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Rates & Benefits Committee Preliminary Self-Funded Plan Premium Equivalent Rates

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Services provided by Mercer Health & Benefits LLC

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Self-Funded Plans Review
The City Health Plan

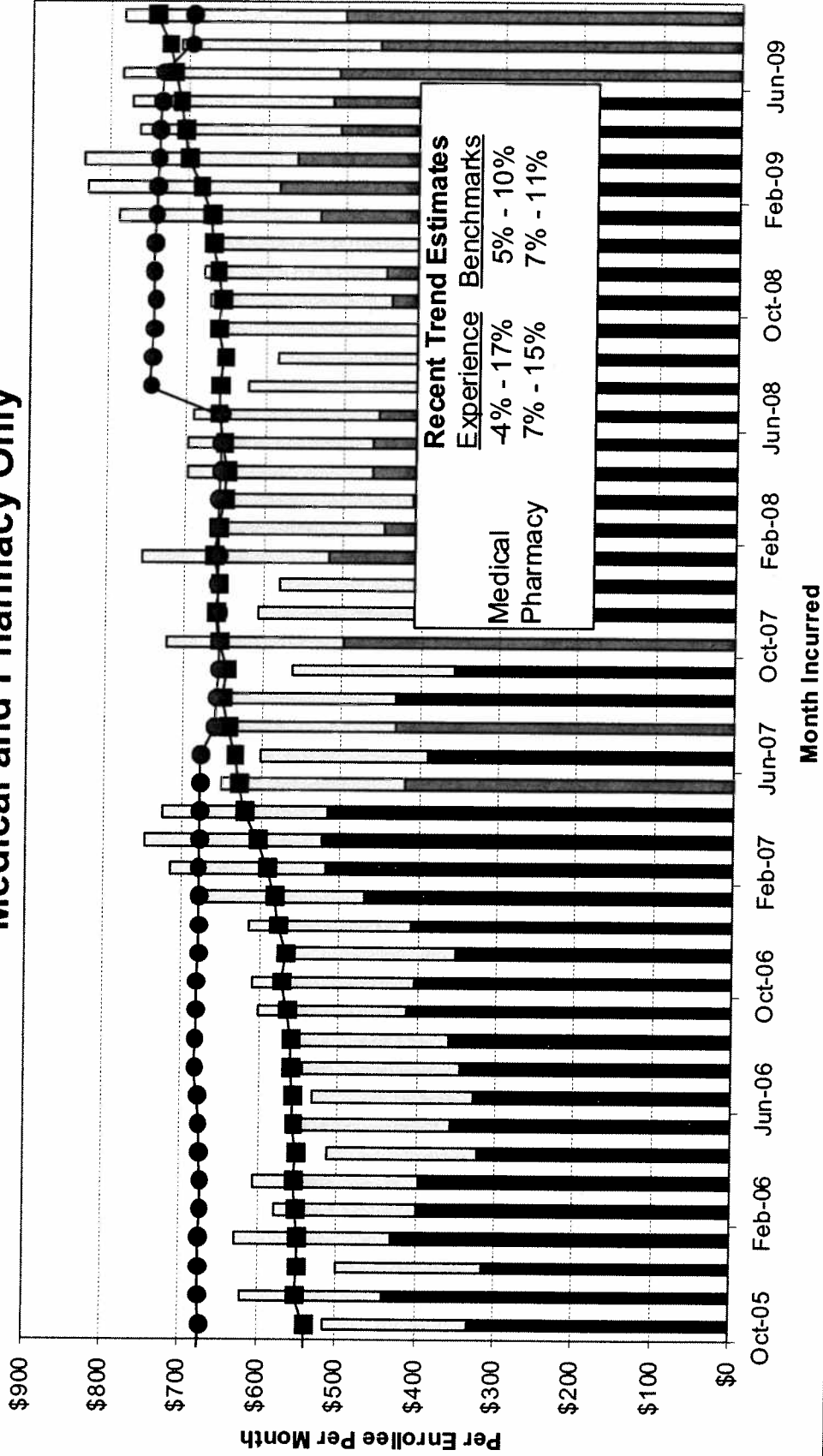
The City Health Plan Review of experience

- Claims experience for the 2008/09 plan year was in line with level of claims anticipated in the premium equivalent rates
 - Actual claims were lower than expected for actives while retiree claims came in slightly higher than projections
- Recent trend experience, however, has deteriorated for both medical and pharmacy cost
 - Exposure to large claims in the employee and non-Medicare retiree groups results in considerable experience volatility
 - Although average claim size has remained fairly stable, incidence of claims over \$50,000 has increased considerably
 - The acceleration in pharmacy cost trend was driven by the active group's claims experience
 - Changes made to the pharmacy benefit effective July 1, 2009 should help mitigate some of this unfavorable escalation to cost

The City Health Plan

Review of experience – All Members

Estimated Incurred Claims vs. Expected Claims Medical and Pharmacy Only

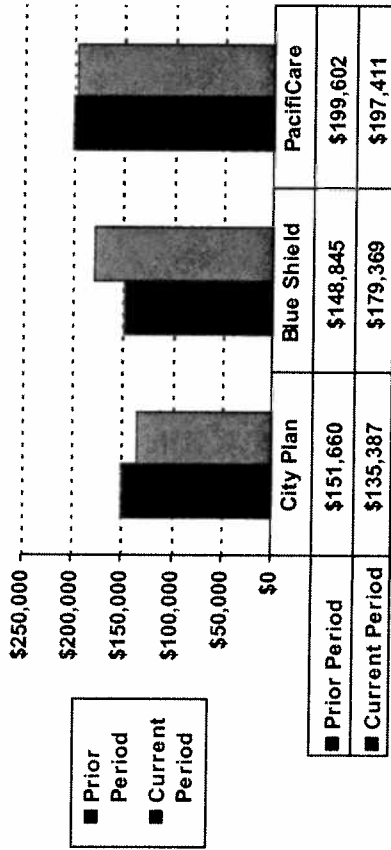


Medical
 Pharmacy (Excl. Medicare RDS)
 Rolling-12 Month Average
 Expected Claims

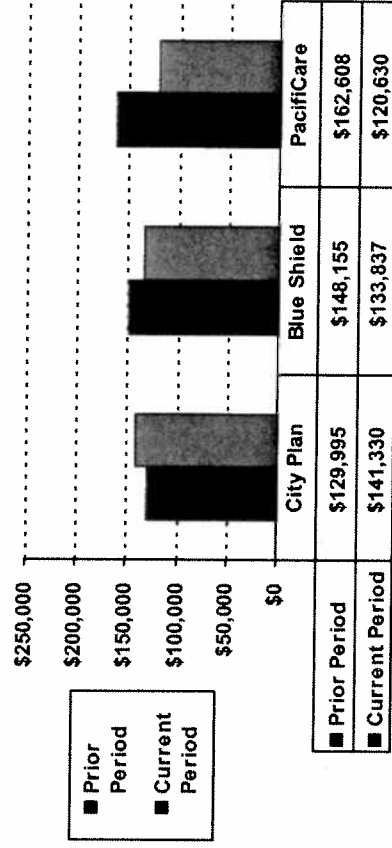
The City Health Plan

Review of experience – Claims >\$50k for Actives and Non-Medicare Retirees

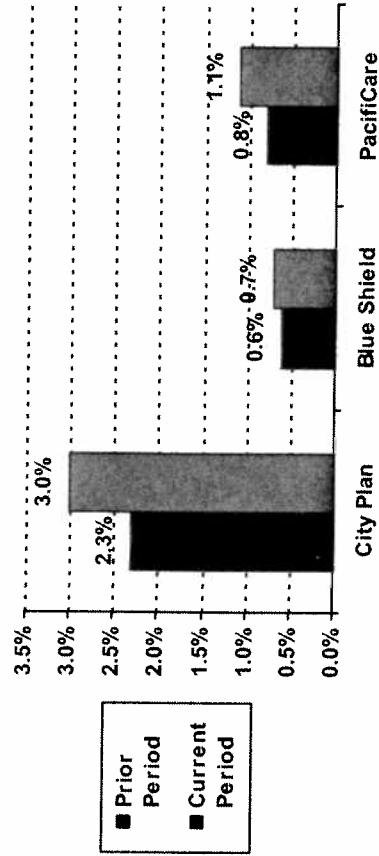
Average Claim Size - Actives



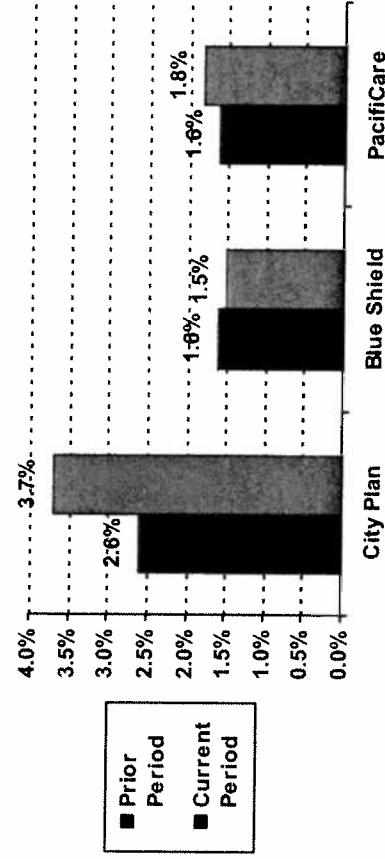
Average Claim Size - U65 Retirees



of Large Claimants as % of Enrollment - Actives



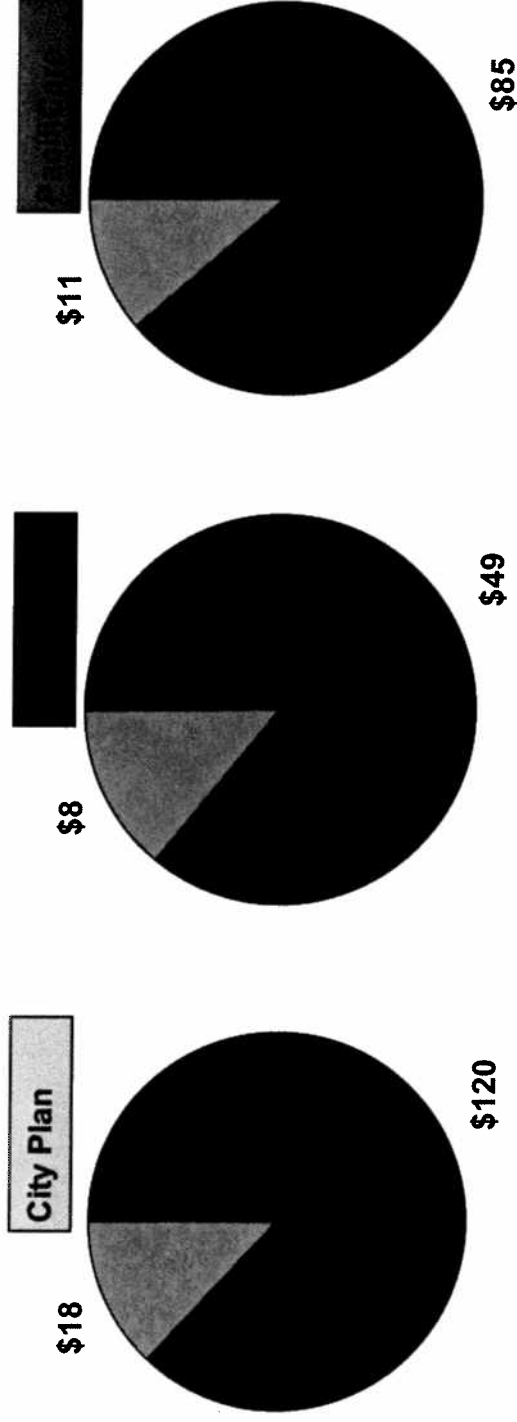
of Large Claimants as % of Enrollment - U65 Retirees



2008/09 Plan Year Dashboard Data: Year ending June 30, 2009

The City Health Plan

Review of experience – Pharmacy experience for Actives



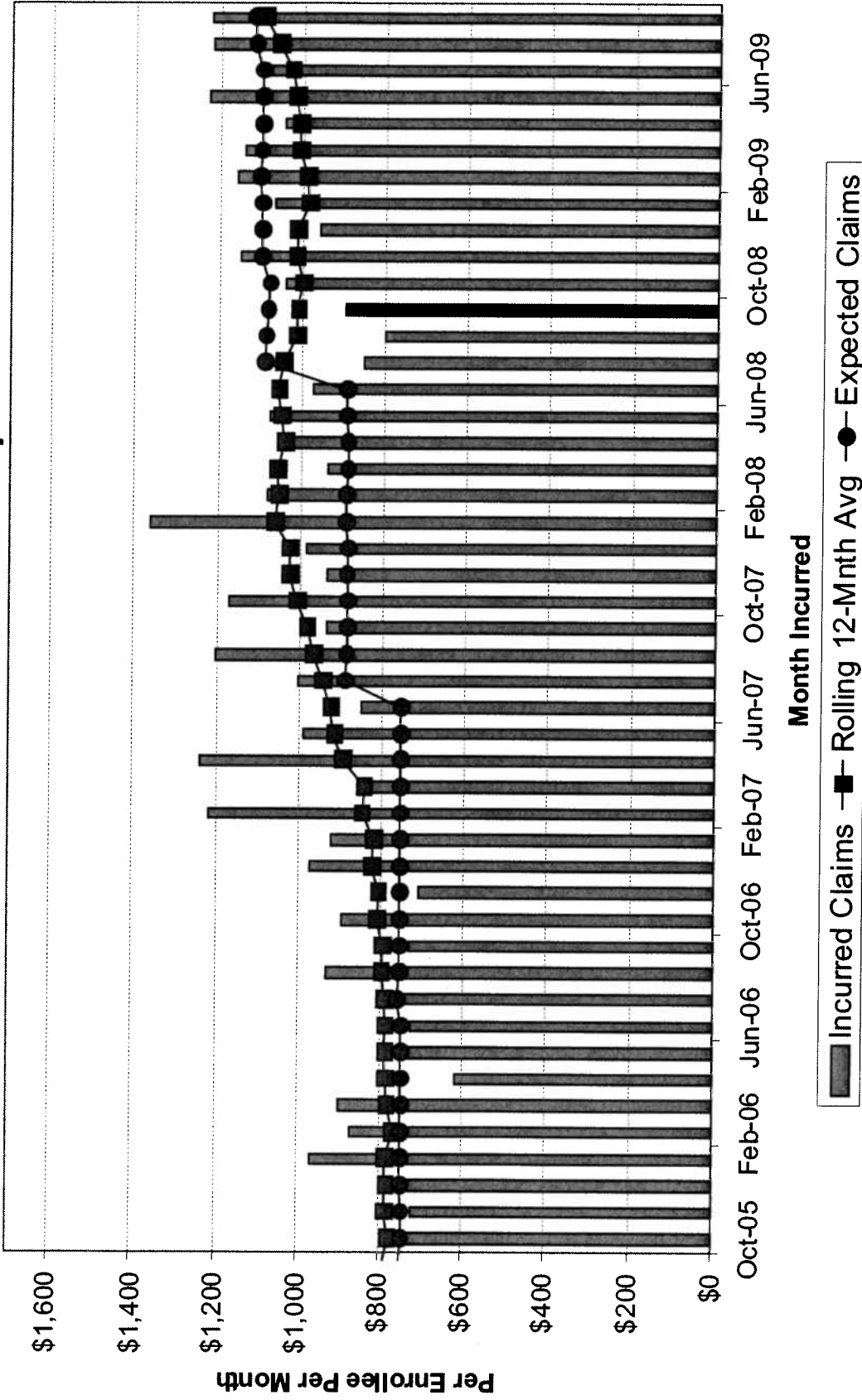
	City Plan	Other Share
Gross Rx PMPM	\$138	\$57
Increase over Prior	22%	13%
Member Share	\$18	\$8
Increase over Prior	19%	4%
Net Rx PMPM	\$120	\$49
Increase over Prior	23%	15%
		\$96
		14%
		\$11
		2%
		\$85
		15%

2008/09 Plan Year Dashboard Data: Year ending June 30, 2009

The City Health Plan

Review of experience – Employees

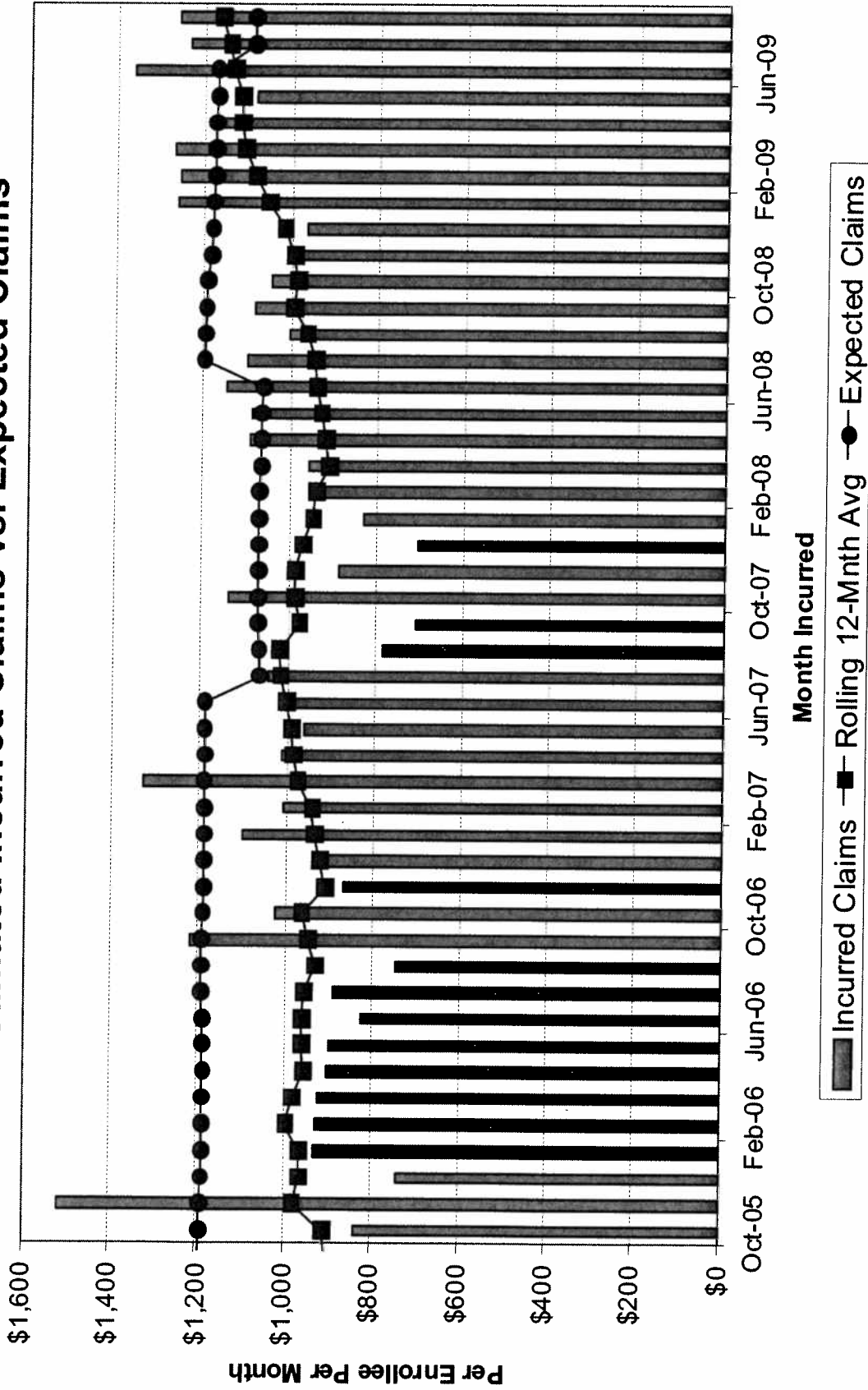
Estimated Incurred Claims vs. Expected Claims



The City Health Plan

Review of experience – Non-Medicare Retirees

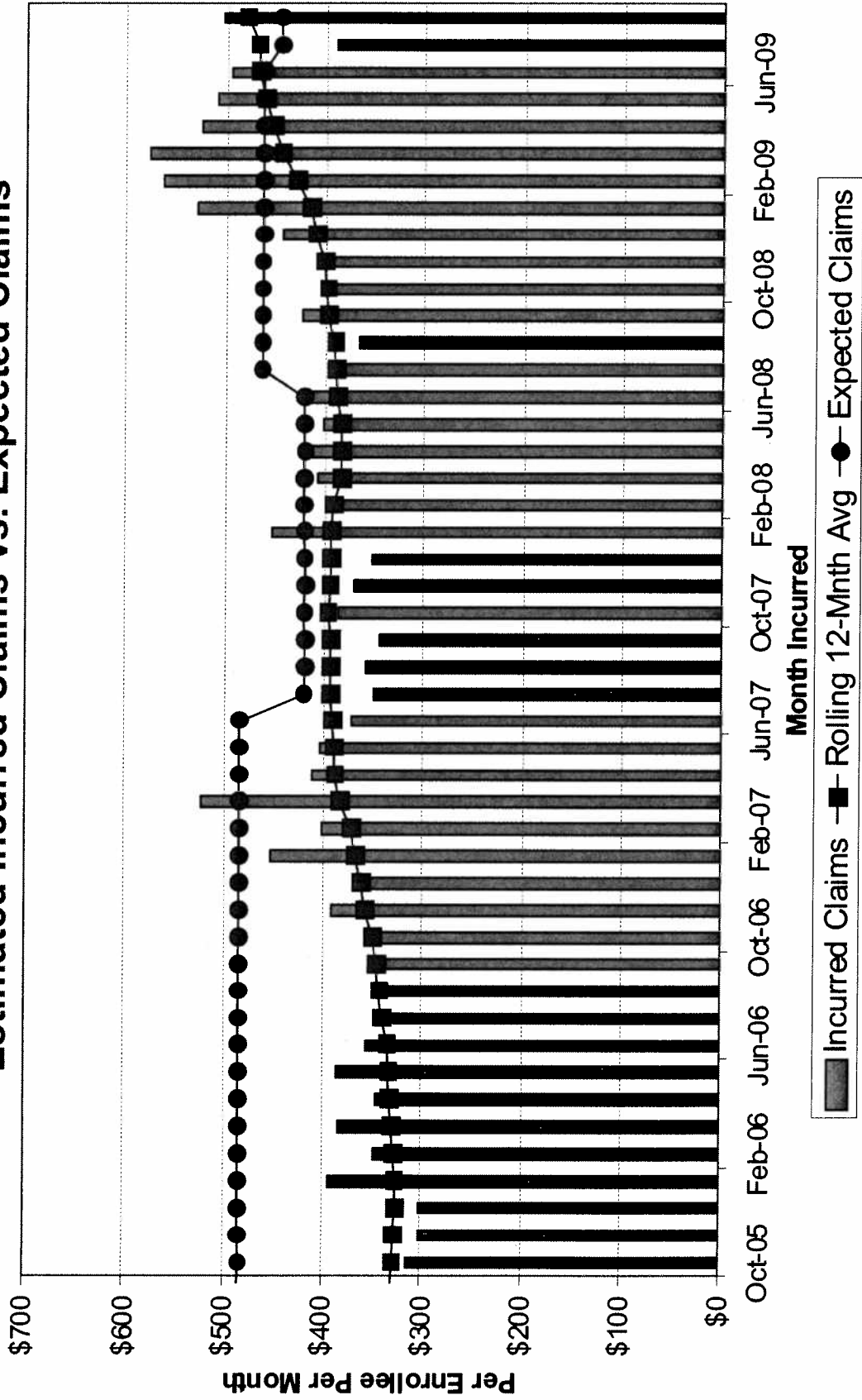
Estimated Incurred Claims vs. Expected Claims



The City Health Plan

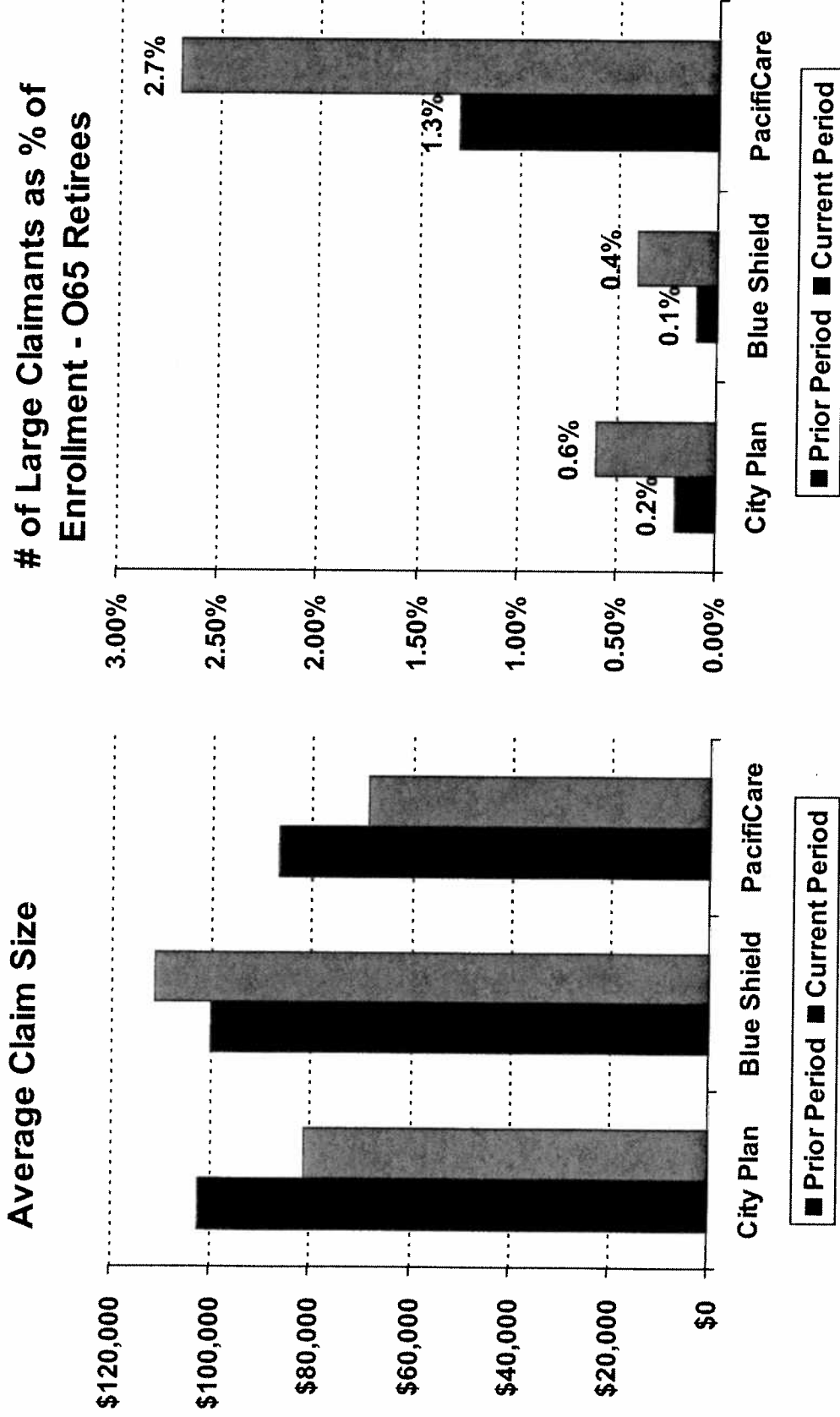
Review of experience – Medicare Retirees

Estimated Incurred Claims vs. Expected Claims



The City Health Plan

Review of experience – Claims >\$50k for Medicare Retirees



2008/09 Plan Year Dashboard Data: Year ending June 30, 2009

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")
 - Preliminary estimated at \$1.1 million overall rate reduction for 2010/11 plan year
 - Amount representing 2010/11 allocation of the Flex Funded plan close-out liability
 - Set at 2009/10 levels. Will be updated when HMO renewals are finalized. Represents City Plan allocation of half of the estimated Flex Funded close-out liability of \$5.9 million

The City Health Plan

Preliminary 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	\$925.56	\$(12.96)	\$4.03	\$916.63	13.4%
Emp. + 1	\$1,589.40	\$(22.62)	\$7.84	\$1,574.62	\$1,807.48	\$(25.31)	\$7.84	\$1,790.01	13.7%
Emp. + 2+	\$2,231.40	\$(31.75)	\$11.01	\$2,210.66	\$2,534.41	\$(35.49)	\$11.01	\$2,509.93	13.5%
Retiree w/o Medicare	\$855.18	\$(12.17)	\$4.22	\$847.23	\$1,043.55	\$(14.62)	\$4.22	\$1,033.15	21.9%
Retiree w/o Medicare + 1	\$1,668.06	\$(23.74)	\$8.23	\$1,652.55	\$2,043.51	\$(28.62)	\$8.23	\$2,023.12	22.4%
Retiree with Medicare ¹	\$329.09	\$(4.68)	\$1.62	\$326.03	\$389.93	\$(5.46)	\$1.62	\$386.09	18.4%
Retiree with Medicare + 1 ¹	\$622.85	\$(8.87)	\$3.07	\$617.05	\$743.70	\$(10.42)	\$3.07	\$736.35	19.3%

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

The City Health Plan

Next steps

- This is a preliminary estimate based on the self-funded plan's experience to August and the initial UHC retention proposal
- The preliminary premium rate equivalent amounts will be updated to incorporate two additional months of claims data (through October)
- The results of this analysis along with the recommended premium equivalent amounts will be presented by HSS and Mercer at the December Rates and Benefits Committee meeting

**Self-Funded Plans Review
Employee Dental Plan**

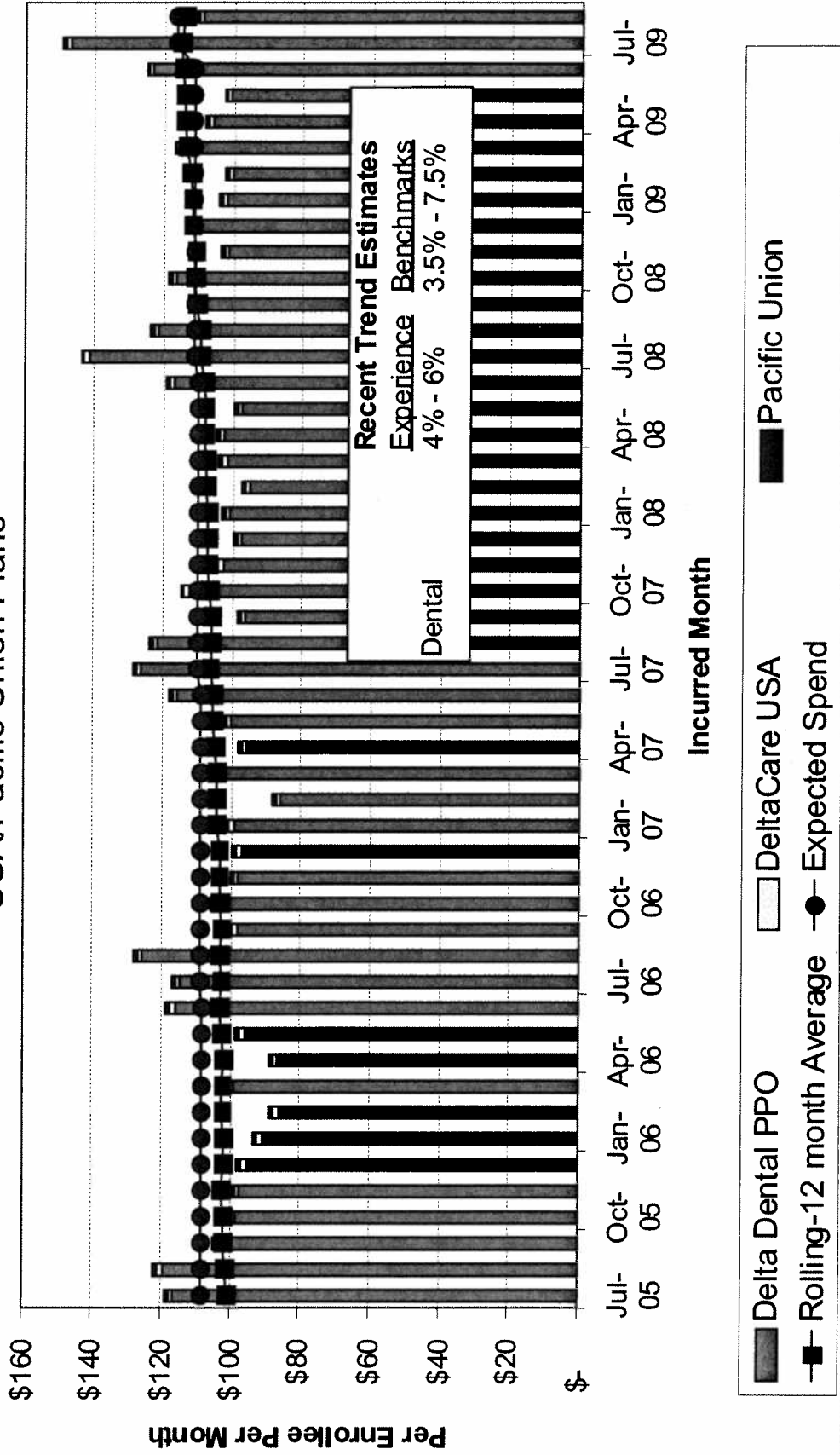
Employee Dental Plan Review of experience

- Overall claims experience has been in line with expectations
- 2008/09 has resulted in costs exceeding revenue by an estimated \$1.2 million – this represents approximately 3% of the annual cost of the dental program
 - The actual overage will be confirmed on completion of the 2008/09 Retrospective Review process

Employee Dental Plan

Review of experience

Estimated Incurred Spend vs. Expected Spend
 Incurred Claims for Delta Dental PPO Self-Funded Plan and Premiums for Delta Care USA/Pacific Union Plans



Employee Dental Plan
Preliminary 2010/11 employer contribution

2009/10 Employer Contribution	\$116.55	PEPM
2010/11 Expected Cost	\$122.79	PEPM
Application of 2008/09 Plan Year Shortfall (termed the “Stabilization Amount”)	\$ 3.32	PEPM

Preliminary 2010/11 City Contribution **\$126.11** **PEPM**
Relative to 2009/10 Rate +8.2%

- This is a preliminary estimate based on the self-funded plan’s experience to August, the initial Delta Dental retention proposal and the initial fully insured premium proposals from Delta Dental and Pacific Union
- Premium rate equivalent amounts will be updated to incorporate 2 additional months of claims data (through October) and negotiated rates from Delta Dental and Pacific Union

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