

# Memorandum



**Date:** October 7, 2008

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

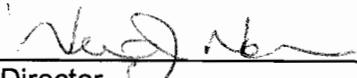
**From:** George M. Burgess  
County Manager

**Subject:** Household Dependent Survey – Supplemental Information to Agenda Item 12B8

Supplement to  
Agenda Item No. 12(B)8

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The attached information was prepared by Deloitte Consulting LLP in response to a request from Commissioner Diaz.

  
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Director  
General Services Administration

October 3, 2008

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Marsha Pascual  
Director, Risk Management Division  
Miami-Dade County  
111 N.W. 1st Street  
23rd Floor  
Miami, FL 33128

Dear Marsha:

In August 2008, we delivered a report that projected the costs of expanding the County's health plan eligibility to include household members who depend on the employee for provisions of basic needs (food, shelter and health care) whether blood or non-blood related, who are currently ineligible for the County's health plan. Those cost projections were based on survey results that measured County employees' intent to cover dependents that are currently ineligible for the County's health plans.

The survey respondents demonstrated a marked sensitivity to the incremental cost of adding ineligible dependents to the health plans. The survey indicated that when the cost of adding ineligible dependents was less than \$100 per month per additional ineligible, up to 30 percent of the County's employees were likely to cover those dependents in the County's health plans. However, when the cost was \$100 to \$200 per month per additional ineligible, that percentage fell to 10 percent and when the cost was more than \$200 per month per additional ineligible, only 3 percent of the County's employees stated that they would add those newly eligible dependents.

The cost projections in the August 21 report included all of the dependents identified in the survey regardless of age. Also, anti-selection factors – adjustments to reflect the potential incremental health risk – were applied to each of the three additional employee cost scenarios in order to provide a realistic assessment of the County's exposure in each of those scenarios.

Commissioner Diaz has now asked us to provide a supplemental analysis that would limit the potential pool of ineligible dependents to those under the age of 65. Further, you have asked us to neutralize the anti-selection factors used in the original analysis and assume that the ineligible dependents represent no greater health risks than the current pool of health plan participants. While we are happy to provide these figures for your review, we are not endorsing this approach to estimating the additional costs associated with adding these dependents to the health plans. We stand by our original estimates of those incremental costs.

In order to provide a consistent and comparable analysis to the original study, we have maintained the structure of the three groups of respondents – those who indicated that they were likely to add ineligible dependents if the cost were less than \$100 per month per dependent, those who indicated that they were likely to do so if the monthly cost were

between \$100 and \$200 per dependent, and those who were likely to do so if the cost were more than \$200 per month per dependent. In each of these groups, the number of additional dependents declines in the analysis due to the removal of potential dependents 65 years of age or older. Further, the elimination of the anti-selection factors significantly impacts the projected costs of adding these dependents to the County's health plans.

Using the above assumptions, the projected costs of adding dependents currently ineligible for coverage under each of the three scenarios is as follows:

Scenario	#1	#2	#3
Incremental Monthly Employee Contribution Per Ineligible	<\$100	\$100 - \$200	More than \$200
Percentage of Survey Respondents Who Are Likely to Cover Newly Eligible Household Members	24.0%	8.0%	2.5%
# Of Employees Adding Eligibles	6,311	2,093	647
Annual Incremental County Cost	\$14.5 million	\$4.8 million	\$1.5 million
Annual Incremental Employee Cost	\$62.6 million	\$20.8 million	\$6.4 million
Total Incremental Cost	\$77.1 million	\$25.6 million	\$7.9 million

Under this approach, the County's only incremental cost would be the additional subsidies for dependent coverage based on the employee switching tiers due to the additional dependents. Employees would pay the incremental cost of adding these dependents through higher bi-weekly contributions for health plan coverage. As in the original analysis, we have assumed that employees adding these dependents would remain in the plan in which they are currently enrolled. Keep in mind that the original study utilized incremental costs for covering ineligible dependents that aligned with the survey responses that reflected the employees' sensitivity to increases in their contributions. In this exercise, most employees would pay in excess of \$200 per month per added dependent to the plan. It is difficult, therefore, to continue to utilize the three scenarios shown in the original analysis in a meaningful way. Their only utility is to show the range of the number of employees likely to cover ineligible dependents given the parameters of the original survey responses.

If those incremental employee costs were spread among all of the employees electing dependent coverage in the County's three self-insured health plans, the bi-weekly employee contributions would be as follows:

Scenario	#1	#2	#3			
Theoretical Incremental Monthly Employee Contribution to Cover Ineligible Dependents (from Survey)	Less than \$100/month	\$100-\$200/month	More than \$200/month			
Percentage of MDC Employees Who Are Likely to Cover Newly Eligible Household Dependents (from Survey)	24.02%	7.97%	2.46%			
Projected number of employees to enroll ineligible	6,311	2,093	647			
<b>2009 Bi-Weekly Employee Contribution</b>						
Plan	Assuming no Change in Eligibility	Assuming a Change in Eligibility	Assuming no Change in Eligibility	Assuming a Change in Eligibility	Assuming no Change in Eligibility	Assuming a Change in Eligibility
<u>HMO High</u>						
Single	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ee+Spouse	\$160.06	\$286.97	\$160.06	\$216.24	\$160.06	\$179.66
Ee+Child(ren)	\$138.67	\$248.63	\$138.67	\$187.35	\$138.67	\$155.66
Family	\$219.22	\$393.05	\$219.22	\$296.17	\$219.22	\$246.08
<u>HMO Low</u>						
Single	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ee+Spouse	\$150.97	\$270.67	\$150.97	\$203.95	\$150.97	\$169.46
Ee+Child(ren)	\$130.78	\$234.49	\$130.78	\$176.69	\$130.78	\$146.81
Family	\$206.85	\$370.87	\$206.85	\$279.45	\$206.85	\$232.19
<u>POS</u>						
Single	\$12.35	\$22.14	\$12.35	\$16.68	\$12.35	\$13.86
Ee+Spouse	\$265.19	\$475.46	\$265.19	\$358.27	\$265.19	\$297.67
Ee+Child(ren)	\$220.03	\$394.50	\$220.03	\$297.26	\$220.03	\$246.98
Family	\$458.42	\$821.91	\$458.42	\$619.32	\$458.42	\$514.57

If 6,311 employees chose to cover ineligible household members, the bi-weekly employee contributions for all employees electing dependent coverage would have to rise 79%. If 2,093 were to extend such coverage, the contributions would have to rise 35%. If 647 employees elected to cover those dependents, the contributions would have to rise 12%.

Again, we cannot endorse this method of estimating the additional cost of expanding eligibility to include household members. We feel that it grossly underestimates the exposure to the County and the County's employees. We stand by our original estimates as presented in the August 21, 2008 report.

Marsha Pascual  
October 3, 2008  
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Please let me know if we can provide anything further.

Sincerely,

*J.C. Erb /jc*

Deloitte Consulting LLP  
By John C. Erb