



Yocelyn Galiano, ICMA-CM
Village Manager
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MEMORANDUM
Office of the Village Manager

DATE: November 29, 2022
TO: Yocelyn Galiano, Village Manager
FROM: Mayra R. Sauleda, Human Resources Manager *MS*
RE: Increase in Medical Premiums for 2023

The open enrollment period is the annual event which provides employees with the opportunity to make changes to their benefit elections; for example, changing from one medical plan to another; adding or dropping dependents from coverage, etc. Typically this event takes place in November or December of every year. Prior to the open enrollment period, each benefit carrier provides a renewal quote for the coming Plan Year.

Renewal quotes are based on several factors with the most telling of those being claims paid during the preceding twelve-month period. Unfortunately, the Village has had several large, serious and on-going medical claims which have severely impacted the renewal for 2023. As a result of these claims the medical loss ratio (MLR) came in at 119%. The loss ratio is calculated by dividing total paid claims by premiums collected. Simply put, the carrier paid out more in claims than total premiums collected.

As a result of the MLR of 119%, the Village's medical carrier, United Healthcare (UHC), provided an initial renewal quote amounting to a 30% increase in premiums. After several discussions between our benefits consultant and UHC, the carrier provided their best and final quote of 24.4%.

As is the case during every open enrollment, our benefits consultant requests quotes from other carriers. Unfortunately, due to our claims experience, several large carriers declined to quote. Two carriers did submit quotes, i.e., AvMed at 23% and Crumdale Partners at 26.5%. Although AvMed's quote was 1.4% lower than UHC's, after careful discussion it was concluded that it did not make good business sense to switch carriers and create a disruption to member's network and providers for a 1.4% difference. Crumdale Partners was simply not competitive.



We are now faced once again with the predicament of placing the burden of an increase in medical plan premiums on Village employees. The Village has traditionally, and very conservatively budgeted a fixed dollar amount as the "employer contribution". This practice, however prudent, places the total burden of any increase in premium on employees.

In order to alleviate the impact of a 24.4% premium increase on employees, the Village would need to absorb approximately \$329,000 in Fiscal Year 2023.

In Fiscal Year 2020, the Village Council dedicated \$317,805 in the Village's surplus budget to cover the cost of any future healthcare premium increases so that said increases would not negatively impact employees. Therefore, it is recommended that Village Council consider approving the use of these dedicated funds to lessen the burden that would otherwise negatively impact Village employees in benefit plan year 2023.

Thank you.