Date: October 16, 2024

To: Deschutes County Board of County Commissioners

From: Trygve Bolken, HR Analyst
Jason Bavuso, Interim HR Director

Re: Deschutes County Employee Benefits Renewal for the 2025 Plan Year

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The Deschutes County Employee Benefits Plan is set to renew for the 2025 Plan Year. The following is a summary of program renewals and considerations for the period of January 1, 2025 – December 31, 2025.

In preparation for the annual renewal period, staff meets with the County's legal team, benefit consultant, and Third-Party Administrator (TPA) to review proposed changes to the plan. This includes an analysis of changes due to legislative requirements, industry standards, new offerings in the industry, benchmarking against comparable plans, cost impacts, and the impact on the health care needs of our employees and their dependents. It is the County's approach to consider changes that have proven effectiveness, are mandated by law, fiscally responsible, and competitive with benchmarking against other health plans.

This year, due to the continued increases associated with the cost of the County's Health Benefits Plan, County leadership increased Health Plan charges to departments by 30% and also requested that the County's Employee Benefits Advisory Committee (EBAC)[1] identify $1.2 million in cost containment measures and/or increases to employee premiums for FY 2025.

Claims costs have continued to increase at a higher-than-expected rate. This is due to medical inflation, higher number than expected mid-range large dollar claims, new specialty drugs becoming available on the market, and higher utilization of specialty medications overall.

On Tuesday, October 8, EBAC voted 13– 0 in support of the proposed cost containment measures and plan changes detailed in this memo for the 2025 Plan Year. The cost-containment measures identified by EBAC are estimated to save the plan $1,354,729 during the 2025 benefit year. The County

[1] (EBAC is comprised of representation of County management and represented staff. The committee is responsible for making recommendations to the Board of County Commissioners regarding Health benefits.)

appreciates the thoughtful recommendations that EBAC developed to achieve a balance of cost containment while maximizing health plan benefits for enrollees.

<u>Employee Health Benefits Plan</u>: Refer to attachment A – Changes Recommended to BOCC for 2025 Plan Year.

- ***Human Resources and Administration recommend and EBAC supports the following Employee Benefit Plan changes, #1-5, for the 2025 plan year.***

1. **<u>Move members on prescriptions for Humira to Hadlima.</u>**
   A biosimilar drug, Hadlima, is now available to patients that are currently prescribed Humira. This new biosimilar is significantly less expense. Members are already moving to the new equivalent.

   - **The estimated cost impact to the plan is a savings of $939,651 annually.**

2. **<u>Remove wellness staff from the doc Clinic.</u>**
   Do not refill the vacant position and move ongoing wellness support to existing doc Clinic staff. Continue existing wellness programs under doc Clinic staff.

   - **The estimated cost impact to the plan is a savings of $140,000 annually.**

3. **<u>Adopt the standard drug formulary offered under our current Pharmacy Benefits Manager (PBM) Prescryptive.</u>**
   Adopt standard drug formulary offered under current Pharmacy Benefits Manager (PBM) Prescryptive. Prescryptive would manage all prescriptions under their standard formulary and provide applicable rebates accordingly.

   - **The estimated cost impact to the plan is a savings of $275,078 annually.**

4. **<u>Amend plan language under Durable Medical Equipment to include breast pump rentals as a covered service.</u>**
   This is an optional change recommended by PacificSource as a best practice. It would allow for commercial grade breast pump rental costs to be covered under our medical plan.

   - **The estimated cost impact for this change is an annual increase of $9,000.**

5. **<u>Update plan language to align with current plan interpretation and TPA best practices.</u>**
   In partnership with our TPA, HR staff have made efforts to clarify plan language. Proposed changes are clarifications to the plan document and do not change benefit coverage.

   - **HR Staff recommended and EBAC supports making the corrections, clarifications and changes as described on the PacificSource Medical and Dental plan documents.**

Human Resources and Administration recommend that the County proceed with the following administrative actions associated with renewal rates and selection of a stop loss carrier:

- Renewal – **Third Party Administrator (TPA):** Last year, the County experienced a 3.9% rate increase for TPA services with our current vendor, PacificSource. This year, PacificSource has proposed an 8.1% to 9.3% rate increase for TPA services. The final rate increase will depend on which performance reporting options the County selects.
- Renewal - **Life and Disability Insurances** with New York Life: Rate decreases for basic group life, Accidental Death and Dismemberment and Long-Term Disability (rates guaranteed until 1/1/2028). 7.6% fee decrease; estimate $121,406 cost savings.
- Renewal - **Employee Assistance Program** with Canopy: 23.4% fee increase; estimated $8,488 annual cost increase.
- Renewal - **Flexible Spending Accounts** with PacificSource Administrators: No increase.
- Renewal - **Livongo Diabetic Management Program**: No increase.
- **Transition to a new stop loss provider, Symetra**. Staff worked with the County's benefit consultant to obtain competitive bids for coverage and reviewed adjusting the policy deductible. Transitioning to a new stop loss provider is expected to result in an estimated cost saving of 7.9%; however, if a new provider is selected, the County won't receive the stop loss refund for FY24 resulting in an estimated net impact of 0% for FY25. Staff recommend maintaining current deductible levels. There is potential for the current provider, Sun Life, to update their bid. If this occurs and it provides additional savings over the bid from Symetra, staff recommends staying with the current provider to achieve the best savings.