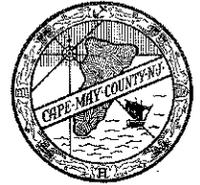


CAPE MAY COUNTY
DEPARTMENT of HUMAN RESOURCES and TRAINING

LEONARD C. DESIDERIO
Freeholder Vice-Director
JEFFREY R. LINDSAY, ESQ.
Director

4 Moore Road, DN 122
Cape May Court House, N.J. 08210-1654
(609) 465-1060 ☐ Fax: (609) 465-3716



MEMORANDUM

To: Benefit Eligible Employees

From: Jeffrey R. Lindsay, Esquire JP
Director, Human Resources & Training

Date: April 16, 2015

Re: County Health Benefits, First Quarter Report

During the 2015 Open Enrollment meetings, I recognized that County employees had a firm interest to understand what was driving medical premiums. Accordingly, I am forwarding this memorandum as a quarterly status report on the County health benefit program for the first quarter of 2015.

The total paid medical claims for the first quarter of 2015 were \$4,736,070.00. This represents an increase of \$1,209,608.00 compared to the first quarter of 2014, when the total paid medical claims were \$3,526,462.00. This equates to a 34% increase.

It's important for employees to understand what is driving these claims, so here are some specifics on where the increases are coming from:

- Inpatient Claims (first quarter)
 - 2014 Claims - \$724,122.09
 - 2015 Claims - \$1,442,103.96
 - **Difference = \$717,981.87**
 - 99.15% increase

- Outpatient Claims (first quarter)
 - 2014 Claims - \$1,054,241.20
 - 2015 - \$1,180,924.11
 - **Difference = \$126,682.91**
 - 12.01% increase

- Professional Claims (first quarter)
 - 2014 - \$1,748,098.81
 - 2015 - \$2,113,042.77
 - **Difference = \$364,943.96**
 - 20.87% increase

- Total Physician Office Visit Payments (first quarter)
 - 2014 - \$446,041.66
 - 2015 - \$504,131.59
 - **Difference = \$58,089.93**
 - 2014 Number of Visits - 3,857
 - 2015 Number of Visits - 4,330
 - **Difference = 473 more visits**
 - 12.26% increase

As you can see our utilization is much higher than the first quarter of 2014, and these factors are cost drivers for all County employees. If this increase in trend continues through the end of the year, the County will spend more than \$22,000,000.00 on the County health benefit program this year. This is significant as it would be the most amount of money that the County has ever spent on its health benefit program. Further, as you know, pursuant to Chapter 78, you are responsible to contribute a portion of the plan cost. Therefore, this will also result in you spending more money than ever.

Last year the health insurance industry trend increase for plan renewals was an increase of approximately 12%. Based on claims experience the County was able to offer our employees an 8% increase for the Community Advantage Plan and an 11% increase for the Core Medical Plan, in part because of our better than average claim history for 2014. *(Please also note that Healthcare Reform played a part in the increase as well).*

For 2015, if the claims continue at a 34% increase for the remainder of the year, it will be impossible for the County to offer plans that are below industry trend in 2016. In other words, based upon the industry trend from 2015, the County health benefit plans will increase far above the national trend of 12% in 2016. This could result in the cost for family coverage under the Core Medical Plan to exceed \$39,000. And, again, you are responsible for a portion of that amount.

Our goal is to continue to provide a high level of benefits at an affordable price that can be used by you and your family when you need it, but you need to be aware that benefit costs will increase if our claims experience continues to run the way it did the first quarter of 2015. For that reason, we are reminding everyone to be deliberate with how they use the health benefit program. This needs to be a team effort from all of us who utilize the County health benefit program.

We will, of course, continue to review claims, discuss services and stay abreast of other opportunities that would create a cost savings while still maintaining the level of benefits that are expected by our employees and their dependents.

We anticipate providing the next quarterly update over the summer and will keep you posted if there are any major developments.