



Recommendation Paper Business Administration Committee

2013 Medical and Dental Insurance Programs and Proposed Premium Rates

October 2012

2013 Healthcare Plans

Background:

- The Airports Authority offers employees a choice of three medical plans and one dental plan option.
 - Medical – PPO (Aetna / CVS Caremark)
 - Medical – HMO (Aetna / CVS Caremark)
 - Medical – HMO (Kaiser Permanente)
 - Dental - MetLife

2013 Healthcare Plans

Background:

- Cost shared between the Airports Authority and employees.
- The Airports Authority pays 80 percent of medical plan costs and 45 percent of dental plan costs.
- Claims paid through a combination of self-insured (Aetna, CVS/Caremark, and MetLife) and insured arrangements (Kaiser).



2013 Healthcare Plans

2013 Healthcare Premium Rate Increases	
National	5.3%
Federal Government	3.4%
Fairfax County	4.9 % - 15% depending on plan option.
Loudoun County	5%
Arlington County	3%
Alexandria City	7.1% - 10% depending on plan option.
District of Columbia	4% - 13% depending on plan option.
State of Maryland	7%

2013 Healthcare Plans

2013 Airports Authority Plan Design Changes:

- To comply with the Healthcare Reform Act, medical plans will cover women's preventive healthcare with no cost sharing. Minor cost impact to the healthcare plans (.2%).



2013 Healthcare Plans

2013 Airports Authority Premium Rate Increase:

Plan	2013 Premium Rate Increase
Aetna Medical Plans	3.1 %
Kaiser Medical Plan	.6%
MetLife Dental Plan	1%
Total Average Premium Rate Increase	2.7%

2013 Healthcare Plans

Staff requests that the Business Administration Committee approve and recommend that the Board authorize an expenditure of \$23,988,384 for renewal of medical and dental insurance coverage for calendar year 2013.

REPORT TO THE BUSINESS ADMINISTRATION COMMITTEE

RECOMMENDATION TO APPROVE 2013 MEDICAL AND DENTAL INSURANCE PROGRAMS WITH PROPOSED PREMIUM RATES

OCTOBER 2012

ACTION REQUESTED

Staff seeks approval of a financial commitment of \$23,988,384 for renewal of employee medical and dental insurance coverage during 2013 with monthly premium rates as shown in Attachment A. These costs are shared between the Airports Authority and its employees. The Airports Authority pays 80 percent of medical plan cost and 45 percent of dental plan cost. As a result, the Airports Authority's share of the cost is \$18,769,520; employees will absorb the remaining \$5,218,864. The recommendation represents an average increase of 2.7 percent to monthly premium rates over 2012 rates (Attachment A). The Airports Authority did not increase premium rates for the 2012 calendar year.

BACKGROUND

The Airports Authority 2013 medical program offers three options, two plans administered by Aetna Insurance Company (Aetna) and one plan through Kaiser Permanente (Kaiser). Aetna administers a Preferred Provider Organization (PPO) and a Health Maintenance Organization (HMO). The Kaiser plan is an HMO. CVS Caremark provides prescription drug service for participants in the Aetna plans; participants in the Kaiser plan have prescription drug service through the Kaiser HMO. Dental insurance is provided through Metropolitan Life Insurance Company (Metropolitan Life) and is available to Aetna and Kaiser participants.

Presently, claims are paid through a combination of self-insured and fully-insured contracts. The Airports Authority assumes the financial risk for the payment of medical and pharmacy claim expenses incurred by participants in the Aetna medical plans and the CVS Caremark prescription drug service. Dental insurance is provided through a self-insured arrangement with Metropolitan Life Insurance Company. In addition, the Airports Authority has contracted with Kaiser for health care and prescription drugs insurance on a fully insured basis. Under this fully insured contract, the Airports Authority pays a fixed premium and Kaiser assumes the risk for all claim expenses.

EMPLOYER TRENDS

Following the U.S. Supreme Court decision on health care reform, most midsize to large companies (88 percent) have affirmed their commitment to continue health care benefits to employees for the foreseeable future according to a survey by Towers Watson (a national Human Resources consulting firm). While the most significant changes in healthcare reform will not occur until 2014, employers are focusing their immediate efforts on cost-management. Consumer directed or high deductible health plans are becoming more prevalent as well as incentive based wellness programs that are geared towards assisting employees in identifying and improving lifestyle related health risks.

Nationally employer health care costs are forecasted to increase 5.3¹ percent in 2013 according to a survey of midsize to large employers by Towers Watson. The U.S. Office of Personnel Management (OPM) announced that the average premium for the employees covered by the Federal Employees Health Benefits (FEHB) Program will increase by 3.4 percent in 2013; which is a slight decrease from the 3.8 percent increase in its premiums in 2012. Premium rates for employees of Fairfax County will increase 4.9 to 15 percent in 2013; Loudoun County employee healthcare premiums will increase 5 percent. Arlington County will increase employee premiums 3 percent and Alexandria City will increase premiums 7.1 to 10 percent. District of Columbia employees will incur a premium increase between 4 to 13.3 percent; employees from the State of Maryland will incur a 7 percent increase in healthcare premiums.

Various factors typically affect premium rates increases, including an aging workforce and more advanced and expensive medical technology. The recommended average increase in premium rates of 2.7 percent is considered moderate, considering that there was no premium rate increase to the healthcare plans for the 2012 calendar year. Premium rates for the two Aetna plans will increase by 3.1 percent, Kaiser's premium rates will increase by .6 percent, and premium rates for the MetLife dental plan will increase by 1 percent.

PLAN CHANGES

The Airports Authority will make a minor change to both the Aetna and Kaiser medical plans as mandated by the Healthcare Reform Act. Both medical plans will be updated to provide women's preventive healthcare – such as well women visits, screenings for cervical cancer, prenatal care and birth control, with no cost sharing. There will be no plan design changes to the dental plan for the 2013 calendar year.

¹ Annual health care cost growth reflects cost increases after plan design changes.

In addition, the maximum contribution to health care flexible spending accounts in 2013 will be set at \$2,500; the maximum contribution in 2012 is \$5,000. Employees will see the total value of health care reported on W-2's issued in January for the 2012 calendar year. Finally, employees will receive a four-page Summary of Benefits and Coverage (SBC) that describe the benefits provided by each of the health plans offered by the Airports Authority, in addition to the annual open season communication.

PROACTIVE COST MITIGATION

Aware of the impact that escalating healthcare costs have on operating expenses staff continues to take proactive steps to mitigate future cost increases. During the coming year staff will focus its efforts on developing a long-term strategy on workforce health management or "wellness" that is better integrated with the health plans. Wellness programs have emerged as one of the top strategies employers are using to control health care costs. According to a survey by Mercer (a national human resources consulting firm), nine out of ten large employers plan to add or strengthen programs or policies to encourage more health-conscious behavior. Employers have typically used incentives, such as a token gift card, to encourage participation in wellness programs. Staff believes that employers in the future will provide employees more substantial incentives that are linked to the attainment of various health biometrics instead of participation.

Staff will also review the stop-loss insurance in place for the Aetna health plans. Stop-loss insurance protects the Airports Authority from a large spike in health care claims cost in a given year. The stop-loss limits are set to pay health claims when the aggregate claims expense for the self-insured health plans exceed 120 percent of a pre-determined threshold or when an individual claim exceeds \$175,000. Staff will review whether it would be cost-effective to increase these threshold levels and assume more risk, thereby lowering the premium expense for stop-loss insurance.

RECOMMENDATION

The Business Administration Committee approve and recommend Board approval of a financial commitment of \$23,988,384 for employee healthcare during 2013 with the monthly premium rates for medical and dental coverage as shown in Attachment A.

Prepared by:
Office of Human Resources
October 2012

Attachment A
Medical and Dental Contributions (2012 vs. 2013)

Metropolitan Washington Airports Authority
CY 2013 Rates

		Assumed Enrollment				2012				2013			
		Total Enrollment	Total Cost	MWAA's Cost Share	Employee Cost Share	Total Cost	MWAA's Cost Share	Employee Cost Share	Total Cost	MWAA's Cost Share	Employee Cost Share		
HMO - Act & Pre65													
Employee Only	181	\$552	\$442	\$110	\$569	\$455	\$114						
Employee Plus Spouse	92	\$1,151	\$921	\$230	\$1,187	\$949	\$237						
Employee Plus Child(ren)	77	\$1,043	\$834	\$209	\$1,075	\$860	\$215						
Family	257	\$1,638	\$1,310	\$328	\$1,689	\$1,351	\$338						
POS - Act & Pre65													
Employee Only	168	\$611	\$489	\$122	\$630	\$504	\$126						
Employee Plus Spouse	128	\$1,273	\$1,018	\$255	\$1,313	\$1,050	\$263						
Employee Plus Child(ren)	64	\$1,153	\$923	\$231	\$1,189	\$952	\$238						
Family	195	\$1,812	\$1,449	\$362	\$1,868	\$1,495	\$374						
HMO - Retired Post-65													
Retiree Only	23	\$487	\$390	\$97	\$503	\$402	\$101						
Medicare 2 Party Sub/Sp (1>65, 1<65)	20	\$1,097	\$878	\$219	\$1,131	\$905	\$226						
Medicare 2 Party Sub/Sp (2 >65)	19	\$961	\$769	\$192	\$991	\$793	\$198						
Family Medicare	4	\$1,739	\$1,391	\$348	\$1,793	\$1,434	\$359						
POS - Retired Post-65													
Retiree Only	49	\$493	\$394	\$99	\$508	\$407	\$102						
Medicare 2 Party Sub/Sp (1>65, 1<65)	31	\$1,161	\$929	\$232	\$1,198	\$958	\$240						
Medicare 2 Party Sub/Sp (2 >65)	50	\$972	\$777	\$194	\$1,002	\$802	\$200						
Family Medicare	5	\$1,758	\$1,406	\$352	\$1,813	\$1,450	\$363						
HMO													
Active and Pre-65 Retired													
Employee Only	74	\$499	\$399	\$100	\$502	\$402	\$100						
Employee Plus Spouse	42	\$1,047	\$838	\$209	\$1,054	\$844	\$211						
Employee Plus Child(ren)	29	\$948	\$758	\$190	\$954	\$763	\$191						
Family	88	\$1,496	\$1,197	\$299	\$1,506	\$1,205	\$301						
Retired Post-65													
Retiree Only	55	\$259	\$207	\$52	\$260	\$208	\$52						
2 Party (1 Medicare)	9	\$757	\$606	\$151	\$762	\$609	\$152						
2 Party (2 Medicare)	8	\$517	\$414	\$103	\$519	\$415	\$104						
3 Person Family (2 Medicare)	7	\$1,016	\$813	\$203	\$1,021	\$817	\$204						
Dental													
Active													
Employee Only	358	\$25	\$11	\$14	\$25	\$11	\$14						
Employee Plus Spouse	249	\$52	\$23	\$29	\$53	\$24	\$29						
Employee Plus Child(ren)	156	\$61	\$27	\$33	\$61	\$28	\$34						
Family	521	\$98	\$44	\$54	\$99	\$44	\$54						
Retired Post-65													
Retiree Only	123	\$25	\$11	\$14	\$25	\$11	\$14						
Medicare 2 Party Sub/Sp (1>65, 1<65)	184	\$52	\$23	\$29	\$53	\$24	\$29						
Medicare 2 Party Sub/Sp (2 >65)	0	\$61	\$27	\$33	\$61	\$28	\$34						
Family Medicare	45	\$98	\$44	\$54	\$99	\$44	\$54						