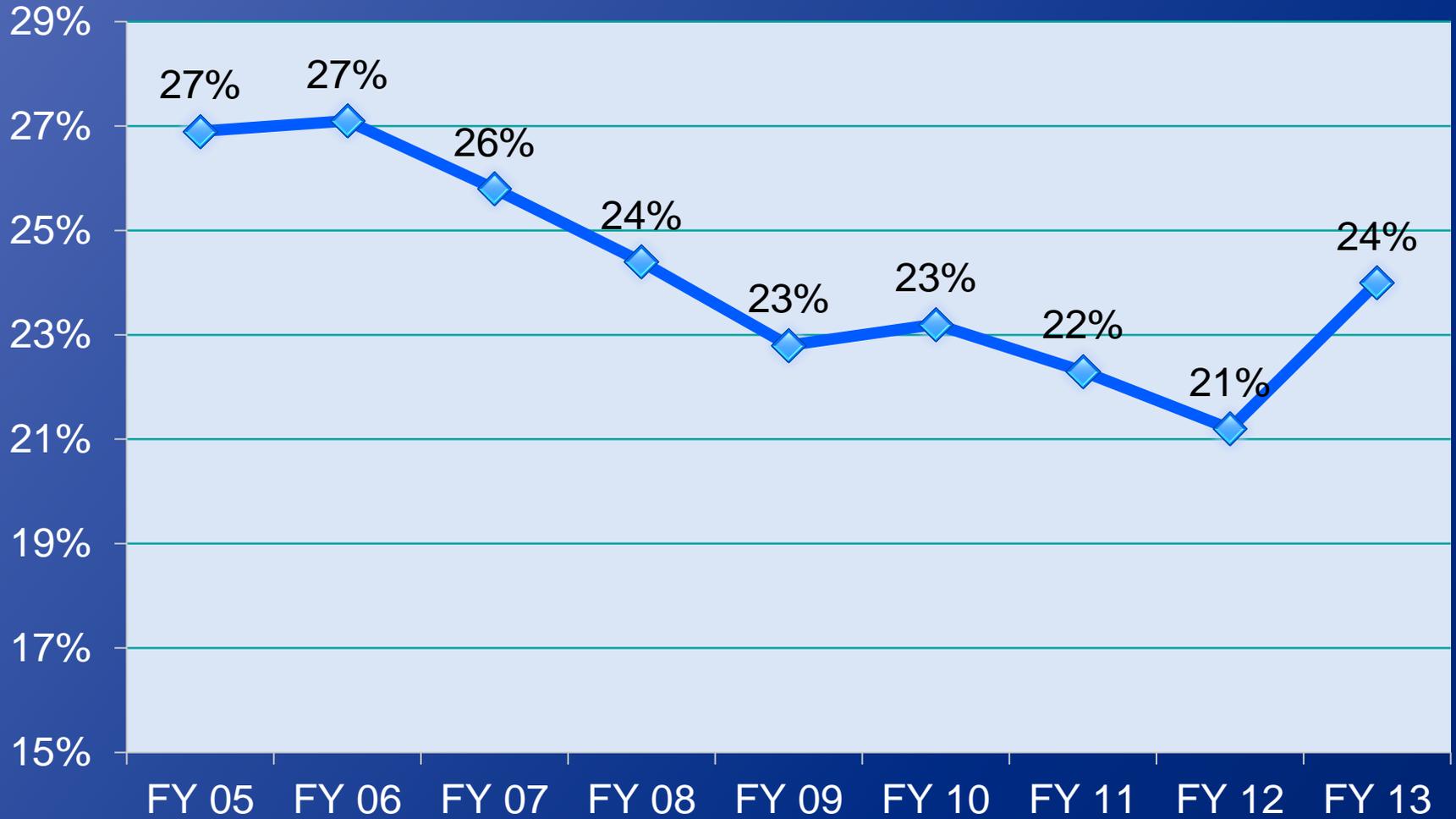
- [Lo
Minastrin
Fe](#)
- [Brisdelle](#)

Endocrine

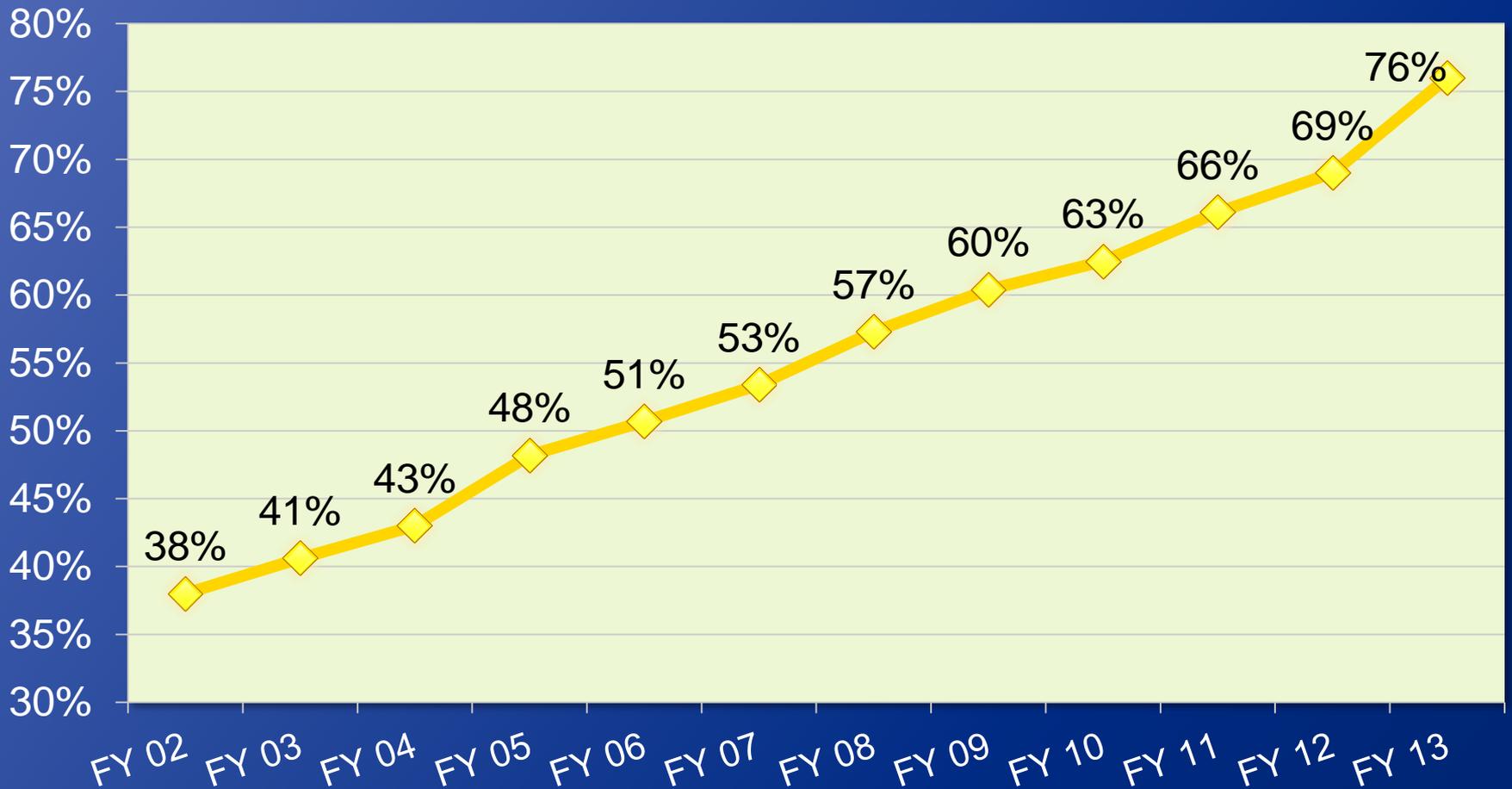
- [Trokendi
XR](#)

Epilepsy

Average Copayment % For All Drugs



Generic Utilization Ratio Continues to Climb



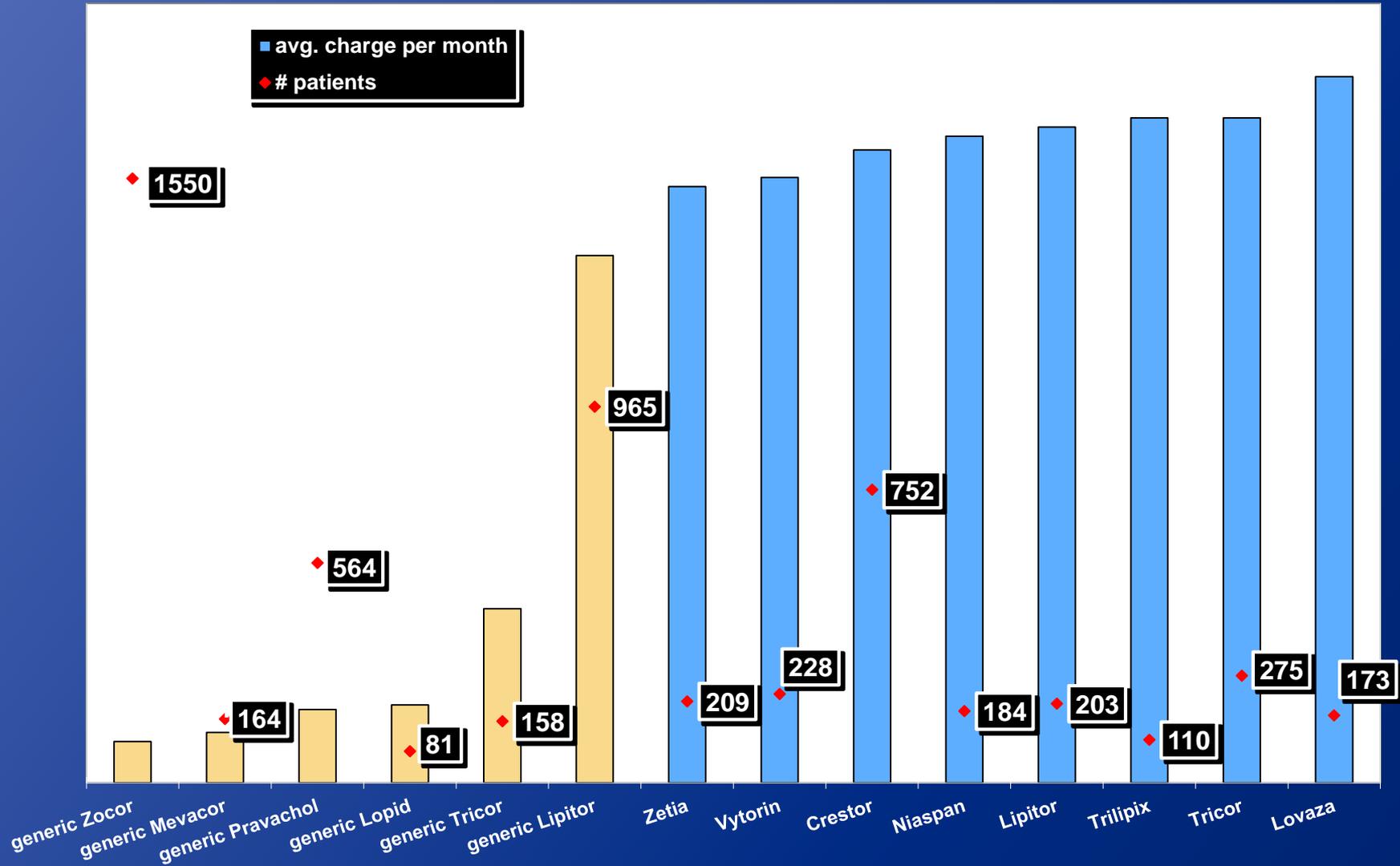
Top 10 Prescription Drugs by Total Cost

2012-13

Drug	Diagnosis	Patients	Annualized Cost	Plan Cost/Rx
HUMIRA	Rheumatoid Arthritis	65	\$766,066	\$2,116
CRESTOR	High Cholesterol	1,144	\$736,293	\$119
NEXIUM	Heartburn and Ulcer	868	\$727,938	\$164
ATORVASTATIN CALCIUM	High Cholesterol	1,790	\$602,848	\$69
ENBREL	Rheumatoid Arthritis	40	\$549,177	\$2,223
ABILIFY	Psychiatric Disorders	183	\$439,105	\$525
ADVATE	Hemophilia	3	\$438,381	\$39,853
LANTUS SOLOSTAR	Diabetes	386	\$394,498	\$224
CYMBALTA	Depression	429	\$361,485	\$171
COPAXONE	Multiple Sclerosis	14	\$358,613	\$4,122

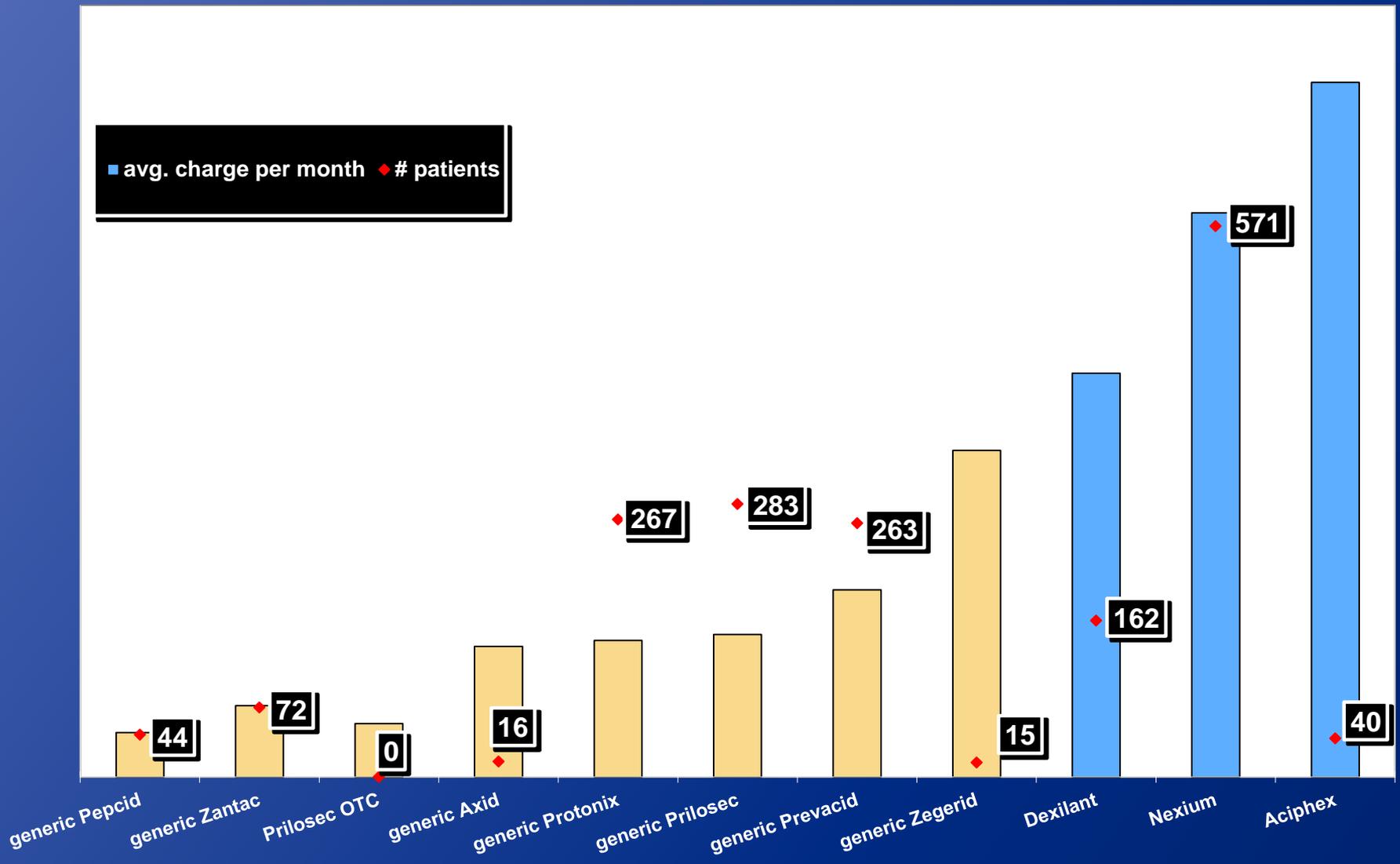
Opportunities for Savings on Drugs

Cholesterol Management Drug Therapy



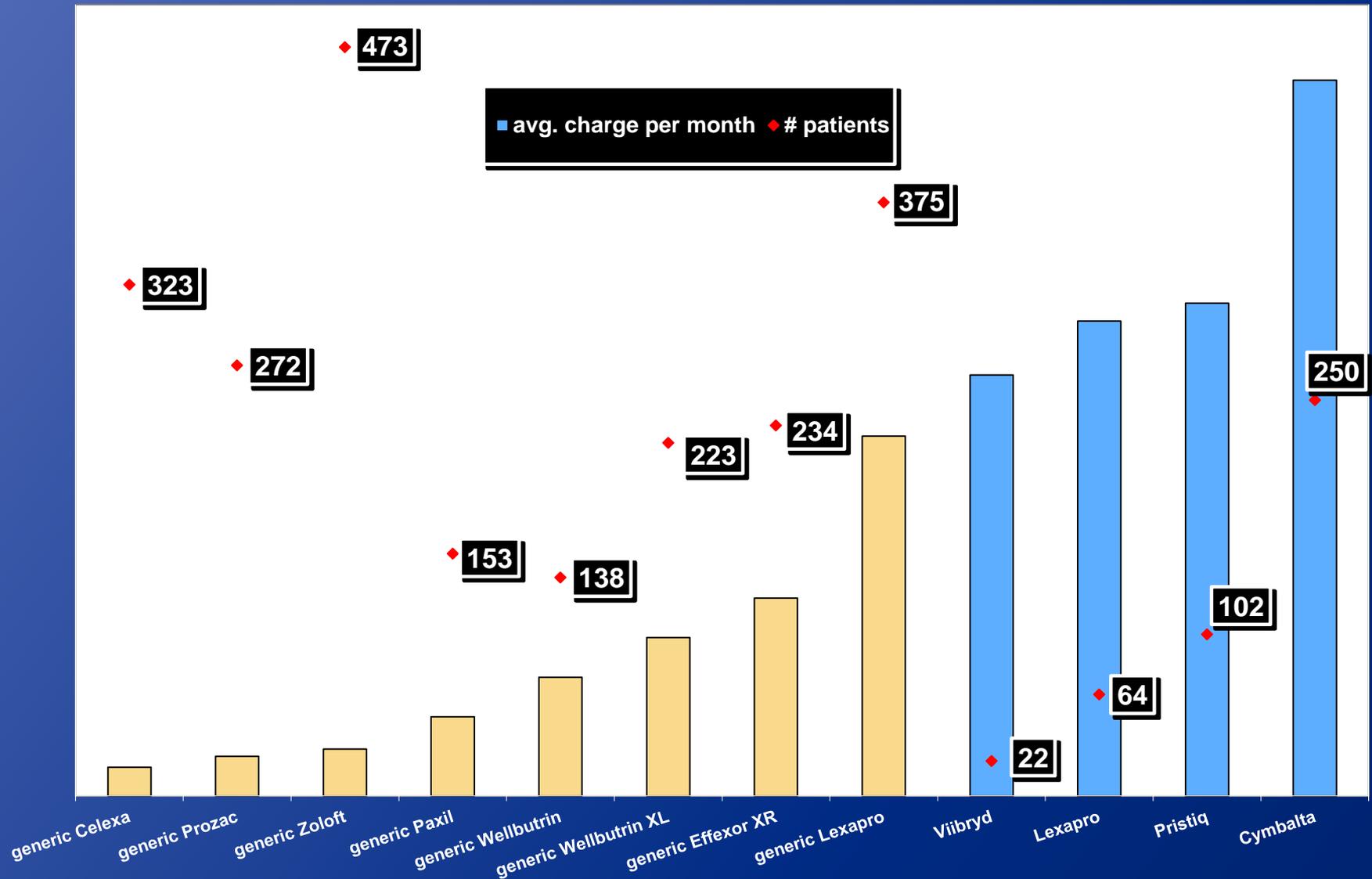
Opportunities for Savings on Drugs

Heartburn Management Drug Therapy



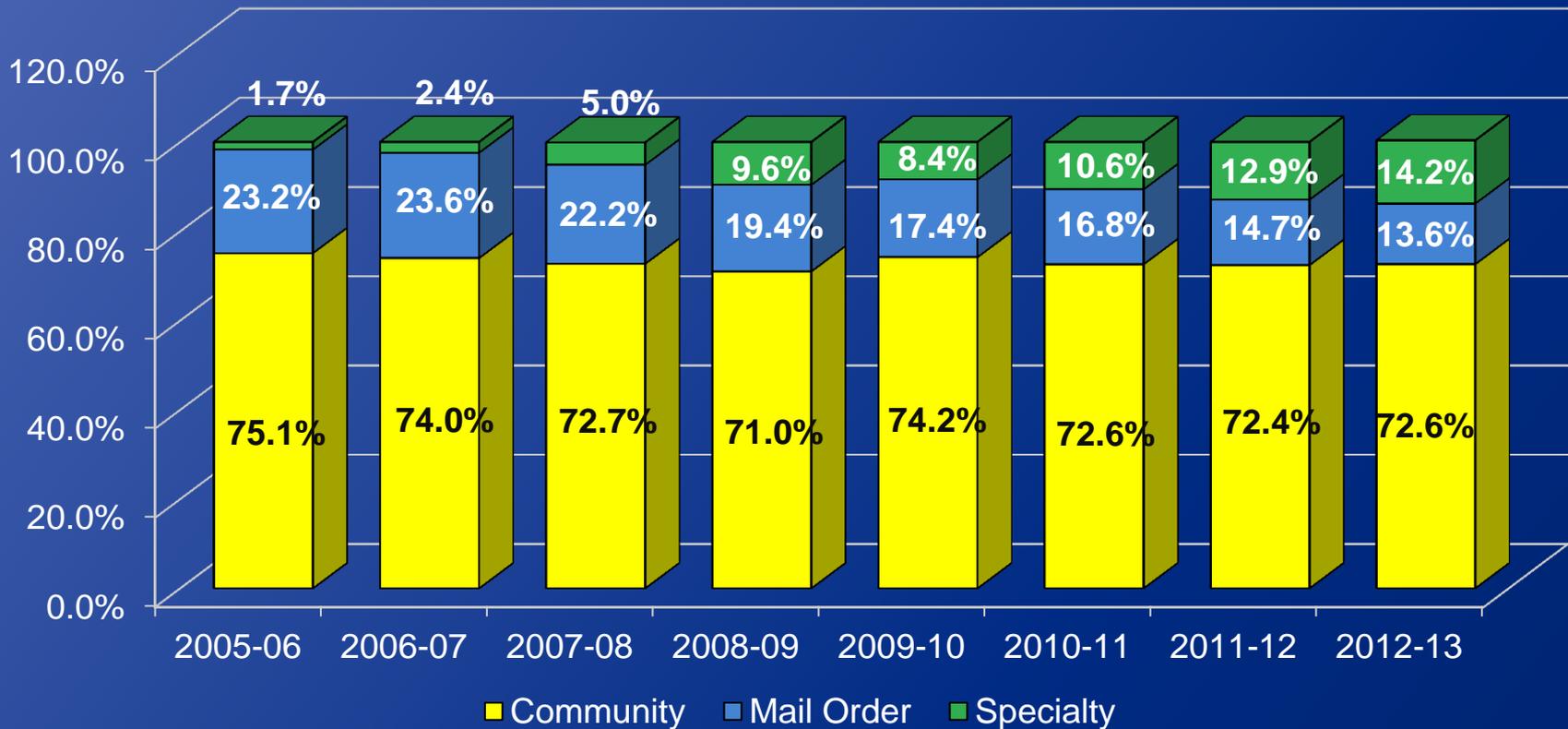
Opportunities for Savings on Drugs

Depression Management Drug Therapy



Specialty Rx Costs Increasing

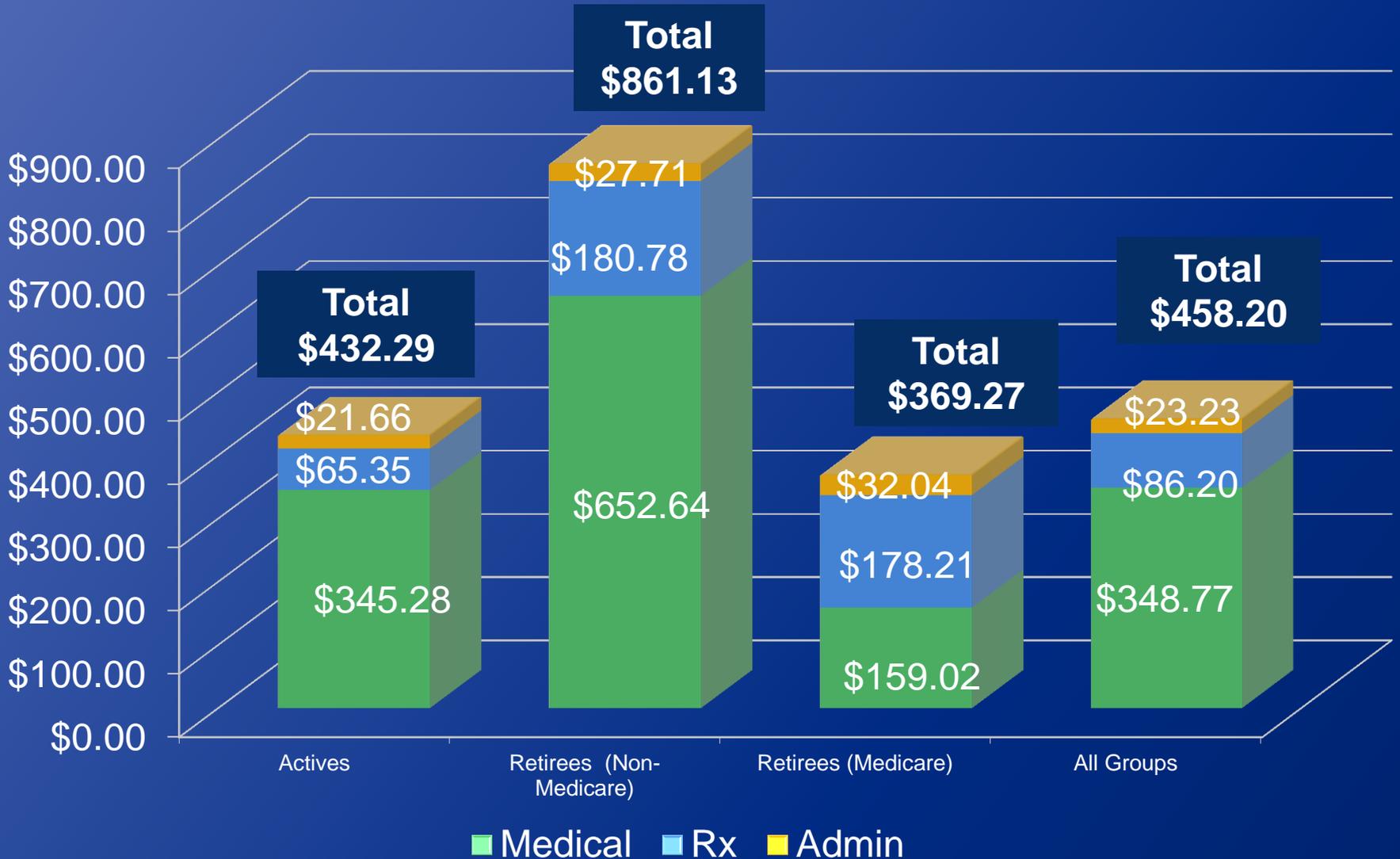
Harris County Rx Plan Dollars



Top 10 Specialty Drugs by Total Cost (FY 2012-13)

Drug	Diagnosis	Patients	Annualized Cost	Plan Cost/Rx
HUMIRA	Rheumatoid Arthritis	64	\$ 766,066	\$ 2,116
ENBREL	Rheumatoid Arthritis	39	\$ 549,177	\$ 2,223
ADVATE	Hemophilia	3	\$ 438,381	\$ 39,853
COPAXONE	Multiple Sclerosis	14	\$ 358,613	\$ 4,122
INCIVEK	Hepatitis	5	\$ 231,023	\$ 17,771
ATRIPLA	HIV	20	\$ 221,541	\$ 1,978
GLEEVEC	Oral Oncolytics	3	\$ 172,193	\$ 8,200
REBIF	Multiple Sclerosis	4	\$ 170,496	\$ 3,628
REVLIMID	Oral Oncolytics	4	\$ 166,838	\$ 7,584
KUVAN	PKU	1	\$ 157,050	\$ 13,088

FY 2012-13 Medical Costs by Group (Per-Member-Per-Month)



FY 2012-13 Medical Cost and Premium Comparison by Group (Per-Member-Per-Month)



GASB 45 Retiree Healthcare Liability

(3/1/2011 Valuation)

Unfunded Accrued Liability (UAL):

Fully Eligible Actives	\$190.4 M
Not Yet Eligible Actives	\$309.0 M
Retired	<u>\$477.3 M</u>

Total UAL: **\$976.7 M**

Annual Required Contributions (ARC):

Service Cost At Year-End	\$34.9 M
30-year Amortization of UAL	<u>\$61.7 M</u>

Total ARC: **\$96.6 M**

County Paid Premiums: \$38.2 M

FY 2014-15 Health Benefits Renewal

No premium changes for employees, retirees, and county departments for medical, dental, vision, life, and long-term disability.



Rates, Plan Changes, and EAP Enhancement

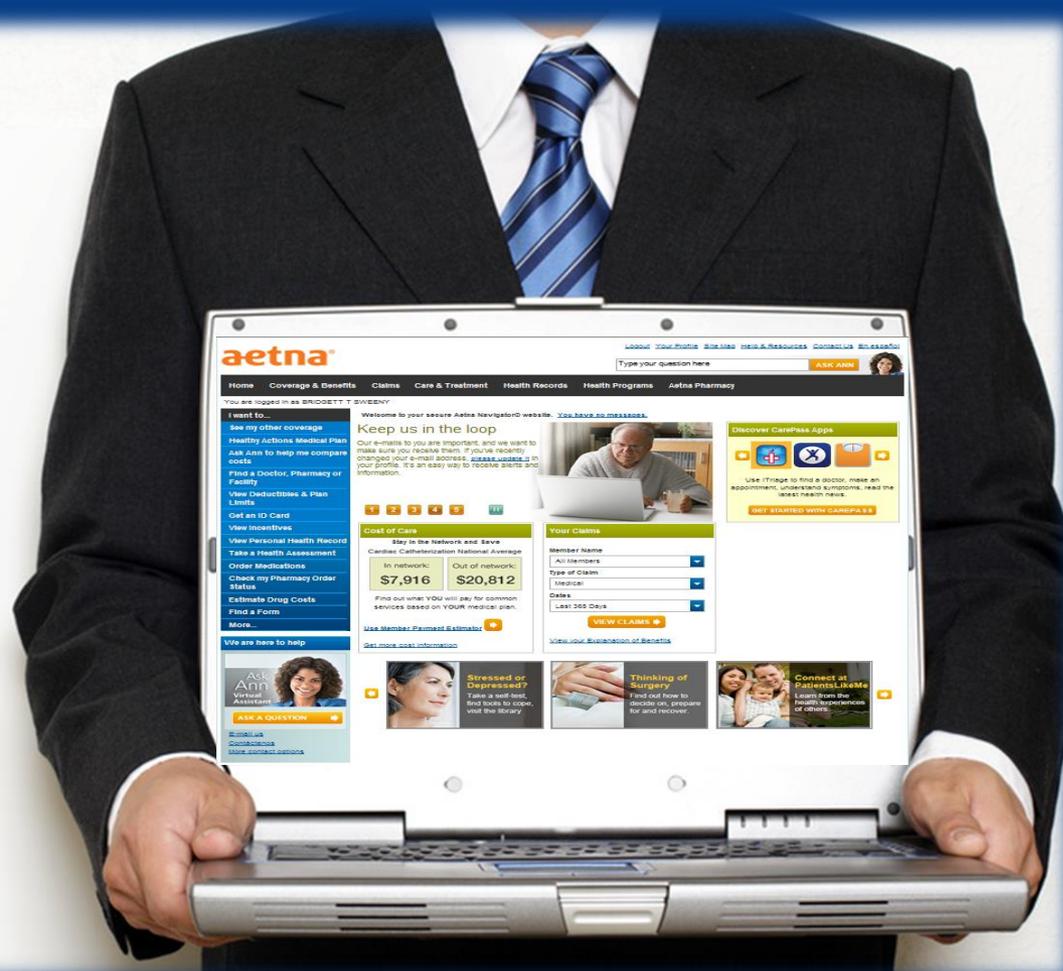
- ⦿ Department Rate will remain at \$11,116 per year
- ⦿ \$104.90 per month will be added to the cost of Non-Medicare (or under 65) retiree coverage for “non-grandfathered” retirees
- ⦿ Recommended increase in maximum out of pocket limits due to Affordable Care Act mandate
- ⦿ \$100 copayment for complex imaging – Plus plan
- ⦿ Implementation of Healthy Actions Plan
- ⦿ Employee Assistance Program (EAP) recommended to be enhanced to provide additional elder care services

Base Plan vs. Healthy Actions Medical Plan

Employees who satisfied the criteria for the Healthy Actions Medical Plan will see that option on their 2014-2015 Open Enrollment Worksheet.

Plan Feature	Base Plan	Healthy Actions Medical Plan (HAMP)
Plan Deductible per Individual/Family (Per Calendar Year)	\$500/\$1,500	\$250/\$750
Maximum Out-of-Pocket – includes medical deductible, coinsurance and copays	\$4,000/\$10,000	\$3,500/\$8,750
Primary Care Physician Visits	\$25 copay	\$20 copay
Specialist Office Visit		
Participating Aexcel providers	\$40	\$35
Non-Aexcel participating providers	\$50	\$45

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Cost of Care
Stay in the Network and Save
Cardiac Catheterization National Average
In network: **\$7,916** Out of network: **\$20,812**
Find out what YOU will pay for common services based on YOUR medical plan.
[Use Member Payment Estimator](#)
[Get more cost information](#)

Your Claims
Member Name:
All Members
Type of Claim:
Medical
Date:
Last 365 Days
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Ask a Question Now

Stressed or Depressed?
Take a self-test, and learn how to cope with life's stress.

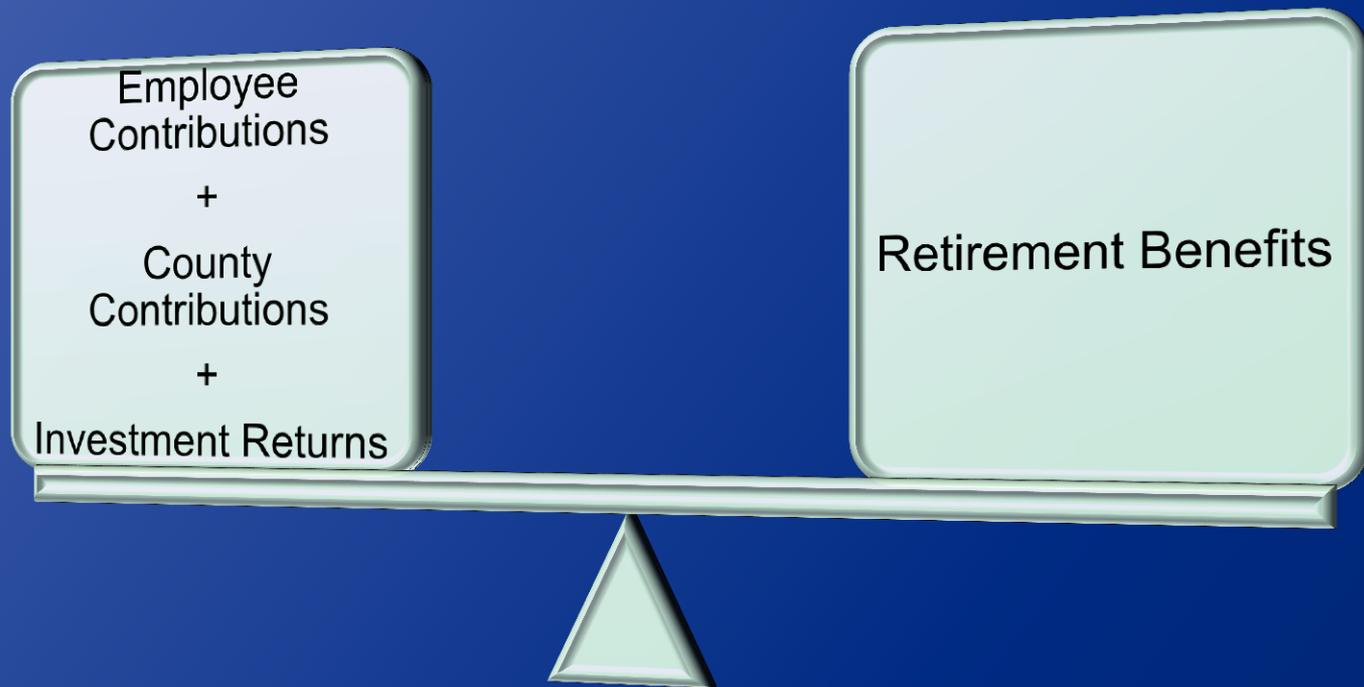
Thinking of Surgery?
Find out how to decide on, prepare for, and recover.

Connect at PatientsLikeMe
Learn from the health experiences of others.

TCDRS Update

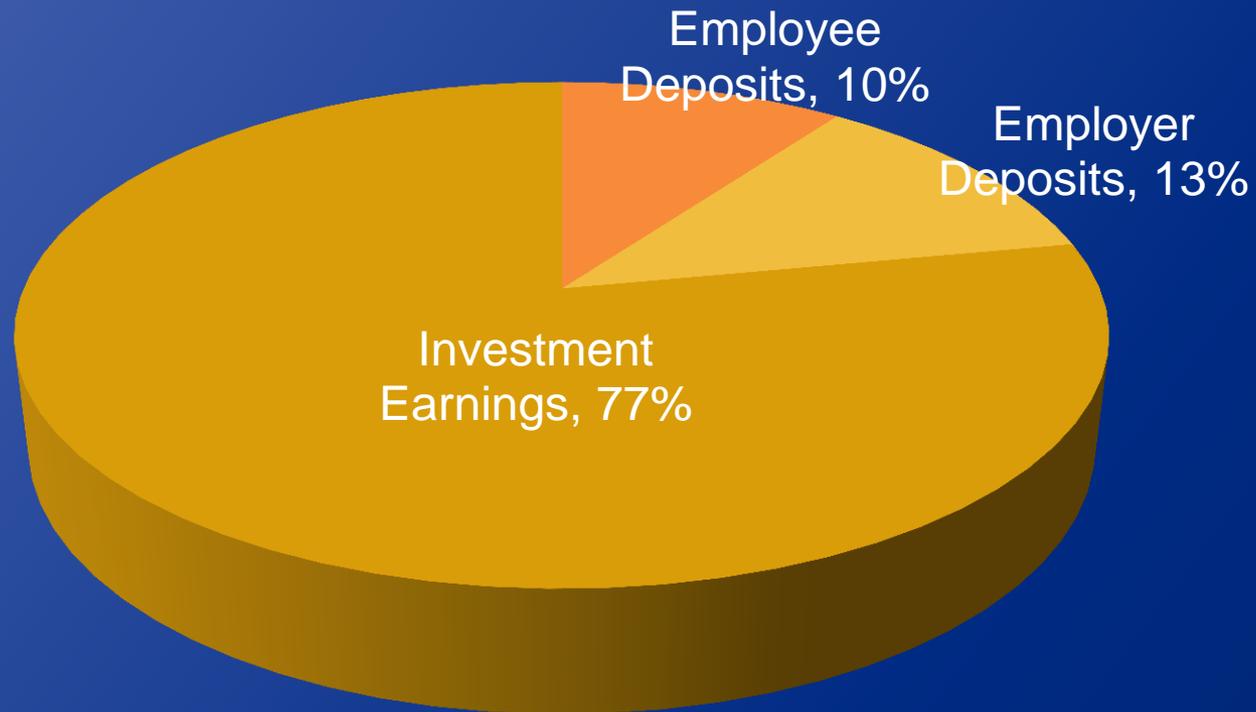


TCDRS Funding Equation



When one piece moves, there has to be an equal or opposite move in the other pieces.

What Is In a Retirement Check?



Source: TCDRS



Site Map



SEARCH

WHY TCDRS

PLANNING & GUIDANCE

OUR INVESTMENTS

ABOUT US

MEMBER SERVICES



TCDRS & YOU... EXPLORE THE POSSIBILITIES

A strong retirement plan is an important part of my future. Even though I have a long way to go before I can use it, it's good to know it's there when I need it.

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David Daigle

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Travis County Emergency Services District #1,
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[TCDRS-06](#)

ESTIMATE YOUR RETIREMENT BENEFIT

This tool shows you what your annual retirement benefit could be if you start working today and retire at 65. For an estimate based on **your** account, please sign in.

Select an employer plan: [Look up](#)

Anderson County

Select an estimated starting salary:



\$35,000

Select your current age:



35

Present Value

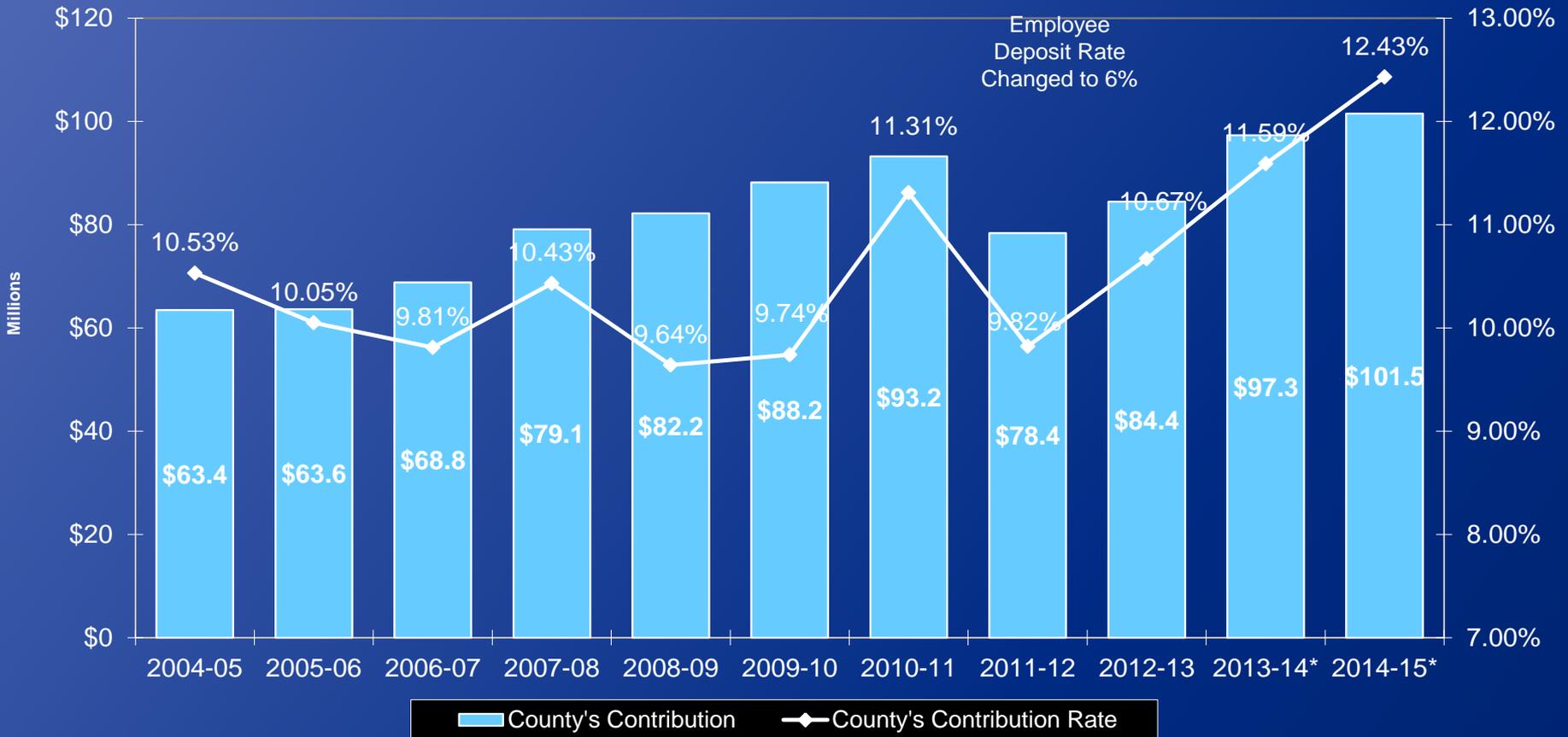
\$35,000

Plan Overview

Employee Deposit Rate:

Higher TCDRS Contribution Rate in 2014

(Assuming No Plan Changes)



*FY 2013-14 is projected based on current payroll and assumes no plan changes. FY 2014-15 assumes no plan changes and is based on an overall 2% aggregate payroll growth.

Note: Contribution rates are established by the TCDRS on a calendar year basis.

Reasons For 2014 TCDRS Employer Rate Change

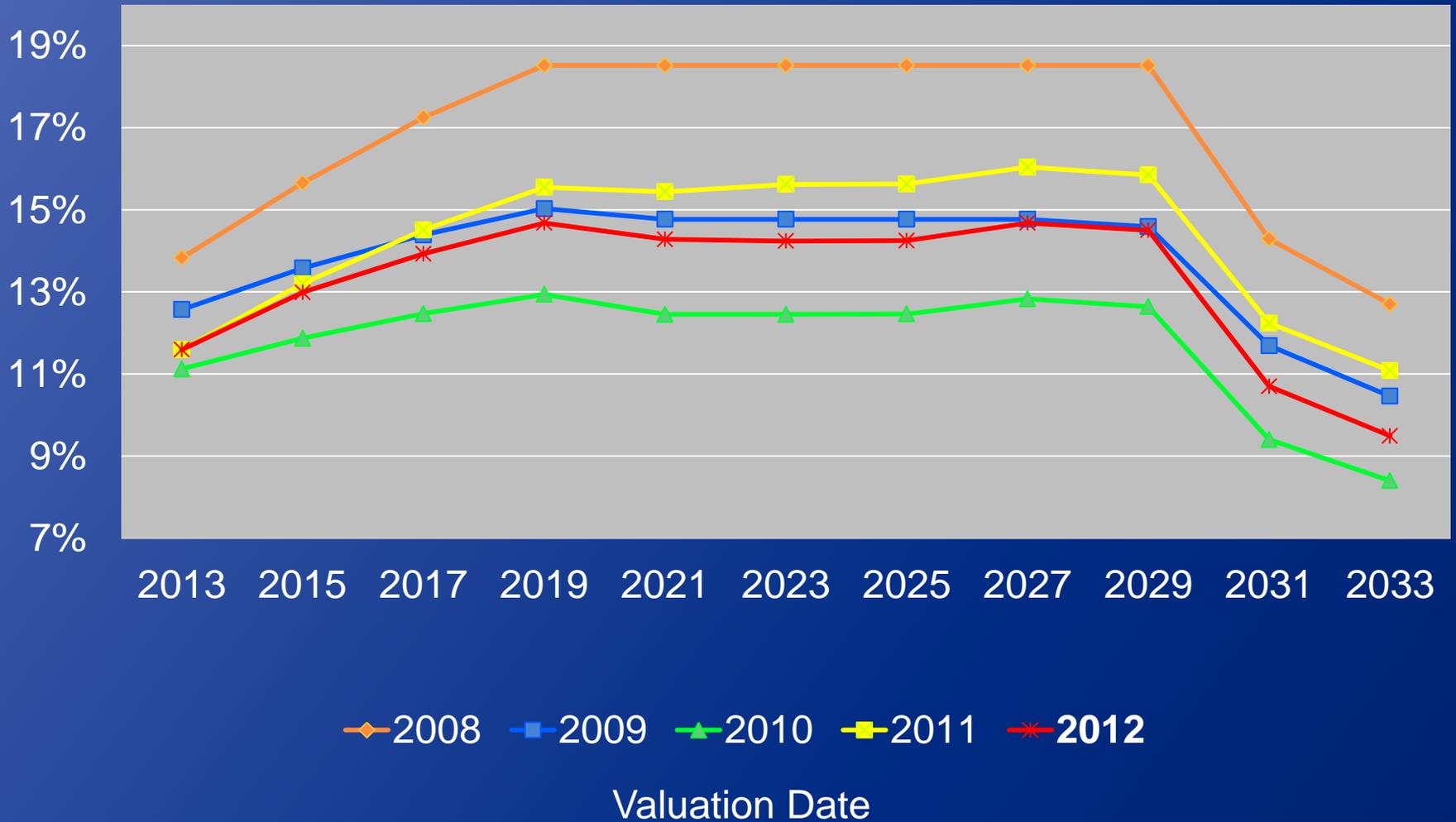
2013 Rate	11.59%
Investment Return	0.72%
Payroll / Salary Variation	0.21%
Withdrawal	-0.07%
Demographic / Other	-0.02%
2014 Rate (assuming no plan changes)	12.43%

TCDRS Investment Returns



TCDRS Total Return	3.0%	1.6%	20.2%	12.8%	7.3%	14.0%	8.1%	-28.9%	26.7%	12.8%	-1.2%	12.6%
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Projected TCDRS Employer Contribution Rates



Harris County's Retirement Plan Funded Ratio*

Funded Ratio*



* Funded ratio is based off of valuation date and equals Unfunded Actuarial Accrued liability/Actuarial Value of Assets.

Governmental Accounting Standards Board (GASB) Statement 68

- Net pension liability on balance sheet instead of in the notes to the financial statements.
- Changes in calculation of long term unfunded liabilities
- Differences between expected and actual investment returns on pension plan assets would have to be recognized as a pension expense over a closed 5-year period rather than being “smoothed” and then also being amortized as part of the unfunded liability.
- Additional disclosure requirements.

Questions & Answers

