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Rates & Benefits Committee Overview of HSS Dental Renewals

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Services provided by Mercer Health & Benefits LLC



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Overview of Renewal Process



Overview of Renewals

Process

- Renewal requests were sent to the vendors on September 2, 2009
- Mercer requested that each provide:
 - Status quo renewal proposal
 - Additional information to help support the proposals, including a menu of alternative benefit changes
- Vendors met the requested deadlines
 - Renewal proposals were received on September 23
- Mercer reviewed the submittals, sent follow-up letter, and held a call with each vendor by October 23rd
- Follow-up responses were received from vendors by October 30th
 - All vendors responded within agreed timeframes
 - Follow-up discussions and negotiations conducted

Overview of Renewals

Summary of Estimated Dental Plan Enrollment

| As of August 2009 | Total Enrollment by group | | | Distribution percentage by group | | |
|----------------------------|---------------------------|---------------|---------------|----------------------------------|-------------|-------------|
| | Employees | Retirees | Total | Employees | Retirees | Total |
| Delta Dental PPO | 27,436 | 12,967 | 40,403 | 95% | 86% | 92% |
| DeltaCare | 865 | 1,433 | 2,298 | 3% | 10% | 5% |
| UHC (Pacific Union) Dental | 490 | 620 | 1,110 | 2% | 4% | 3% |
| Total | 28,791 | 15,020 | 43,811 | 100% | 100% | 100% |
| % change | -4.0% | -0.1% | -2.7% | | | |

| As of September 2008 | Total Enrollment by group | | | Distribution percentage by group | | |
|----------------------------|---------------------------|---------------|---------------|----------------------------------|-------------|-------------|
| | Employees | Retirees | Total | Employees | Retirees | Total |
| Delta Dental PPO | 28,417 | 12,967 | 41,384 | 95% | 86% | 92% |
| DeltaCare | 981 | 1,432 | 2,413 | 3% | 10% | 5% |
| UHC (Pacific Union) Dental | 579 | 637 | 1,216 | 2% | 4% | 3% |
| Total | 29,977 | 15,036 | 45,013 | 100% | 100% | 100% |

Dental Renewals

Delta Dental

Active PPO Self-Funded Plan Renewal

| Per Employee Per Month Rates (PEPM) | Delta Dental PPO Administration Fee |
|-------------------------------------|-------------------------------------|
| | All Tiers |
| 2009/10 Rates | \$4.38 |
| 2010/11 Rates | \$4.38 |
| % increase | 0.0% |
| \$ increase | \$0.00 |

- Proposed renewal
 - Offering administration rate guarantee for three years
 - Based on claims payment patterns and volume, Delta is lowering the pre-fund amount from \$250,000 to \$100,000 resulting in a cash flow release of \$150,000

Delta Dental
Retiree PPO Plan Renewals

| Per Employee Per Month Rates (PEPM) | Delta Dental PPO | | |
|-------------------------------------|------------------|---------------|--------------------|
| | Single | Single + 1 | Single + 2 or more |
| 2009/10 Rates | \$36.90 | \$73.86 | \$111.57 |
| 2010/11 Rates | \$39.87 | \$79.80 | \$120.54 |
| % increase | 8.0% | 8.0% | 8.0% |
| \$ increase | \$2.97 | \$5.94 | \$8.97 |



Delta Dental

Retiree PPO Plan Renewals

- Renewal Proposal
 - Initial proposal was a 10.0% increase
 - Delta provided updated underwriting with a lower trend assumption and modified reserve, which resulted in a 2% reduction in the rates
 - Rates are guaranteed for one year
- Trend
 - Trend rates have increased from prior renewals with recent experience trends lower than assumed in the renewal
- Plan Changes
 - Delta included the following plan design changes (represent a 0.1% increase)
 - Expanded IV sedation coverage, general anesthesia and IV sedation covered for selected endodontic procedures and periodontal surgeries, and frequency limitation to Panorex films

Delta Dental

Delta Care USA Active and Retiree Plan Renewals

| Per Employee Per Month Rates (PEPM) | Delta Care USA – Actives | | | Delta Care USA - Retirees | | |
|-------------------------------------|--------------------------|---------------|--------------------|---------------------------|---------------|--------------------|
| | Single | Single + 1 | Single + 2 or more | Single | Single + 1 | Single + 2 or more |
| 2009/10 Rates | \$24.32 | \$40.13 | \$59.35 | \$29.65 | \$48.93 | \$72.37 |
| 2010/11 Rates | \$26.00 | \$42.90 | \$63.45 | \$31.70 | \$52.31 | \$77.37 |
| % increase | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% | 6.9% |
| \$ increase | \$1.68 | \$2.77 | \$4.10 | \$2.05 | \$3.38 | \$5.00 |

- Proposed renewal and observations
 - Offering premium rate guarantee for three years
 - Trend rates have declined from prior renewal
 - Utilization in-line with overall trend rate
 - Loss ratios low, with minor increases over the last 12-months

UHC (formerly Pacific Union) Dental

Active and Retiree Plan Renewal

| Per Employee Per Month Rates (PEPM) | Actives | | | Retirees | | |
|-------------------------------------|---------------|---------------|--------------------|---------------|---------------|--------------------|
| | Single | Single + 1 | Single + 2 or more | Single | Single + 1 | Single + 2 or more |
| 2009/10 Rates | \$27.80 | \$45.90 | \$67.86 | \$16.47 | \$27.20 | \$40.22 |
| 2010/11 Rates | \$27.80 | \$45.90 | \$67.86 | \$16.47 | \$27.20 | \$40.22 |
| % increase | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| \$ increase | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |

- Offering premium rate guarantee for two years
- Retention as a percentage of claims significantly higher than industry standards
- Rate stipulations, performance guarantees and retention assumptions currently under negotiation

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