

# Memorandum

MIAMI-DADE  
COUNTY

**Date:** October 7, 2008

Agenda Item No. 12(B)8

**To:** Honorable Chairman Bruno A. Barreiro  
and Members, Board of County Commissioners

**From:** George M. Burgess  
County Manager

**Subject:** Household Dependent Survey



In response to Board direction, staff conducted an on-line survey of all County employees to determine their interest in expanding the County's healthcare plans to all members of the employee's household and assess the potential financial impact of said expansion. The survey was available from July 21- 28, and Department Directors were asked to make every effort to make it available to employees without access to a computer. There were 3,671 responses to the survey for a 12.6% response rate, which Deloitte, the County's benefit consultant, indicated is sufficient to provide a reliable estimate of the population as a whole. For purposes of the analysis performed by Deloitte, only those employees in the AvMed plans were considered. The JMH HealthPlan and the Fire Union program would establish their own premiums.

The survey found that 43% of respondents reported that at least one person who is not currently eligible (household dependent) for the County's health plan resides in their household. When asked if they would be likely to enroll one or more of these household dependents in the County's health plan, 83% of those (or 36% of the County's active MDC only population enrolled in AvMed) responded that they would. It is important to note, however, that cost greatly influenced their decision:

- When asked if they would enroll if the additional premiums per ineligible dependent were less than \$100 per dependent per month, those likely to cover such household dependents fell from 83% to 75%. This represents 30% of the County's active population currently enrolled in AvMed.
- If the additional cost was between \$100 and \$200 per month per household dependent, the number likely to cover such household dependents fell to 25%, or 11% of the County's total active population currently enrolled in AvMed; and
- If the additional cost was more than \$200 per month per household dependent, only 8% of the survey respondents with ineligible dependents indicated they would be likely to purchase such coverage, 3% of the County's total active population enrolled in AvMed.

The County's current dependent premiums were developed based on the enrollment numbers we have experienced for more than 20 years. They are not designed to support the addition of a significant number of adults and children all at once. The survey results indicated employees may add as many as 16,635 additional dependents to the program if eligibility were extended to household dependents and the charge for such coverage

was less than \$100 per month per ineligible dependent. As a result, Deloitte needed to determine the potential additional claims costs for these currently ineligible household dependents. Plan costs were developed separately for adults and children who may join the County's plan if eligibility were expanded, since the cost of insuring an adult is significantly higher than that of a child.

The base adult and children composite costs were multiplied by the average number of anticipated children and adults expected to join the County's plan based on the survey responses. For those respondents indicating they live with currently ineligible dependents, there are an average of 2.11 total ineligibles per household - 1.59 adults and .52 children. The cost impact varied significantly depending on the projected number of enrollees. The projected number of enrollees varied significantly based on the cost to the employee.

As previously noted, with premiums at a very low level (less than \$100 per ineligible dependent per month) the results indicated that 30% of the County's active MDC only population enrolled in AvMed may enroll currently ineligible household dependents. Based on the composite rates which were developed, the additional costs for these dependents (4,128 additional children and 12,507 additional adults) may be as high as \$144.5 million. As premium levels increase, the percentage of the respondents that indicated they would cover their dependents decreased. At the highest level of premium surveyed, additional premiums of "more than \$200 per dependent per month," only 3% of the employee population is likely to enroll. Based on the responses, that group would include 423 children and 1,281 adults, for a projected cost of \$21.1 million.

		Premiums <100 per dependent per month	Premiums \$100 - \$200 per dependent per month	Premiums > \$200 per month
<b>Number of employees expected to elect coverage</b>		7,882	2,267	814
<b>Number of household dependents to be covered</b>	<b>Children</b>	4,128	1,369	423
	<b>Adults</b>	12,507	4,147	1,281
	<b>Total</b>	16,635	5,516	1,704
<b>Total projected costs</b>		\$144.5M	\$61.6M	\$21.1M

Once the expected cost of these additional dependents was determined, the next question became how to fund these additional plan costs. Three approaches were evaluated. In the first, Deloitte evaluated how much additional revenue would be generated by charging employees enrolling household dependents at the dollar thresholds which were used in the survey document, i.e., less than \$100 per dependent per month, \$100 to \$200 per dependent per month or more than \$200 per dependent per month. In the second approach, they evaluated how much current dependent premiums would increase if we passed on the cost of these "new" dependents to all

employees with dependent coverage; and in the third scenario, we asked Deloitte to price new tiers to show the cost employees would need to pay if we priced these dependents separately and only those requesting such coverage were to bear the cost.

In the first approach, employees who indicated a desire to enroll dependents (30% of currently enrolled AvMed population) if the cost was less than \$100 per dependent per month would generate an expected \$16.3 million in dependent premium revenue. With enrollment for this segment anticipated to be the highest (16,635 additional dependents), projected costs are also the highest at \$144.5 million, leaving a \$128.2M funding shortfall. With employee contributions at slightly less than \$200 per dependent per month, approximately 11% of the County's employees currently enrolled in AvMed are expected to enroll these dependents, resulting in 5,516 new dependent lives, generating \$13.0 million in dependent premium revenue and a funding shortfall of \$48.6 million. And for those that would be willing to pay more than \$200 per dependent per month, (3% of the employees currently enrolled in AvMed) the employee contributions would be \$5.5 million for 1,704 covered dependents, with a funding shortfall of \$15.6 million.

	Premiums calculated @ \$82 per dependent per month	Premiums calculated @ \$197 per dependent per month	Premiums calculated @ \$270 per dependent per month
Number of dependents	16,635	5,516	1,704
Revenue from dependent premiums	\$16.3M	\$13.0M	\$5.5M
Anticipated costs	\$144.5 M	\$61.6M	\$21.1M
Funding shortfall	\$128.2M	\$48.6M	\$15.6M

The second approach was to determine the cost impact on existing dependent premiums if these additional dependents were added. Since only 37% of County employees carry dependent coverage, the cost associated with these additional dependents would be borne by a fairly small group of employees. Again, the more dependents that enroll, the larger the cost impact and consequently the larger the impact on the premium. However, using even the smallest projection of only 3% enrolling, for a total projected increase of \$21.1 million for 1,704 new dependent lives, the employee with family coverage in the high option HMO would experience a 53% increase in their bi-weekly premium deduction.

	Current bi-weekly rates	Rates to include 16,635 household dependents	Rates to include 5,516 household dependents	Rates to include 1,704 household dependents
Employee only	\$0.00	\$0.00	\$0.00	\$0.00
EE + Spouse (EE + 1 Adult)	\$150.24	\$629.08	\$360.01	\$228.69
EE + Child(ren)	\$130.24	\$545.04	\$311.91	\$198.14
EE + Family	\$205.29	\$861.62	\$493.09	\$313.23

Note: For illustration purposes, we used AvMed HMO High Option Plan Rates

Finally, we asked Deloitte to evaluate separate tier pricing so that the cost of these individuals would be paid for by those employees choosing to enroll them. They only priced the group that indicated they would enroll ineligible dependents if the premium were more than an additional \$200 per dependent per month. Since this represents a very small number of employees (3%), the same projected costs of \$21.1 million would be paid by this limited group, necessitating large premiums. The prices are presented for the AvMed HMO High Option program, which has the highest enrollment. Four illustrative examples were developed:

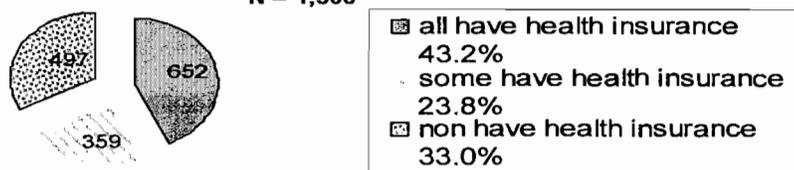
	Bi-Weekly
* 1 or 2 adults	\$ 596.26
* More than 2 adults	\$ 1,490.64
* 1 or 2 children	\$ 361.87
* More than 2 children	\$ 911.38

It should be noted that these premiums would be in addition to any dependent premiums currently being paid by the employee. For example, an employee currently carrying family coverage who wants to add an adult and a child to their plan would continue paying their current family premium, plus \$596.26 for the adult and \$361.87 for the child.

While it may seem that these numbers are high, they were developed using industry accepted actuarial models. For the sake of this discussion, we must assume that all those who indicated an intent to participate would elect to do so. If the enrollment numbers are significantly below those projected, obviously the cost impact would be altered significantly as well.

We understand the Board's concern over the issue of uninsured individuals who reside in our employee's household. However, as indicated in the pie chart below, of those who indicated they have household dependents living with them, 43.2% said all of them have health insurance, with another 23.8% saying some have health insurance. For those without coverage the expansion of our health plan eligibility rules is not likely to solve the problem. Many of those who are currently in this uninsured group are there because of the issue of affordability. Based on the projected premiums for this group, it is likely that for most this coverage would still be considered unaffordable.

**Household members that currently have health insurance**  
 N = 1,508



There are at least two alternative solutions that will be available to those without health care. The first is the Miami-Dade County BlueCross BlueShield Low Cost Comprehensive Health Insurance Plan, sponsored by Commissioner Martinez. The program includes primary and specialty care, inpatient services, diagnostic services and pharmacy benefits. The plan includes a comprehensive network of hospitals and physicians and the proposed rates are substantially below those identified for participation in our plan.

At the State level, the "Cover Florida" plan was signed into law by Governor Crist and is expected to be available beginning in January 2009. The legislation allows the State of Florida to negotiate with health insurers to develop affordable health coverage for uninsured Floridians ages 19 to 64. Private insurers have indicated that the plan would allow them to create benefit packages for about \$150 per month or less. The plans would include coverage for preventive services, screenings, office visits, outpatient and inpatient surgery, urgent care, prescription drugs, durable medical equipment and diabetic supplies. Individuals who have been without health insurance for at least six months will be eligible to participate.

Coverage options for children are also expanded by the legislation. The bill allows Florida families to pay full premiums and "buy in" to the Florida Kid Care Program. Current law has a 10 percent cap on enrollment for "full pay" families. Healthy Kids coverage is available to uninsured children between the ages of 5 -18. It includes access to both medical and dental coverage, with very minimal co-payments. Reduced costs are \$15 or \$20 per family per month based on family size and monthly income. Non-reduced premiums are \$116.00 monthly per child without dental, and \$128.00 with dental.

The Cover Florida legislation also requires employers to extend coverage for dependent children to the age of 30 as long as they are unmarried and do not have any dependents. They are not required to be students, or living in the employee's residence as long as they are residents of Florida. According to a recent article in the Sun Sentinel, young adults, ages 19 to 29, are considered the fastest growing part of the uninsured population. The County will be including this group in our plan effective January 1, 2009. This will likely take care of many of the household dependents identified in the survey.

Unless we can be certain that premiums will cover all claims activity, we are recommending against the proposed modification in dependent eligibility rules to include other household dependents. This would be extremely difficult to guarantee since we have no claims history. As a self insured plan, there is the potential for significant financial impact to the County. Even with employees paying the "full cost" of dependent premiums, the County is ultimately at risk. The premiums are the best estimate of the amount needed to fund claims. However, in the event that claims come in at higher than anticipated levels, the County would be responsible for the additional funds necessary to

cover costs. In addition, the potential for fraud and abuse is of great concern. There is no way to sufficiently monitor or enforce the proposed eligibility criteria. The alternatives offered by the State and the County provide a reasonable alternative to those who need healthcare.



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Director  
General Services Administration