

# Memorandum



**Date:** May 22, 2014

**To:** Honorable Sally A. Heyman  
County Commissioner – District 4

**From:** Carlos A. Gimenez  
Mayor 

**Subject:** Comparative Analysis Between IAFF and Miami-Dade County Health Plans

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During the Budget presentations for FY 2013-14, you requested a comparative analysis of potential cost efficiencies associated with the Miami-Dade Fire Rescue Department's healthcare insurance plan if it were consolidated within the County's plan.

In order to conduct this analysis, the following information was requested from the International Association of Fire Fighters, Local 1403 (IAFF):

- Plan design summaries for all plans offered to employees and a listing of any plan changes made within the last 24 months;
- Current premium equivalent rates and employee contributions (with separate contributions for retirees if applicable);
- Current administrative fees and reinsurance premiums, if applicable;
- A monthly enrollment and claim report showing enrollment and paid claims for the most recent 24 months. If this report can be split by actives and retirees, that would be ideal;
- A summary of claimants with over \$250,000 in claims paid in each of the last 2 years (no personal health information – just a listing of the amounts); and
- A census file with the following (we do not need social security number, name, or actual member number):
  - Date of birth;
  - Gender;
  - Plan selected (if there are plan options);
  - Level of dependent coverage selected; and
  - Active/retiree/COBRA indicator.

Upon receipt, the information was provided to our Benefits consultant, Gallagher Benefit Services, Inc. to conduct this analysis. Attached is the complete analysis conducted by our consultants. The key findings are:

- The County plan designs are richer, so therefore it is projected there will be higher claims costs for the firefighters if they are moved to the County plan.
- Fixed costs would fall since the AvMed Administrative Services Only rates are lower than the rates from United, IAFF's provider, for firefighters and there would be no need to carry stop loss insurance.
- The net of the higher claim cost and lower fixed costs is a projected increase in costs of about \$400,000 if the firefighters are moved to the County plans. This assumes no difference in provider discounts between AvMed and United.
- The firefighters have more favorable demographics, but under their employee contribution structure they have a much higher dependent enrollment than the County. The net of these two factors produces a projected per employee cost for the firefighters that is slightly lower than the County's, so adding the firefighters to the County plan would not cause any increase in the average per capita costs of the County plans.

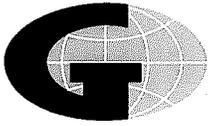
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Be assured that as we continue exploring options for the County's overall healthcare redesign, we will continue to invite members of the IAFF to be active participants in the exchange of information regarding moving forward with healthcare redesign options for 2015.

Should you have any questions, please do not hesitate to contact Deputy Mayor Edward Marquez at (305) 375-1451.

Attachment

c: Honorable Chairwoman Rebeca Sosa  
and Members, Board of County Commissioners  
R.A. Cuevas, Jr., County Attorney  
Office of the Mayor Senior Staff  
Arleene Cuellar, Director, Human Resources  
David Downey, Fire Chief, Miami-Dade Fire Rescue  
Jennifer Moon, Director, Office of Management and Budget  
Charles Anderson, Commission Auditor  
Al Cruz, President, International Association of Fire Fighters, Local 1403



April 11, 2014

Arleene Cuellar, PHR  
Director, Human Resources  
Miami-Dade County  
111 NW 1<sup>st</sup> Street, Suite 2110  
Miami, FL 33128

Re: Comparison of County Health Plan with Dade County Fire Fighters Plan

Dear Arleene,

Miami Dade County ("County") engaged Healthcare Analytics, a Division of Gallagher Benefit Services ("GBS") to conduct a study of the impact associated with consolidating the Dade County Fire Fighters Insurance Trust's ("DCFF") healthcare insurance into the County's plan. This analysis excludes Jackson Hospital employees, post Medicare retirees, dental coverage, and vision coverage. No network disruption or discount analyses have been performed.

### **Methodology**

The core of this analysis is three cost projections for health plan costs in 2014:

- The projection for the County with current benefits,
- The projection for DCFF with current benefits, and
- The projection for DCFF under the County's health plan.

These projected costs are divided into claim costs and administrative expenses and are based on 12 months of historical claims and enrollment. Historical figures were trended forward to January 1, 2014 and adjusted to account for differences in plan designs.

Differences in plan designs were measured using our proprietary pricing tool known as APEX.HRM. Using this model, relative values were developed for each plan design. The relative value for any plan is the ratio of expected spending of that plan to the expected spending under the baseline plan. We used the County's High HMO as the baseline plan, but the choice of the baseline does not affect the results.

The relative values were then weighted by the enrollment figures of each plan to arrive at an aggregate adjustment factor. This adjustment factor assumes that all of the DCFF employees currently covered will follow the plan election pattern that is currently exhibited by the County. This aggregate adjustment factor is applied to DCFF's current projected claims to arrive at projected claims under the County's plan. It is also assumed that, on a per employee per month ("PEPM") basis, the County's administrative fees would not be affected by the additional DCFF enrollees.

Finally, a review of demographic information from the County and DCFF was performed. Assumed age/sex factors and members per employees were applied to employee census files based on the employee's age, gender, and coverage tier.

## Results

We project the following 2014 claim costs. The DCFF population does not include the approximately 300 Medicare eligible retirees currently on that plan.

2014 Annual	Dade County Firefighters		Miami Dade County
	Current	Under MDC Plan	
Claims	\$26,608,491	\$27,883,893	\$321,601,486
Admin	\$1,722,177	\$865,529	\$9,732,521
Total	\$28,330,668	\$28,749,422	\$331,334,007

2014 Per Employee Per Year	Dade County Firefighters		Miami Dade County
	Current	Under MDC Plan	
Claims	\$11,499	\$12,050	\$12,360
Admin	\$744	\$374	\$374
Total	\$12,243	\$12,424	\$12,734

## Conclusions

- Consolidating DCFF into the County's plan would add about 2,300 employees to the County's plan resulting in an estimated \$27.9 million in additional claims and \$865,000 in additional admin fees.
- Because the County's benefits are, on average, about 5% richer than the DCFF benefits, we expect the claims costs for DCFF employees would be \$1.3 million higher if they were moved to the County plan. Fixed costs would fall by over \$850,000 however, as the County's ASO rate is more favorable and there is no stop loss reinsurance under the County plan. As a result, the total cost of the DCFF plan is projected to be approximately \$400,000 (1.5%) higher if they were to be moved to the County plan.
- On a PEPM basis, it is expected that DCFF employees would cost less than the current County employees. The DCFF has a more favorable age/sex distribution than the County, but the DCFF employees elect family coverage at a much higher rate than current County employees, which offsets a portion of the age difference.
- From a DCFF employee perspective, the change to the County plan would represent an upgrade in most cases. Employees, with only a few exceptions, would receive richer benefits at lower contribution levels. Also note that DCFF employees have not historically had to contribute 5% of salary to the health plan, and we assumed that would also be true under the County plan.
- Since the County plan is administered by AvMed and the DCFF is administered by United Healthcare, DCFF employees would experience some network disruption. Network disruption has not been measured in this study.
- Changes in network discounts would likely have an effect on the value of this consolidation as well. If DCFF is consolidated into the County's plan, DCFF's discounts would change and this could have a positive or negative impact on claims expenses. A network discount analysis has not been included in this study.



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Please let me know if you have questions or need additional information.

A handwritten signature in black ink, appearing to read "Glen Volk".

Glen Volk, FSA, MAAA  
Consulting Actuary

## Data

The data used in this study has been provided by the County and DCFF. We have relied on that information to be accurate and complete. We have not audited this data, but have checked it for reasonableness and have no reason to question its accuracy at this time. Sources include the following:

- Historical claims and enrollment from the DCFF plan from August 2011 through July 2013.
- DCFF premium rate equivalents and plan tier enrollments as of January 1, 2012.
- DCFF 2013 plan designs and open enrollment booklet.
- DCFF plan census as of August 2013.
- DCFF cumulative large claims for plan year 2012 and 2013.
- Historical claims and enrollment from the County plan through August 2013.
- County 2013 plan designs.
- County employee census used in the GASB 45 valuation as of October 1, 2011.

Miami Dade County				
Enrollment	HMO High	HMO Low	POS	Total
Employee Only	11,136	132	5,714	16,982
Employee + Spouse	1,701	24	157	1,882
Employee + Child(ren)	2,906	54	220	3,180
Employee + Family	3,847	59	70	3,976
Total	19,590	269	6,161	26,020

Dade County Firefighters			
Enrollment	Choice Plus High	Choice Plus Low	Total
Employee Only	349	620	969
Employee + Spouse	114	178	292
Employee + Child(ren)	36	213	249
Employee + Family	137	667	804
Total	636	1,678	2,314

	DCFF	MDC
Age/Sex Factor	1.03	1.20
Members per Employee	2.42	1.72



**Healthcare Analytics**

a Division of Gallagher Benefit Services, Inc.

## Assumptions

- Health care trend: 8.00%
- DCFE employees elect coverage in the same pattern as current County employees
- County admin fees do not change after consolidation

The DCFE census file did not provide standard tier information. The assumptions below were used to determine average members per employee and age/sex factors.

Members per Employee						
	Single		Two Party		EE & Family	
EE Age	Male	Female	Male	Female	Male	Female
<25	1.00	1.00	2.00	2.00	3.27	3.37
25-29	1.00	1.00	2.00	2.00	3.62	3.59
30-34	1.00	1.00	2.00	2.00	4.01	3.92
35-39	1.00	1.00	2.00	2.00	4.16	4.00
40-44	1.00	1.00	2.00	2.00	4.18	3.98
45-49	1.00	1.00	2.00	2.00	4.00	3.89
50-54	1.00	1.00	2.00	2.00	3.65	3.48
55-59	1.00	1.00	2.00	2.00	3.54	3.41
60-64	1.00	1.00	2.00	2.00	3.30	3.20
65-69	1.00	1.00	2.00	2.00	3.19	3.20
70-74	1.00	1.00	2.00	2.00	3.19	3.20
75-79	1.00	1.00	2.00	2.00	3.19	3.20
80-84	1.00	1.00	2.00	2.00	3.19	3.20
85+	1.00	1.00	2.00	2.00	3.19	3.20

Employee Age/Sex Table						
	Single		Two Party		EE & Family	
EE Age	Male	Female	Male	Female	Male	Female
<25	0.56	0.89	1.37	1.45	2.14	2.22
25-29	0.67	1.07	1.61	1.69	2.61	2.61
30-34	0.76	1.22	1.72	1.85	3.07	3.01
35-39	0.87	1.30	1.90	2.00	3.34	3.23
40-44	0.99	1.34	2.09	2.10	3.52	3.36
45-49	1.24	1.48	2.45	2.45	3.81	3.69
50-54	1.43	1.62	2.95	2.86	3.95	3.74
55-59	1.65	1.78	3.35	3.22	4.25	4.01
60-64	1.91	1.94	3.78	3.56	4.50	4.00
65-69	2.20	2.13	4.26	4.25	4.78	5.00
70-74	2.54	2.33	4.80	4.78	5.30	5.54
75-79	2.94	2.54	5.40	5.37	5.88	6.16
80-84	3.39	2.78	6.09	6.04	6.54	6.85
85+	3.92	3.04	6.86	6.81	7.29	7.64



### Summary of Plan Designs and Contributions

	Miami Dade County		POS
	High HMO	Choice Plus High	
Ded In/Out	\$0	\$300/\$500	\$0/\$200
Coin In/Out	Per Individual	2x Family	Per Individual
OOPM In/Out	100%	90%/80%	100%
Inpatient Copay	\$1500	\$1,500/\$2,000	\$1500/\$1500
ER Copay	0%	Coin.	0%
PCP/SCP	\$25	\$200	\$50
Rx (Retail/Mail Order)	\$15/\$30	\$20/\$30	\$15/\$30
Generic	\$15/\$30	\$10/\$0	\$15/\$30
Pref	\$25/\$50	\$25/\$62.50	\$25/\$50
Non-Pref	\$35/\$70	\$50/\$125	\$35/\$70
Relative Value	1	0.9498	1.0098

	Dade County Firefighters	
	Choice Plus High	Choice Plus Low
2013 Bi-Weekly Contributions	\$249.95	\$174.95
Employee Only	\$34.95	\$19.95
Employee + Spouse	\$249.95	\$174.95
Employee + Child(ren)	\$269.95	\$194.95
Employee + Family	\$289.95	\$214.95



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