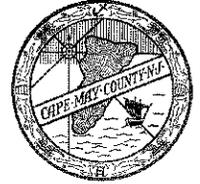


CAPE MAY COUNTY
DEPARTMENT of HUMAN RESOURCES and TRAINING

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MEMORANDUM

To: County Employees

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

Date: July 27, 2015

Re: County Health Benefits, Semi-Annual Report

Please accept this memorandum as a semi-annual status report on the County health benefit program for the first & second quarters of 2015.

The total paid medical claims for the first & second quarters of 2015 were:

- First quarter = \$4,736,070.00
- Second quarter = \$5,246,024.00
- Combined = \$9,982,094.00

This represents an increase of \$2,340,444.00 compared to the first two quarters of 2014, when the total paid medical claims were \$7,641,650.00. This equates to a 31% increase.

It's important for employees to understand what is driving these claims, so we are providing specifics on where the increases are coming from.

- Inpatient Claims (first & second quarters)
 - 2014 Claims - \$1,774,288.89
 - 2015 Claims - \$2,934,333.39
 - **Difference = \$1,160,044.50**
 - 65.38% increase
- Outpatient Claims (first & second quarters)
 - 2014 Claims - \$2,205,956.83
 - 2015 - \$2,870,619.40
 - **Difference = \$664,662.57**
 - 30.13% increase

- Professional Claims (first & second quarters)
 - 2014 - \$3,661,404.03
 - 2015 - \$4,177,141.69
 - **Difference = \$515,737.66**
 - 14.10% increase

- Total Physician Office Visit Payments (first & second quarters)
 - 2014 - \$928,020.85
 - 2015 - \$1,015,919.31
 - **Difference = \$87,898.46**
 - 2014 Number of Visits - 8,126
 - 2015 Number of Visits - 8,608
 - **Difference = 482 more visits**
 - 6% increase

As you can see our utilization is much higher than the first and second quarters 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 pay approximately \$19,964,187.00 in claims on the County health benefit program in 2015. As I advised you in the First Quarter Report, this is significant as it would be the most amount of money that the County has ever spent on its health benefit program.

As you know, pursuant to Chapter 78, you are responsible to contribute a portion of the plan cost. Last year the health insurance industry trend increase for plan renewals was an increase of approximately 10% to 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 note that Healthcare Reform played a part in the increase as well)*

Accordingly, we are reminding everyone to be deliberate with how they use the health benefit plan. This needs to be a team effort from all of us who utilize the County health benefit program. Our goal is to continue to provide a high level of benefits at an affordable price that can be used by you, me and our families when needed, but this also means that benefit costs will increase if our claims experience continues to run the way it did in the first and second quarters of 2015.

Over the next sixty days the County will be working to re-introduce the Amerihealth EPO Community Advantage Plan as well as meeting with as many employees as possible in educational communication meetings.

In addition to sharing information about claims and the EPO Community Advantage Plan, the meetings will address the following:

- Out-of-network benefits
- Emergency room utilization
- Finding an in-network provider
- Using a participating doctor outside the tri-state area (PHCS Network)
- What does healthcare reform mean to you (Cadillac Tax)
- Specialty medications
- Home delivery of maintenance medications
- Reporting life event changes and how they affect your plan

As you can see there is a lot that goes into your health and wellness benefit plans, and we recognize that these are the benefits that protect and keep you, me and our families healthy.

If you have not already been notified by your department head about an upcoming educational communication meeting, please ask him or her, or contact my office directly.