



December 10, 2009

Rates & Benefits Committee 2010/11 City Health Plan Renewal

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The City Health Plan

Update

- The preliminary premium equivalent rates presented at the October 8, 2009 Rates and Benefits Committee meeting have been updated to incorporate estimated September and October incurred claims
 - Both the employee and non-Medicare retiree groups' experience have continued the same high trend experience discussed at the October meeting. The Medicare group's experience has improved
 - Overall, the updated projected 2010/11 premium equivalent rates are at or slightly below those disclosed in the October meeting

The City Health Plan

Recap on funding policy

- The City Health plan's 2010/11 premium rates consist of the following five components:
 - Estimated incurred claims cost for plan year 2010/11
 - Estimated cost of administering the claims
 - Estimated change in the contingency margin
 - Factor reflecting revenue excess or shortfall experience from prior plan years ("Claims Stabilization Amount")
 - Factor reflecting close out of Flex Funded plan

The City Plan

Funding policy – Plan year reconciliation

- HSS and Mercer have reviewed the actual claims and premium experience against that expected for the 2008/09 plan year

2008/09 Plan Year	Expected	Actual
Estimated Incurred Claims	\$80.4M	\$74.2M
+ Administration Costs	\$3.0M	\$2.7M
+ Part D Accrual	\$(3.6M)	\$(2.5M)
+ Rx Rebates (included in the expected Rx claims)	\$(2.0M)	\$(2.4M)
Total Cost	\$77.9M	\$72.0M
- Contributions Collected	\$70.8M	\$66.5M
Revenue Shortfall	\$7.0M	\$5.5M
Change in year-end Contingency Margin (from \$10.7M to \$10.8M)		\$0.1M
Total Shortfall		\$5.6M
Net to be applied when determining the 2010/11 Stabilization Amount (\$7.0M less \$5.6M)		+\$1.4M

The City Plan

Funding policy - Closing out the Flex Funded plan

- The close out liability to be recouped is estimated at \$4.0M as of June 30, 2009
 - This is reduced from the top level estimate of the Flex Funded plan's 2008/09 plan year settlement: \$8.5M discussed during last year's Rates and Benefits process
- The agreed upon approach to remove the close out liability was to introduce a two-year amortization of the close out amount over all continuing plans
 - \$2.9M is estimated to be collected over the 2009/10 plan year. A further \$1.1M will therefore need to be collected over the 2010/11 plan year
 - Each plan is allocated a proportion of the close out liability based on their anticipated aggregate premium cost over the year of amortization
 - To maintain equality across the HSS medical plans, the 2010/11 premium rates are increased by a uniform 0.2% load across all categories of membership

The City Health Plan

2010/11 premium equivalent rates – Medical + Rx + Admin

Category	2009/10 Plan Year				2010/11 Plan Year				
	Premium Equivalent	Stabilization Amount	PacifiCare Close-Out	Total	Premium Equivalent	Stabilization Amount	PacifiCare Close-Out	Total	Increase
Employee Only	\$815.86	\$(11.61)	\$4.03	\$808.28	\$939.01	\$(13.97)	\$1.58	\$926.62	14.6%
Emp. + 1	\$1,589.40	\$(22.62)	\$7.84	\$1,574.62	\$1,836.16	\$(27.32)	\$3.09	\$1,811.93	15.1%
Emp. + 2+	\$2,231.40	\$(31.75)	\$11.01	\$2,210.66	\$2,576.67	\$(38.34)	\$4.34	\$2,542.67	15.0%
Retiree w/o Medicare	\$855.18	\$(12.17)	\$4.22	\$847.23	\$1,083.67	\$(16.13)	\$1.83	\$1,069.37	26.2%
Retiree w/o Medicare + 1	\$1,668.06	\$(23.74)	\$8.23	\$1,652.55	\$2,125.51	\$(31.63)	\$3.58	\$2,097.46	26.9%
Retiree with Medicare ¹	\$329.09	\$(4.68)	\$1.62	\$326.03	\$372.79	\$(5.55)	\$0.63	\$367.87	12.8%
Retiree with Medicare + 1 ¹	\$622.85	\$(8.87)	\$3.07	\$617.05	\$711.05	\$(10.58)	\$1.20	\$701.67	13.7%

¹ Premium equivalents reduced by anticipated Medicare Part D reimbursements from CMS

2010/11 City Health Plan Renewal

Summary of Contributions

Charter Only Basis	Employees			Non-Medicare Retiree		Medicare Retiree	
	Single	Single + 1	Single +2+	Single	Single + 1	Single	Single + 1
2010/11 Plan Year	\$453.89	\$1,339.19	\$2,069.93	\$226.94	\$740.96	\$0.00	\$166.90
2009/10 Plan Year	\$358.91	\$1,125.25	\$1,761.29	\$179.45	\$582.11	\$0.00	\$145.51
% Increase	26%	19%	18%	26%	27%	0%	15%

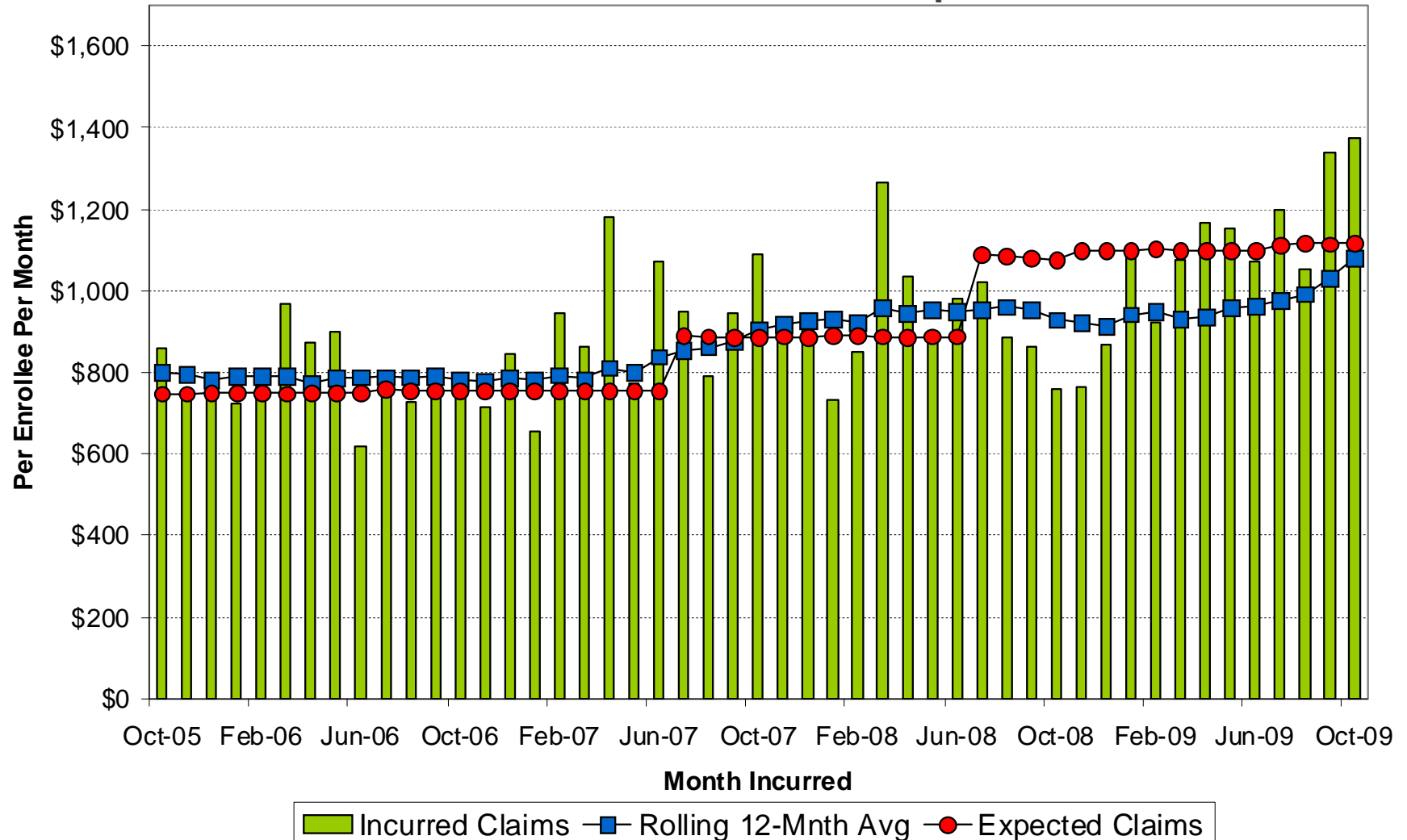
Typical Bargained Basis	Employees		
	Single	Single + 1	Single +2+
2010/11 Plan Year	\$0.00	\$670.38	\$1,401.12
2009/10 Plan Year	\$0.00	\$498.50	\$1,137.00
% Increase	0%	37%	25%

Appendix

The City Health Plan

Review of experience – Employees

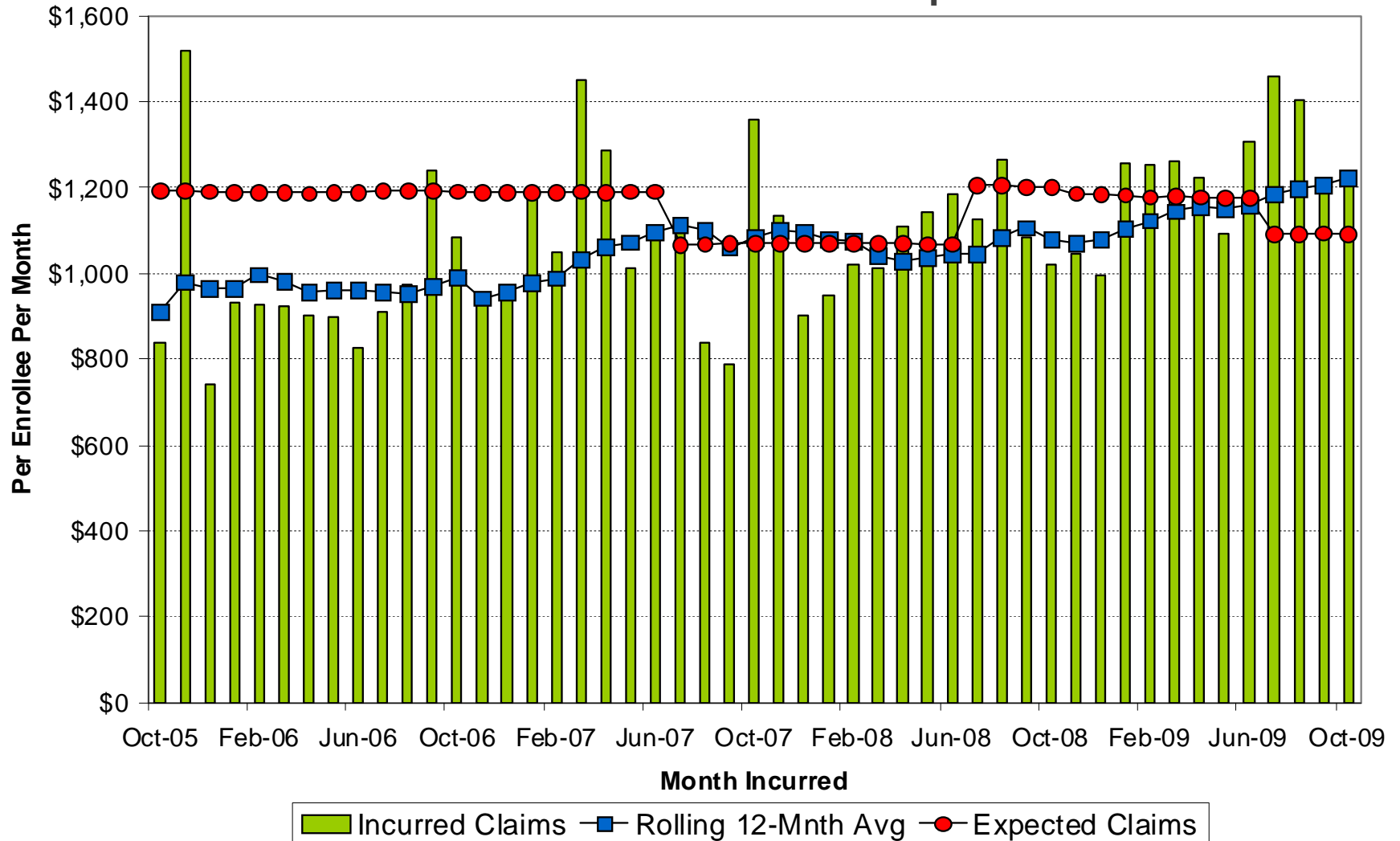
Estimated Incurred Claims vs. Expected Claims



The City Health Plan

Review of experience – Non-Medicare Retirees

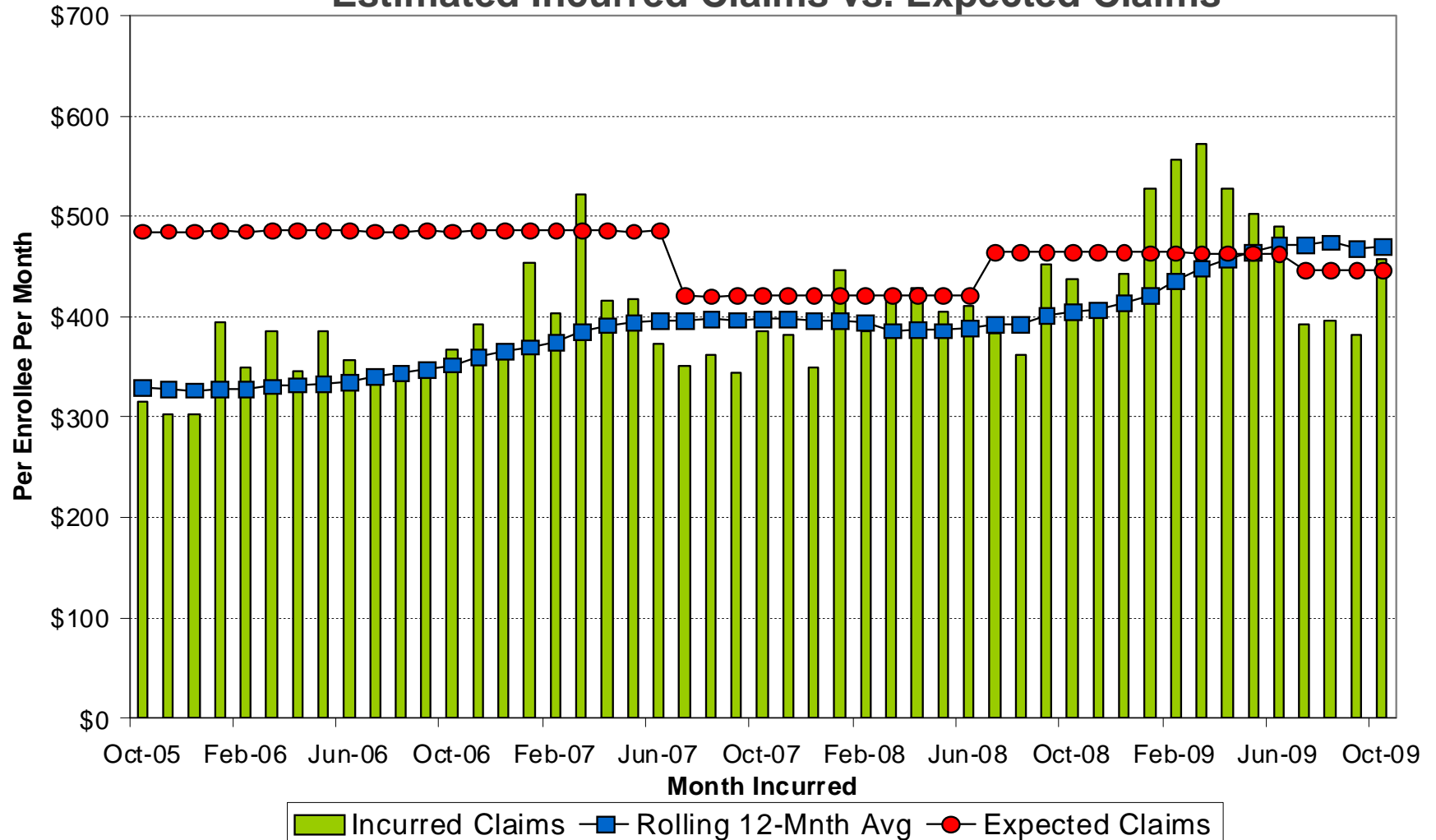
Estimated Incurred Claims vs. Expected Claims



The City Health Plan

Review of experience – Medicare Retirees

Estimated Incurred Claims vs. Expected Claims



2010/11 City Health Plan Renewal

	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	\$ 741.06	\$ 1,482.11	\$ 2,141.81	\$ 808.45	\$ 1,616.90	\$ 162.61	\$ 325.22
Pharmacy	\$ 152.51	\$ 305.03	\$ 382.87	\$ 229.77	\$ 459.54	\$ 212.05	\$ 424.12
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (40.00)	\$ (80.00)
Claims Stabilization Amount	\$ (13.97)	\$ (27.32)	\$ (38.34)	\$ (16.13)	\$ (31.63)	\$ (5.55)	\$ (10.58)
Flex Funded Plan Closedown Adjustment	\$ 1.58	\$ 3.09	\$ 4.34	\$ 1.83	\$ 3.58	\$ 0.63	\$ 1.20
Total	\$ 926.62	\$ 1,811.93	\$ 2,542.67	\$ 1,069.36	\$ 2,097.41	\$ 367.87	\$ 701.67
10-County Amount	\$ 472.74	\$ 472.74	\$ 472.74	\$ 472.74		\$ 367.87	
Single Retiree Offset					\$ 472.74		\$ 367.87
"Actuarial Difference"				\$ 142.74	\$ 142.74	\$ -	\$ -
Prop. E Subsidy				\$ 226.94	\$ 740.97	\$ -	\$ 166.90
Subtotal City Contributions (Gap Dollars)	\$ 472.74	\$ 472.74	\$ 472.74	\$ 842.42	\$ 1,356.45	\$ 367.87	\$ 534.77
Trust Fund Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010/11 Non-Bargained Contribution Rate	\$ 453.88	\$ 1,339.19	\$ 2,069.93	\$ 226.94	\$ 740.96	\$ -	\$ 166.90
75% Kaiser Pickup		\$ 668.81	\$ 668.81				
Single Employee Pickup	\$ 453.88						
Typical Bargained Member Contribution	\$ -	\$ 670.38	\$ 1,401.12				
2009/10 Non-Bargained Contribution Rate	\$ 358.91	\$ 1,125.25	\$ 1,761.29	\$ 179.45	\$ 582.11	\$ -	\$ 145.51
Contribution Increase	26%	19%	18%	26%	27%	0%	15%
2009/10 Bargained Contribution Rate	\$ -	\$ 489.34	\$ 1,125.38				
Contribution Increase	0%	37%	25%				

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