

Recommendation Paper to the Business Administration Committee

2014 Medical and Dental Insurance Programs and Proposed Premium Rates

October 2013

2014 Healthcare Plans

Staff requests that the Business Administration Committee:

- Approve and recommend that the Board authorize an expenditure of \$26,729,043 for renewal of medical and dental insurance coverage for calendar year 2014.
- An update on changes to the Airports Authority employee wellness program is also provided.

2014 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

2014 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).

2014 Healthcare Plans

2014 Airports Authority Plan Design Changes:

- To comply with the Healthcare Reform Act, out-of-pocket maximum limit will include co-pays and deductibles.
- Minor estimated cost impact to the healthcare plans (.25 to .50 percent).



2014 Healthcare Plans

2014 Airports Authority Premium Rate Increase:

Plan	2014 Premium Rate Increase
Aetna Medical Plans	8.6 %
Kaiser Medical Plan	14.2%
MetLife Dental Plan	5.2%
Total Average Premium Rate Increase	9.2%

2014 Healthcare Plans

Enhanced Wellness Program Strategy:

- Engage 60 to 80 percent of employees in wellness program.
- Use incentives to reinforce efforts towards position change in health behaviors.
- Incentives will range up to \$500 per employee.
- In return, the Airports Authority will reduce healthcare costs one to two percent per year.

2014 Healthcare Plans

Components of Wellness Program

- Health Risk Identification (Questionnaire)
- Health Coaching
- Disease Management
- Tobacco Cessation Services
- Physical Activity
- Nutrition / Weight Management
- Flu Immunization
- Employee Assistance Program

2014 Healthcare Plans

Staff requests that the Business Administration Committee:

Approve and recommend that the Board authorize an expenditure of \$26,729,043 for renewal of medical and dental insurance coverage for calendar year 2014.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

Proposed Resolution

Renewing the Medical and Dental Insurance Coverage for 2014

WHEREAS, The Medical and Dental insurance coverage funded jointly by the Airports Authority and its employees requires annual renewal;

WHEREAS, For 2014, Management has proposed to renew existing coverage with a minor change to comply with the federal Healthcare Reform Act, which allows annual out-of-pocket limits to include co-pays and deductibles;

WHEREAS, Premiums for the Aetna Medical Plans will increase 8.6 percent; for the Kaiser Medical Plan 14.2 percent; and for the MetLife Dental Plan 5.2 percent; and

WHEREAS, The Business Administration Committee has recommended that the Board of Directors approve the modified program, at an authorized cost of \$26.7 million;

WHEREAS, The Business Administration Committee has recommended that the Board of Directors approve the components of the Wellness Program; now, therefore, be it

RESOLVED, That the modified Medical and Dental insurance program for 2014 is hereby approved and the \$26.7 million expenditure hereby authorized, as presented to the Business Administration Committee at its October 16 meeting; and

2. That the President and Chief Executive Officer is authorized and directed to enter into renewed contracts for 2014 with Aetna Insurance Company and CVS/Caremark to administer the Airports Authority's self-insured health and prescription drug services, respectively; with Kaiser Permanente for fully-insured health care and prescription drug services; and with Metropolitan Life Insurance Company for the administration of self-insured dental programs.

*For Consideration by the Business Administration Committee on October 16,
2013*

REPORT TO THE BUSINESS ADMINISTRATION COMMITTEE

RECOMMENDATION TO APPROVE 2014 MEDICAL AND DENTAL INSURANCE PROGRAMS WITH PROPOSED PREMIUM RATES

OCTOBER 2013

ACTION REQUESTED

Staff seeks approval of a financial commitment of \$26,729,043 for renewal of employee medical and dental insurance coverage during 2014 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 \$20,929,434; employees will absorb the remaining \$5,799,609. The recommendation represents an average increase of 9.2% percent to monthly premium rates over 2013 rates (Attachment A). During the past year, the Airports Authority saw an increase in the number of large claims (claims over \$50,000) and a 4 percent increase in the number of plan participants (primarily due to retirements) which resulted in higher plan utilization. The Airports Authority has had modest increases to premium rates over the past three years (2.7 percent in 2013, no increase in 2012, and 8 percent in 2011). The recommended increase represents an increase of \$2,159,914 over the 2013 budget. The increase in budgeted expense is attributed to the necessary increase in premium rates due to healthcare trend, increase in plan participants, and a plan design change as a result of the Affordable Care Act.

BACKGROUND

The Airports Authority's 2014 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 (MetLife) 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 MetLife. In addition, the Airports Authority has contracted with Kaiser for healthcare 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

The healthcare landscape is changing rapidly due to healthcare reform, the continued escalation of healthcare costs, the emergence of health benefit exchanges, and new provider contracting and care delivery arrangements. Despite some slowdown in medical inflation, costs continue to rise faster than Gross Domestic Product (2.2 percent for 2012). According to a survey by the National Business Group on Health, a non-profit association of more than 365 large U.S. employers, the cost of providing healthcare for the nation's largest employers is projected to increase 7 percent in 2014. A survey by PriceWaterhouseCoopers projected healthcare costs to increase 6.5 percent for large employers.

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. Beginning in 2014 the annual out-of-pocket maximum will include co-pays and deductibles. There will be no plan design changes to the dental plan for the 2014 calendar year.

PROACTIVE COST MITIGATION

Staff is aware of the impact that escalating healthcare costs have on operating expenses, and it has worked with Aon Hewitt (a large Human Resources Consulting Firm) to develop an enhanced wellness strategy.

Employer adoption of employee wellness programs has become a best practice in the United States in recent years, and a growing body of research indicates that these programs can improve employees' health and work productivity, reduce healthcare spending, and achieve a positive return on investment aside from the traditional cost containment strategies.

Research has shown that a large percentage of healthcare expenses are preventable. Promoting healthier behaviors by investing in wellness programs and disease management programs will have a positive return on investment with healthcare expenses. The Airports Authority has had an employee wellness program, but staff recommends that the program strategy be revised and restructured for 2014 to increase its effectiveness and participation rate.

The restructured wellness program will:

- Incent employees to complete a Health Risk Questionnaire to identify modifiable health risks factors;
- Incent employees to complete clinical/biometric screenings of key biometric data for common risk factors and chronic conditions such as blood pressure, blood lipid levels (for cholesterol), and blood glucose levels (for diabetes);
- Reward employees through the use of incentives who maintain and / or achieve healthy lifestyles and manage their medical conditions;
- Provide help to employees in managing chronic conditions through educational programs and health coaching through the health plans.

Attachment B illustrates the various components of the expanded wellness program. It is important for the wellness program to engage 60 to 80 percent of our employee population in order to be effective, and the most prevalent way to do this is through the use of incentives. As the wellness program evolves over the next several years and participation rates grow, management anticipates employees may earn between \$300 and \$500 per year in incentives by participating in the various wellness activities. In return management expects that the Airports Authority will reduce its healthcare cost by between one to two percent per year.

In addition, a dependent eligibility verification audit is underway to verify that the Airports Authority is only providing healthcare coverage to dependents of employees meeting plan eligibility requirements. This type of audit has become best practice in industry. The audit, which is being conducted by Aon Hewitt, will end in early December.

RECOMMENDATION

The Business Administration Committee approve and recommend Board approval of a financial commitment of \$26,729,043 for employee healthcare during 2014 with the monthly premium rates for medical and dental coverage (as shown in Attachment A).

Prepared by:
Office of Human Resources
October 2013

Attachment A Medical and Dental Contributions (2013 vs. 2014)
Attachment B Components of Wellness Program

Metropolitan Washington Airports Authority
Preliminary CY 2014 Rates

	Assumed Enrollment	2013			2014		
	Total Enrollment	Total Cost	MWAA's Cost Share	Employee Cost Share	Total Cost	MWAA's Cost Share	Employee Cost Share
HMO - Act & Pre65							
Employee Only	205	\$569.14	\$455.31	\$113.83	\$618.12	\$494.50	\$123.62
Employee Plus Spouse	131	\$1,186.78	\$949.42	\$237.36	\$1,288.92	\$1,031.14	\$257.78
Employee Plus Child(ren)	80	\$1,075.32	\$860.26	\$215.06	\$1,167.87	\$934.29	\$233.57
Family	275	\$1,689.06	\$1,351.25	\$337.81	\$1,834.43	\$1,467.54	\$366.89
PPO - Act & Pre65							
Employee Only	145	\$629.84	\$503.87	\$125.97	\$684.05	\$547.24	\$136.81
Employee Plus Spouse	134	\$1,312.72	\$1,050.18	\$262.54	\$1,425.70	\$1,140.56	\$285.14
Employee Plus Child(ren)	60	\$1,189.40	\$951.52	\$237.88	\$1,291.77	\$1,033.42	\$258.35
Family	192	\$1,868.30	\$1,494.64	\$373.66	\$2,029.10	\$1,623.28	\$405.82
HMO - Retired Post-65							
Retiree Only	24	\$502.62	\$402.09	\$100.52	\$545.87	\$436.70	\$109.17
Medicare 2 Party Sub/Sp (1>65, 1<65)	32	\$1,131.34	\$905.07	\$226.27	\$1,228.71	\$982.96	\$245.74
Medicare 2 Party Sub/Sp (2 >65)	0	\$990.96	\$792.77	\$198.19	\$1,076.25	\$861.00	\$215.25
Family Medicare	2	\$1,792.76	\$1,434.20	\$358.55	\$1,947.05	\$1,557.64	\$389.41
PPO - Retired Post-65							
Retiree Only	51	\$508.22	\$406.57	\$101.64	\$551.96	\$441.56	\$110.39
Medicare 2 Party Sub/Sp (1>65, 1<65)	70	\$1,197.65	\$958.12	\$239.53	\$1,300.73	\$1,040.58	\$260.15
Medicare 2 Party Sub/Sp (2 >65)	0	\$1,002.00	\$801.60	\$200.40	\$1,088.23	\$870.59	\$217.65
Family Medicare	4	\$1,812.73	\$1,450.18	\$362.55	\$1,968.74	\$1,574.99	\$393.75
HMO -Kaiser							
Active and Pre-65 Retired							
Employee Only	65	\$502.09	\$401.67	\$100.42	\$577.40	\$461.92	\$115.48
Employee Plus Spouse	37	\$1,054.40	\$843.52	\$210.88	\$1,212.56	\$970.05	\$242.51
Employee Plus Child(ren)	25	\$953.98	\$763.18	\$190.80	\$1,097.08	\$877.66	\$219.42
Family	85	\$1,506.28	\$1,205.02	\$301.26	\$1,732.22	\$1,385.78	\$346.44
HMO- Kaiser Retired Post-65							
Retiree Only	22	\$259.60	\$207.68	\$51.92	\$268.83	\$215.06	\$53.77
2 Party (1 Medicare)	14	\$761.69	\$609.35	\$152.34	\$846.23	\$676.99	\$169.25
2 Party (2 Medicare)	11	\$519.20	\$415.36	\$103.84	\$537.66	\$430.13	\$107.53
3 Person Family (2 Medicare)	4	\$1,021.29	\$817.03	\$204.26	\$1,115.06	\$892.05	\$223.01
Dental							
Active							
Employee Only	395	\$24.86	\$11.19	\$13.67	\$26.16	\$11.77	\$14.39
Employee Plus Spouse	311	\$52.61	\$23.67	\$28.94	\$55.37	\$24.92	\$30.45
Employee Plus Child(ren)	171	\$61.12	\$27.50	\$33.62	\$64.32	\$28.95	\$35.38
Family	558	\$98.67	\$44.40	\$54.27	\$103.84	\$46.73	\$57.11
Retired Post-65							
Retiree Only	96	\$24.86	\$11.19	\$13.67	\$26.16	\$11.77	\$14.39
Medicare 2 Party Sub/Sp (1>65, 1<65)	137	\$52.61	\$23.67	\$28.94	\$55.37	\$24.92	\$30.45
Medicare 2 Party Sub/Sp (2 >65)	0	\$61.12	\$27.50	\$33.62	\$64.32	\$28.95	\$35.38
Family Medicare	14	\$98.67	\$44.40	\$54.27	\$103.84	\$46.73	\$57.11

Wellness Program Components

Health Risk Identification	Physical Activity
<ul style="list-style-type: none"> • Online health risk questionnaire • Biometric screenings with onsite services at larger employee locations 	<ul style="list-style-type: none"> • Conduct team-based corporate challenges • Fitness club membership reimbursement
Health Coaching	Nutrition / Weight Management
<ul style="list-style-type: none"> • Telephone-based health coaching for at risk health behaviors and chronic conditions 	<ul style="list-style-type: none"> • Weight management program discounts • Personalized portal with health scores, screening results, health library
Disease Management	Flu Immunization
<ul style="list-style-type: none"> • Asthma; back pain; coronary artery disease; diabetes; heart failure; plus other targeted conditions 	<ul style="list-style-type: none"> • Offer flu shots at multiple employee locations each year
Tobacco Cessation Services	
<ul style="list-style-type: none"> • Offer robust, no cost tobacco cessation programs with specialized tobacco cessation coaching, nicotine replacement therapy and prescription medications 	