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Correspondence Memorandum

Date: October 11, 2018
To: Group Insurance Board
From: Cindy Klimke-Armatoski, CPA
Chief Trust Financial Officer
Subject: Health Insurance Administrative Fees

This memo is for informational purposes only. No Board action is required.

At the August Group Insurance Board (Board) meeting, a request was made to provide more information on the health insurance administrative fees. Attached you will find this information, showing the rates billed over the past six years, the rate for calendar year (CY) 2019 and an estimate of the rates for CY 2020 and CY 2021.

The rate to cover administrative fees is added to the health insurance premiums and billed to employers each month. This rate is determined annually using an estimate of ETF administrative, wellness and data warehouse expenses.

As shown in the attachment, the rate increased significantly in 2017 and is projected to increase, at a smaller percentage, for the next few years. The wellness program is the driver of the increased costs. These costs include the \$150 wellness rewards, on-site screening, wellness coaching, and fees paid to the third-party administrator. ETF contracted with The Staywell Company to provide increased wellness services to participants beginning in 2017.

Staff will be at the Board meeting to answer any questions.

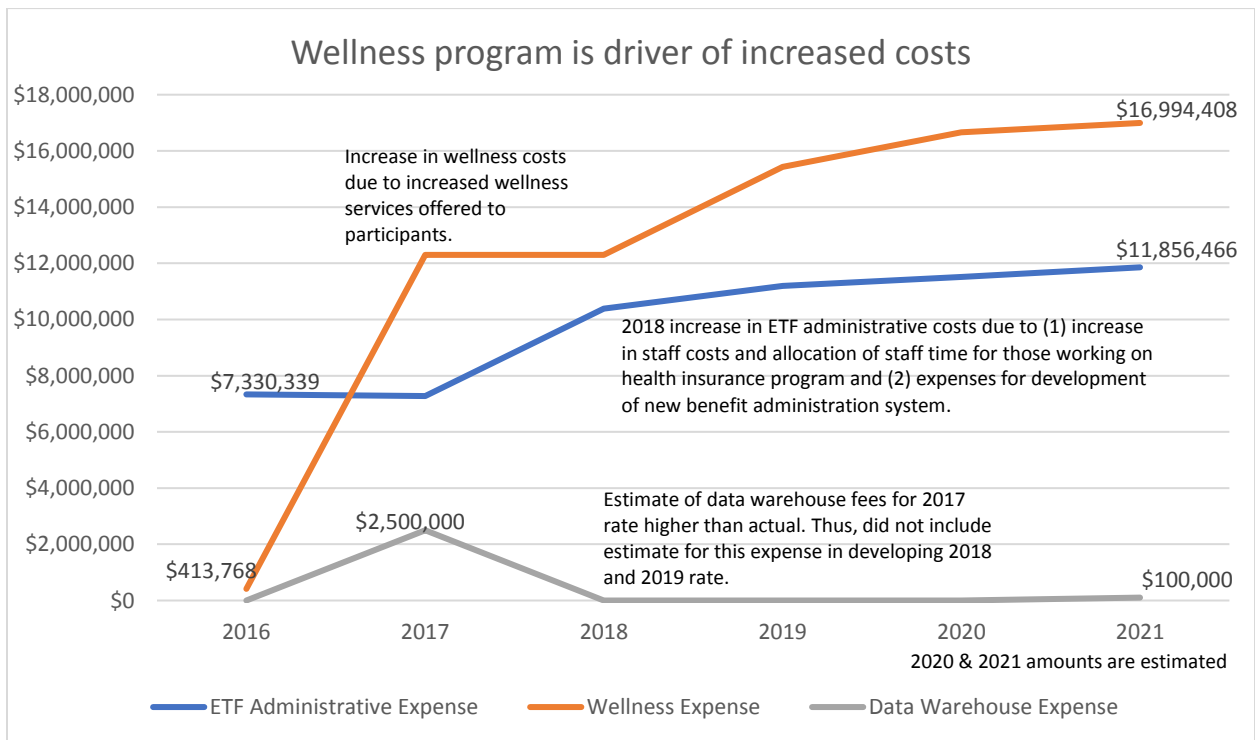
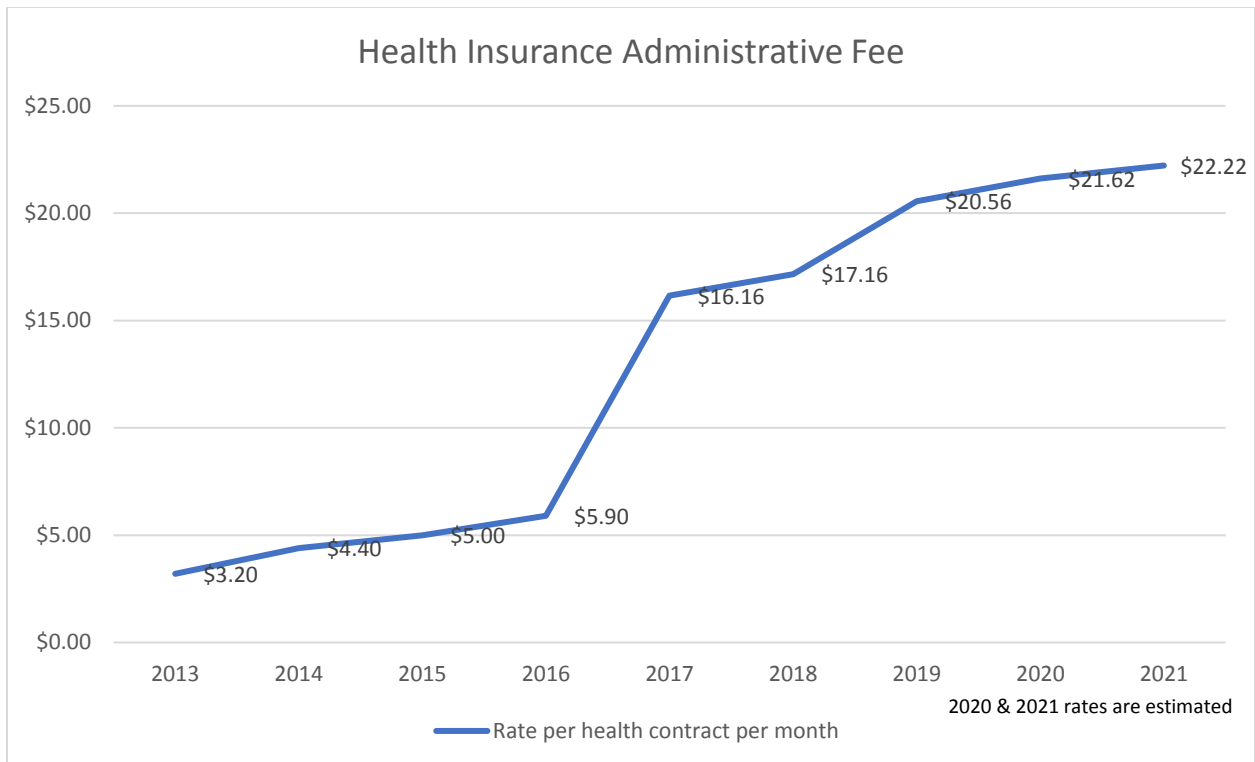
Attachment A: Health Insurance Administrative Fee Analysis

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 10/24/18

Board	Mtg Date	Item #
GIB	11.14.18	12A1

Attachment A: Health Insurance Administrative Fee Analysis



Health Insurance Administrative Fees

	2013	2014	2015	2016	2017	2018	2019	2020 ⁽¹⁾	2021 ⁽¹⁾
Rate per health contract per month	\$ 3.20	\$ 4.40	\$ 5.00	\$ 5.90	\$ 16.16	\$ 17.16	\$ 20.56	\$ 21.62	\$ 22.22
ETF Administrative Expense⁽²⁾	\$ 3.20	\$ 3.60	\$ 4.15	\$ 5.58	\$ 5.33	\$ 7.86	\$ 8.64	\$ 8.84	\$ 9.10
Wellness Expense⁽³⁾	\$ -	\$ 0.80	\$ 0.85	\$ 0.32	\$ 9.00	\$ 9.30	\$ 11.92	\$ 12.78	\$ 13.04
Data Warehouse Expense⁽⁴⁾	\$ -	\$ -	\$ -	\$ -	\$ 1.83	\$ -	\$ -	\$ -	\$ 0.08

⁽¹⁾ CY 2020 and 2021 rates are estimated

⁽²⁾ 2018 increase in ETF administrative costs due to (1) increase in staff costs and allocation of staff time for those working on health insurance program and (2) expenses for development of new benefit administration system

⁽³⁾ Optum contract for CY 2014 through CY 2016. Staywell contract, and increased Wellness activities, began in CY 2017.

⁽⁴⁾ Estimate of data warehouse fees in developing 2017 rates higher than actual fees incurred. Thus, did not include fees related to data warehouse in developing 2018 and 2019 rates.