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Rates & Benefits Committee Overview of HSS plan 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, including mandated plan changes to comply with the mental health parity act
 - 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 Medical Plan Enrollment

As of August 2009	Total Enrollment by group				Distribution percentage by group			
	Employees	Non-Medicare Retirees	Medicare Retirees	Total	Employees	Non-Medicare Retirees	Medicare Retirees	Total
Kaiser	16,346	2,759	7,380	26,485	45%	41%	45%	44%
Blue Shield	18,769	2,578	3,727	25,074	51%	39%	23%	42%
City Plan	1,599	1,331	5,212	8,142	4%	20%	32%	14%
Total	36,714	6,668	16,319	59,701	100%	100%	100%	100%
% Increase	-2.5%	0.0%	+2.4%	-0.9%				

As of September 2008	Total Enrollment by group				Distribution percentage by group			
	Employees	Non-Medicare Retirees	Medicare Retirees	Total	Employees	Non-Medicare Retirees	Medicare Retirees	Total
Kaiser	15,796	2,696	7,078	25,570	42%	40%	44%	42%
Blue Shield	16,310	2,002	3,002	21,314	43%	30%	19%	35%
City Plan	2,041	1,511	4,903	8,455	5%	23%	31%	14%
PacifiCare	3,514	458	960	4,932	9%	7%	6%	8%
Total	37,661	6,667	15,943	60,271	100%	100%	100%	100%



City Health Plan
United Health Care Administration Fee
Renewal

United Healthcare – 1.5% Proposed Renewal Administration Fees

Monthly PEPM	Non-Medicare	Medicare
2009/2010 Fees	\$36.27	\$22.64
2010/2011 Fees	\$36.82	\$22.98
% Increase	1.5%	1.5%
\$ Increase	\$0.55	\$0.34

- Original proposed fee of 3%; after negotiations, UHC agreed to a 1.5% rate concession (\$40,000 annual savings)
- UHC is also implementing a number of enhancements on the pharmacy guarantees, including improved rebates, discount fees and dispensing fees
- Contract guarantees and language currently under review and negotiation

HMO Renewals – Non-Medicare

Kaiser – 5.6% Proposed Non-Medicare Renewal

Non-Medicare Monthly Premium Rates

Per Employee Per Month Rates (PEPM)	Actives			Non-Medicare Retirees		
	Single	Single + 1	Single + 2 or more	Single	Single + 1	Single + 2 or more
Enrollment as of 8/2009	7,212	4,507	4,627	1,836	733	190
2009/10 Rates	\$457.47	\$914.94	\$1,294.64	\$923.42	\$1,380.89	\$1,760.59
2010/11 Rates	\$482.89	\$965.78	\$1,366.58	\$974.84	\$1,457.73	\$1,858.53
% increase	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
\$ increase	\$25.42	\$50.84	\$71.94	\$51.42	\$76.84	\$97.94

- Kaiser has decreased rating trend by 1.5% over 2009/10 renewal
 - Kaiser uses a single rating trend in developing commercial premiums and does not distinguish between different categories of care or separate out unit cost and utilization increases
 - The trend is developed so that overall premiums will cover the staff model budget
- Explicit retention increase consistent with prior renewal
 - However, CPI has declined over the past 12 months

Kaiser – 5.6% Proposed Non-Medicare Renewal

Observations and Key Drivers

- Data
 - Kaiser continues to have 100 day lag with data
 - Therefore, renewal information is based on data through March 2009
- Rating Trend – 1.5% decrease over prior renewal
 - Recent experience trends based on the dashboard have been lower than overall rating trend
- Retention – Increase of 3% over the prior renewal
 - Generally administrative expenses increase with CPI
 - Based on Bureau of Labor Statistics data through September, CPI has declined over the past 12-months
- Performance guarantees and rate stipulations currently under negotiation

Blue Shield – 14.6% Proposed Non-Medicare Renewal

Non-Medicare Monthly Premium Rates

Per Employee Per Month Rates (PEPM)	Actives			Non-Medicare Retirees		
	Single	Single + 1	Single + 2 or more	Single	Single + 1	Single + 2 or more
Enrollment as of 8/2009	7,870	5,427	5,472	1,552	787	239
2009/10 Rates	\$525.66	\$1,051.34	\$1,487.64	\$1,172.22	\$1,697.90	\$2,134.20
2010/11 Rates	\$602.48	\$1,204.99	\$1,705.05	\$1,343.53	\$1,946.04	\$2,446.10
% increase	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%
\$ increase	\$76.82	\$153.65	\$217.41	\$171.31	\$248.14	\$311.90

- Blue Shield increased most key underwriting trend assumptions over 2009/10 renewal
 - Medical fee for service
 - Pharmacy
 - Capitation
- Retention charges held constant at 2009/10 levels

Blue Shield – 14.6% Proposed Non-Medicare Renewal

Observations and Key Drivers

- Initial proposal received was a 16.3% increase
- Revised proposals reflect a 1.7% reduction to initial proposal
 - 1.2% business concession
 - Retention held flat as compared to a 5.4% increase for the initial proposal
 - Adjustments to assumptions for members migrating from the City Health Plan
- Data
 - Renewals based on data through June 2009
 - Continue to use PacifiCare experience in the renewal without adjustments
- Fee for service trend assumptions
 - 1.4% increase in medical fee for service trend and 0.9% increase in pharmacy trend over 2009/10 renewal
 - Recent experience of Blue Shield and PacifiCare plans has suggested more favorable trends
 - However, primary factor underlying medical trend assumption change was increase in utilization trend factor
- Performance guarantees and rate stipulations currently under negotiation

HMO Renewals – Medicare

Kaiser – 6.3% Proposed Renewal

Medicare (Senior Advantage) Monthly Premium Rates

Per Employee Per Month Rates (PEPM)	Medicare Retirees		
	Single	Single + 1	Single + 2 or more
Enrollment as of 9/2009	5,249	2,053	78
2009/10 Rates	\$344.22	\$688.44	\$1,032.66
2010/11 Rates	\$365.79	\$731.58	\$1,097.37
% increase	6.3%	6.3%	6.3%
\$ increase	\$21.57	\$43.14	\$64.71

Financial Breakdown of Medicare Advantage (MA-PD) Assumptions

Benefit Costs	\$1,199.33 (+8%)
Estimated CMS Reimbursements for Parts A and B	\$811.83 (+9%)
Estimated CMS Reimbursement for Part D	\$48.05 (+6%)
Net Cost (excluding other benefits)	\$339.45 (+7%)

Blue Shield – 30.1% to 39.8% Proposed Renewal Medicare Monthly Premium Rates

Per Employee Per Month Rates (PEPM)	Medicare COB Only			Medicare Advantage Prescription Drug Plan (MA-PD) / COB		
	Single	Single + 1	Single + 2 or more	Single	Single + 1	Single + 2 or more
Enrollment as of 8/2009	2,601	1,054	72	2,601	1,054	72
2009/10 Rates	\$307.06	\$614.12	\$921.18	\$307.06	\$614.12	\$921.18
2010/11 Rates	\$429.32	\$858.64	\$1,287.96	\$399.61	\$799.22	\$1,198.83
% increase	39.8%	39.8%	39.8%	30.1%	30.1%	30.1%
\$ increase	\$122.26	\$244.52	\$366.78	\$92.55	\$185.10	\$277.65

Financial Breakdown of Medicare Advantage (MA-PD) Assumptions

Benefit Costs	\$1,238.41 (+4%)
Estimated CMS Reimbursements for Parts A and B	\$799.92 (-4%)
Estimated CMS Reimbursement for Part D	\$46.43 (0%)
Net Cost	\$392.06 (+28%)
Blended Increase (MA-PD and COB for those outside MA-PD service area)	\$399.61 (+30%)

Blue Shield – Medicare Advantage (MA-PD) vs. COB Plan

Medicare Plan Renewal

	Blue Shield - Medicare Advantage (MA-PD)	Blue Shield - Coordination of Benefits (COB) Plan
Medicare Parts A and B	Assign Medicare rights to carrier. Carrier provides benefits.	Maintain Parts A & B; plan coordinated with Medicare
Medicare Part D	Pharmacy benefits provided by carrier	Pharmacy benefits provided by carrier
Providers/Physicians	Members see providers in MA-PD network	Members see providers in broader HMO network
Service Area	Enroll if reside in narrower MA-PD service area, otherwise automatically enrolled in COB plan	Same as Blue Shield HMO network
Other considerations	Disruption if physician not part of network; e.g. Sutter Medical (except CPMC) not part of the Blue Shield network	No disruption relative to non-Medicare Blue Shield HMO

Blue Shield – 30.1% to 39.8% Proposed Renewal

Medicare Plan Renewal

- Same fee for service trend assumptions as non-Medicare plan
- Retention – Increase of 5% over the prior renewal
 - Retention was not held flat as it was on the revised non-Medicare proposal
- Capitation increases lower than non-Medicare plan and in line with marketplace trends
- MA-PD plan – CMS reimbursement
 - Rates highly leveraged due to decreasing CMS reimbursement levels
- Prior Business Concession
 - Rates increasing not only at current trend but reflect reversal of 2009/10 business concession (16.8%)
- Next Steps
 - Consideration on which plan to sponsor: MA-PD (in MA-PD network)/COB combination or COB Plan only

Mental Health Parity Act of 2009

Mental Health Parity

- Background
 - October 3, 2008: the Paul Wellstone and Pete Domenicic Mental health Parity and Addiction Equity Act of 2009 became law
 - Requires group health plans (fully insured and self-funded) that offer mental health (MH) or substance abuse (SA) benefits to provide those benefits on par with medical and surgical benefits
 - Prohibits plans from imposing financial requirements or treatment limits on MH/SA that are more restrictive than the predominant financial or treatment limits on medical and surgical
 - Guidance from federal regulators not expected until January 2010
 - Effective date for HSS plans is July 1, 2010
- Overall plan design changes include
 - Removing all annual and lifetime limits on mental health and substance abuse benefits (inpatient and outpatient)
 - Aligning co-payments and co-insurance amounts with medical and surgical benefits
 - Ensure pre-authorization penalties are no more restrictive
- Resulting non-Medicare rate impact is 0.09% increase for Blue Shield HMO and 0.15% increase for Kaiser HMO



Preliminary Rates and Contributions

Summary of Renewal Proposals - Premiums

Aggregate Premiums (\$ in millions)

Premium Renewal Proposal	Membership Group				Increase			
	Employees	Non-Medicare Retirees	Medicare Retirees	Total	Employees	Non-Medicare Retirees	Medicare Retirees	Total
City Plan	\$25.0	\$21.6	\$29.2	\$75.8	13.1%	21.7%	16.5%	16.8%
Kaiser	\$169.9	\$38.5	\$42.1	\$250.5	5.6%	5.6%	6.3%	5.7%
Blue Shield	\$247.3	\$50.4	\$25.4	\$323.1	14.6%	14.6%	39.8%	16.3%
Total	\$442.2	\$110.5	\$96.7	\$649.4	10.9%	12.5%	16.7%	12.0%

Notes:

- City Plan rates are preliminary and are based on data through August 2009
- Excludes vision, HSS expense load, and flex funded plan close down amount
- Assumes Blue Shield Medicare COB rates
- Based on enrollment as of 8/2009

Summary of Renewal Proposals

Summary of CHARTER ONLY Monthly Contributions

Status Quo Basis	Employees			Non-Medicare Retiree		Medicare Retiree	
	Single	Single + 1	Single +2+	Single	Single + 1	Single	Single + 1
City Plan	\$442.26	\$1,312.59	\$2,029.73	\$221.13	\$714.73	\$0.00	\$172.37
% Increase	23%	17%	15%	23%	23%	0%	18%
\$ increase	\$83.35	\$187.34	\$268.44	\$41.68	\$132.62	\$0.00	\$26.86
Kaiser	\$20.19	\$508.94	\$914.59	\$10.09	\$254.46	\$0.00	\$185.54
% Increase	35%	6%	6%	35%	6%	0%	6%
\$ increase	\$5.20	\$30.62	\$51.72	\$2.60	\$15.31	\$0 .00	\$10.78
Blue Shield	\$140.12	\$748.82	\$1,254.02	\$70.06	\$374.41	\$0.00	\$217.21
% Increase	68%	22%	19%	68%	22%	0%	39%
\$ increase	\$56.60	\$133.43	\$197.19	\$28.30	\$66.72	\$0.00	\$61.13

Notes:

- Preliminary assumption: 4.5% increase in the 10-County Amount
- City Plan rates are preliminary and based on data through August 2009
- Assumes Blue Shield Medicare COB rates

Summary of Renewal Proposals

Summary of TYPICAL BARGAINED Monthly Contributions

Status Quo Basis	Employees			Non-Medicare Retiree		Medicare Retiree	
	Single	Single + 1	Single +2+	Single	Single + 1	Single	Single + 1
City Plan	\$0.00	\$641.79	\$1,358.93	\$221.13	\$714.73	\$0.00	\$172.37
% Increase	0%	31%	21%	23%	23%	0%	18%
\$ increase	\$0.00	\$152.45	\$233.55	\$41.68	\$132.62	\$0.00	\$26.86
Kaiser	\$0.00	\$20.19	\$243.79	\$10.09	\$254.46	\$0.00	\$185.54
% Increase	0%	35%	7%	35%	6%	0%	6%
\$ increase	\$0.00	\$5.20	\$16.83	\$2.60	\$15.31	\$0.00	\$10.78
Blue Shield	\$0.00	\$140.12	\$583.22	\$70.06	\$374.41	\$0.00	\$217.21
% Increase	0%	68%	39%	68%	22%	0%	39%
\$ increase	\$0.00	\$56.60	\$162.30	\$28.30	\$66.72	\$0.00	\$61.13

Notes:

- Preliminary assumption: 4.5% increase in the 10-County Amount
- City Plan rates are preliminary and based on data through August 2009
- Assumes Blue Shield Medicare COB rates

Summary of Renewal Proposals

Preliminary distribution of cost increases – Status quo (\$ in millions)

Distribution of Total Rated Cost (TRC)				
	Total Rated Cost	Employers (incl. bargained conts.)	Members	Member Contributions as a % of TRC
City Plan	\$75.6	\$60.8	\$14.8	19.6%
% Increase	16.7%	15.3%	23.1%	5.4%
Kaiser	\$253.9	\$230.2	\$23.7	9.3%
% Increase	5.6%	5.3%	8.2%	2.4%
Blue Shield	\$326.7	\$268.6	\$58.1	17.8%
% Increase	16.1%	11.8%	40.7%	21.2%
Total	\$656.2	\$559.6	\$96.6	14.8%
% Increase	11.8%	9.4%	28.4%	14.7%

Notes:

- Preliminary assumption: 4.5% increase in the 10-County Amount
- City Plan rates are preliminary and based on data through August 2009
- Assumes Blue Shield Medicare COB rates
- Based on enrollment as of 8/2009



Next Steps

- Continue negotiations with vendors
- Assess potential plan design changes, including impact of the Mental Health Parity Act
- Direction from Board on Blue Shield Medicare Plan offering (MA-PD vs COB)
- Update self-funded plan projections based on most recent experience and renewals for December meeting

Appendix

Preliminary 2010/11 Renewals

Blue Shield – Status Quo

	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree & Spouse w/o Medicare	Retiree with Medicare	Retiree & Spouse with Medicare
Premium	\$ 602.48	\$ 1,204.99	\$ 1,705.05	\$ 1,343.53	\$ 1,946.04	\$ 429.32	\$ 858.64
Vision	\$ 3.57	\$ 7.15	\$ 10.12	\$ 3.57	\$ 7.15	\$ 3.57	\$ 7.15
Expense	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04
Flex Funded Plan Closedown Adjustment	\$ 2.62	\$ 5.23	\$ 7.40	\$ 5.81	\$ 8.42	\$ 1.54	\$ 3.07
Total	\$ 609.71	\$ 1,218.41	\$ 1,723.61	\$ 1,353.95	\$ 1,962.65	\$ 435.47	\$ 869.90
10-County Amount	\$ 469.59	\$ 469.59	\$ 469.59	\$ 469.59		\$ 435.47	
Single Retiree Offset					\$ 469.59		\$ 435.47
"Actuarial Difference"				\$ 744.24	\$ 744.24	\$ -	\$ -
Prop. E Subsidy				\$ 70.06	\$ 374.41	\$ -	\$ 217.22
Subtotal City Contributions (Gap Dollars)	\$ 469.59	\$ 469.59	\$ 469.59	\$ 1,283.89	\$ 1,588.24	\$ 435.47	\$ 652.69
Non-Bargained Contribution Rate	\$ 140.12	\$ 748.82	\$ 1,254.02	\$ 70.06	\$ 374.41	\$ -	\$ 217.21
75% Kaiser Pickup		\$ 608.70	\$ 670.80				
Single Employee Pickup	\$ 140.12						
Typical Bargained Member Contribution	\$ -	\$ 140.12	\$ 583.22				
2009/10 Non-Bargained Contribution Rate	\$ 83.52	\$ 615.39	\$ 1,056.83	\$ 41.76	\$ 307.69	\$ -	\$ 156.08
Contribution Increase	68%	22%	19%	68%	22%	0%	39%
2009/10 Bargained Contribution Rate	\$ -	\$ 83.52	\$ 420.92				
Contribution Increase	0%	68%	39%				

Preliminary 2010/11 Renewals

Kaiser – Status Quo

	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree & Spouse w/o Medicare	Retiree with Medicare	Retiree & Spouse with Medicare
Premium	\$ 482.89	\$ 965.78	\$ 1,366.58	\$ 974.84	\$ 1,457.73	\$ 365.79	\$ 731.58
Vision Expense	\$ 3.57	\$ 7.15	\$ 10.12	\$ 3.57	\$ 7.15	\$ 3.57	\$ 7.15
Flex Funded Plan Closedown Adjustment	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04
Total	\$ 489.78	\$ 978.53	\$ 1,384.18	\$ 984.03	\$ 1,472.77	\$ 372.12	\$ 743.21
10-County Amount	\$ 469.59	\$ 469.59	\$ 469.59	\$ 469.59		\$ 372.12	
Single Retiree Offset "Actuarial Difference"					\$ 469.59		\$ 372.12
Prop. E Subsidy				\$ 494.25	\$ 494.25	\$ -	\$ -
Subtotal City Contributions (Gap Dollars)	\$ 10.10	\$ 10.10	\$ 10.10	\$ 10.10	\$ 254.47	\$ -	\$ 185.55
Non-Bargained Contribution Rate	\$ 20.19	\$ 508.94	\$ 914.59	\$ 10.09	\$ 254.46	\$ -	\$ 185.54
75% Kaiser Pickup		\$ 488.75	\$ 670.80				
Single Employee Pickup	\$ 20.19						
Typical Bargained Member Contribution	\$ -	\$ 20.19	\$ 243.79				
2009/10 Non-Bargained Contribution Rate	\$ 14.99	\$ 478.32	\$ 862.87	\$ 7.49	\$ 239.15	\$ -	\$ 174.76
Contribution Increase	35%	6%	6%	35%	6%	0%	6%
2009/10 Bargained Contribution Rate	\$ -	\$ 14.99	\$ 226.96				
Contribution Increase	0%	35%	7%				

Preliminary 2010/11 Renewals

City Plan – Status Quo

	Employee Only	Employee and One Dependent	Employee and Family	Retiree without Medicare	Retiree & Spouse w/o Medicare	Retiree with Medicare	Retiree & Spouse with Medicare
Medical	\$ 722.50	\$ 1,444.97	\$ 2,088.14	\$ 747.91	\$ 1,495.82	\$ 172.95	\$ 345.90
Pharmacy	\$ 152.89	\$ 305.77	\$ 383.81	\$ 245.77	\$ 491.54	\$ 219.31	\$ 438.63
Vision	\$ 3.57	\$ 7.15	\$ 10.12	\$ 3.57	\$ 7.15	\$ 3.57	\$ 7.15
Expense	\$ 41.87	\$ 41.87	\$ 41.87	\$ 41.87	\$ 41.87	\$ 34.56	\$ 34.56
Medicare Part D Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (47.65)	\$ (95.30)
Claims Stabilization Amount	\$ (13.01)	\$ (25.42)	\$ (35.63)	\$ (14.68)	\$ (28.75)	\$ (5.42)	\$ (10.33)
Flex Funded Plan Closedown Adjustment	\$ 4.03	\$ 7.84	\$ 11.01	\$ 4.22	\$ 8.23	\$ 1.62	\$ 3.07
Total	\$ 911.85	\$ 1,782.18	\$ 2,499.32	\$ 1,028.66	\$ 2,015.86	\$ 378.94	\$ 723.68
10-County Amount	\$ 469.59	\$ 469.59	\$ 469.59	\$ 469.59		\$ 378.94	
Single Retiree Offset					\$ 469.59		\$ 378.94
"Actuarial Difference"				\$ 116.81	\$ 116.81	\$ -	\$ -
Prop. E Subsidy				\$ 221.13	\$ 714.73	\$ -	\$ 172.37
Subtotal City Contributions (Gap Dollars)	\$ 469.59	\$ 469.59	\$ 469.59	\$ 807.53	\$ 1,301.13	\$ 378.94	\$ 551.31
Trust Fund Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010/11 Non-Bargained Contribution Rate	\$ 442.26	\$ 1,312.59	\$ 2,029.73	\$ 221.13	\$ 714.73	\$ -	\$ 172.37
75% Kaiser Pickup		\$ 670.80	\$ 670.80				
Single Employee Pickup	\$ 442.26						
Typical Bargained Member Contribution	\$ -	\$ 641.79	\$ 1,358.93				
2009/10 Non-Bargained Contribution Rate	\$ 358.91	\$ 1,125.25	\$ 1,761.29	\$ 179.45	\$ 582.11	\$ -	\$ 145.51
Contribution Increase	23%	17%	15%	23%	23%	0%	18%
2009/10 Bargained Contribution Rate	\$ -	\$ 489.34	\$ 1,125.38				
Contribution Increase	0%	31%	21%				

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