



May 13, 2010

Health Service System

Review and updated projections of
2009/10 self-funded plans' claims
experience

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Contents

- Review of City Plan experience
- Review of Employee dental plan experience

Overview

- Over the 2009/10 plan year, the claims experience for both self-funded plans has generally deteriorated at a faster pace than was anticipated during the 2008 Rates and Benefits process
- The higher than expected claims experience is most noticeable for the City Plan's Early Retiree group and the Employee dental plan
- Across all the self-funded plans however, for the most recent months, the higher cost trends have abated

Review of City Plan experience

The City Plan

Updated projections for 2009/10 plan year

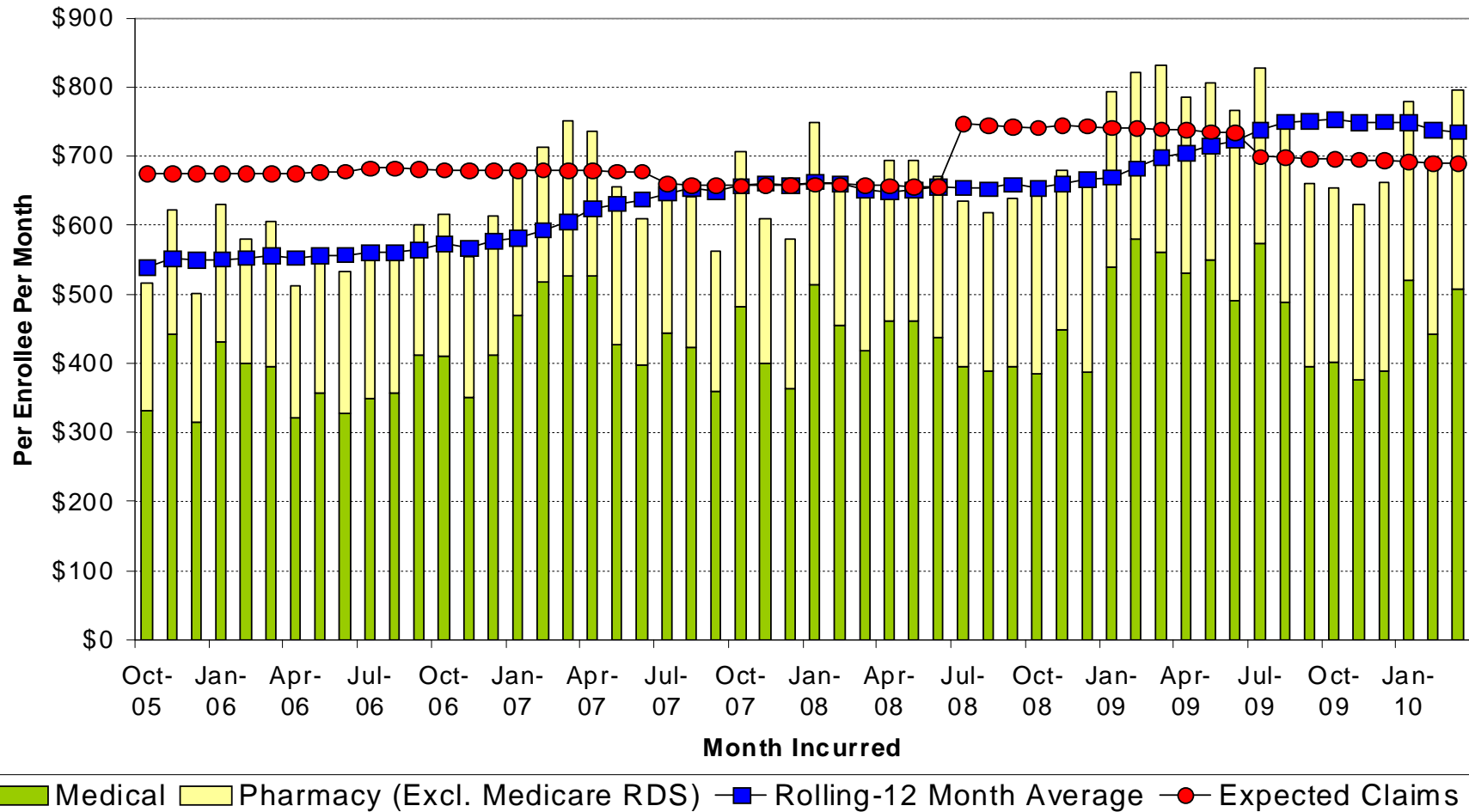
- Based on enrollment and estimated claims incurred to March 2010

2009/10 Plan Year	Original Estimate (2008 R&B)	Updated Projections
Estimated Incurred Claims		\$70.0M
+ Administration Costs (including HSS load)		\$2.8M
+ Part D Accrual (<u>To be collected at year end</u>)		\$(2.6M)
+ Rx Rebates (included in the expected Rx claims)		\$(2.3M)
Expected Total Cost	\$73.0M	\$67.9M
Estimated Contributions	\$72.3M	\$63.4M
Shortfall	\$(0.7M)	\$(4.5M)

The City Health Plan to March 2010

Recent experience has been trending towards budget but unlikely to reverse the unfavorable experience from earlier in the plan year

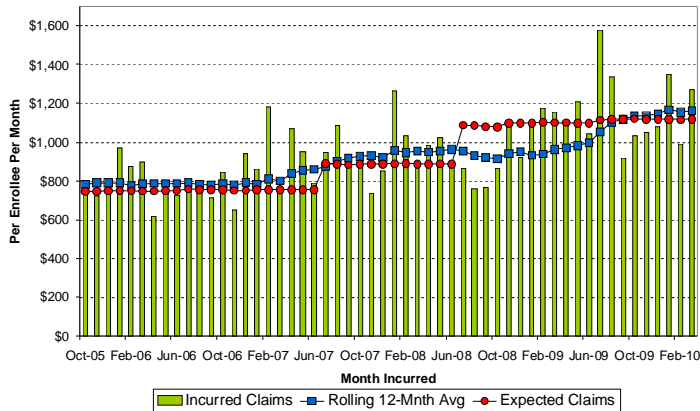
Combined Enrollee Experience



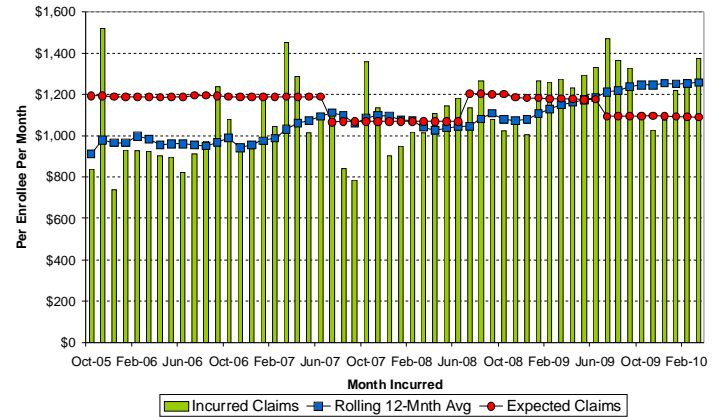
The City Health Plan to March 2010

Comparison across categories of enrollment

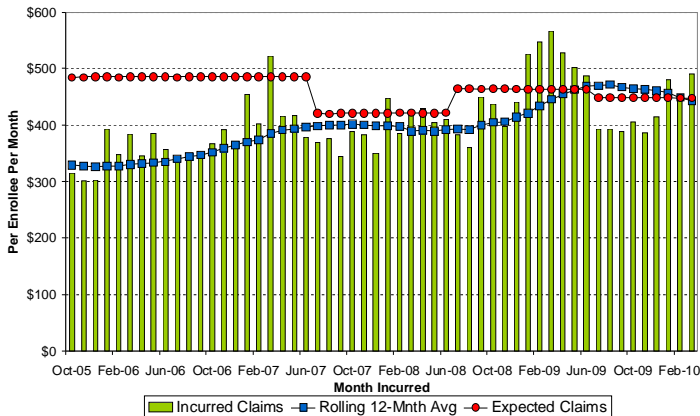
Employees' Claims Experience



Early Retirees' Claims Experience



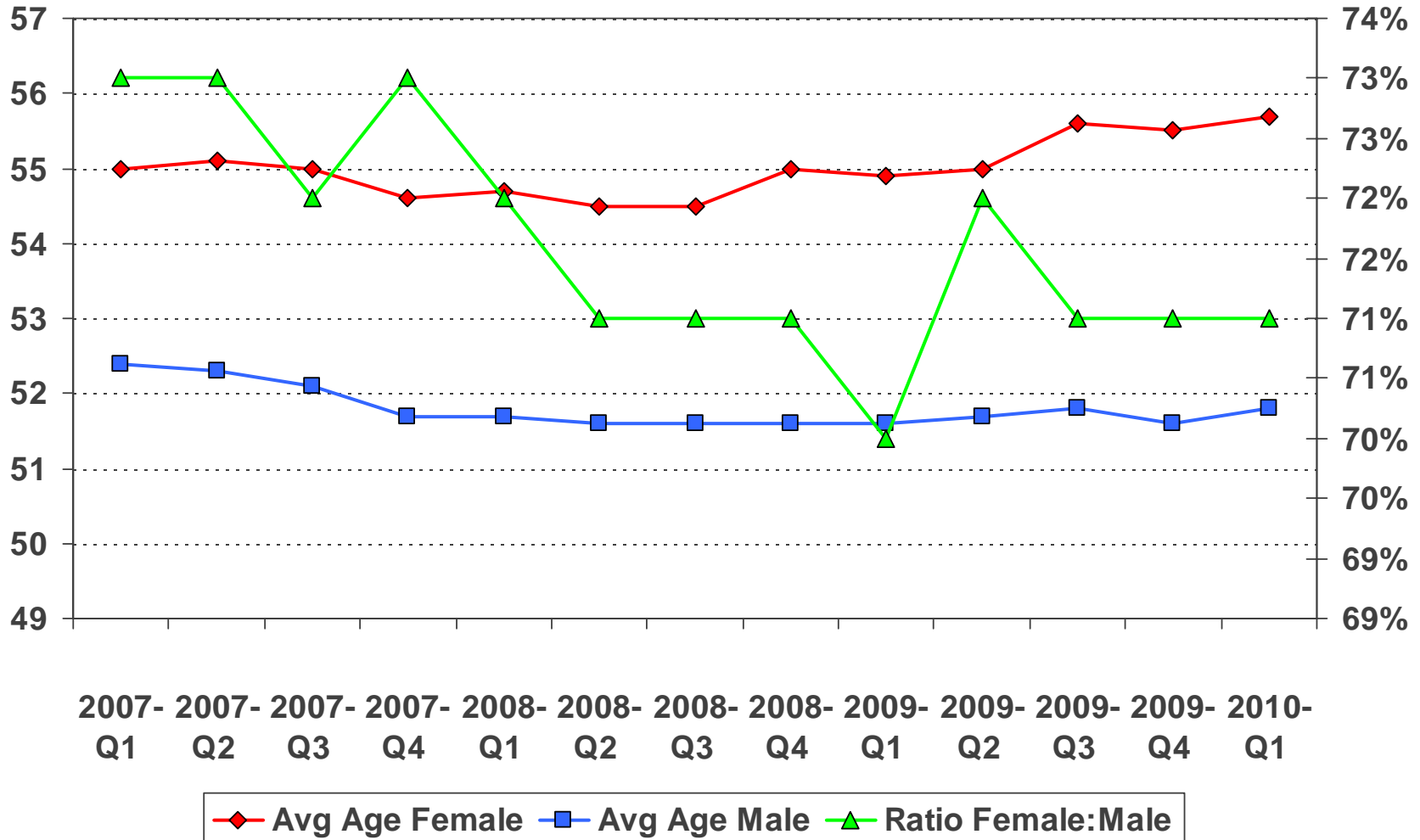
Medicare Retirees' Claims Experience



- Early Retiree experience has continued to outpace contributions collected
- Both Employees' and Medicare Retirees' experience, whilst generating losses earlier in the plan year are now trending flat to negative
- If current trends continue, the Employees and Medicare Retirees experience will help mitigate some, but not all, of the unfavorable Early Retiree experience

Early Retirees' Experience

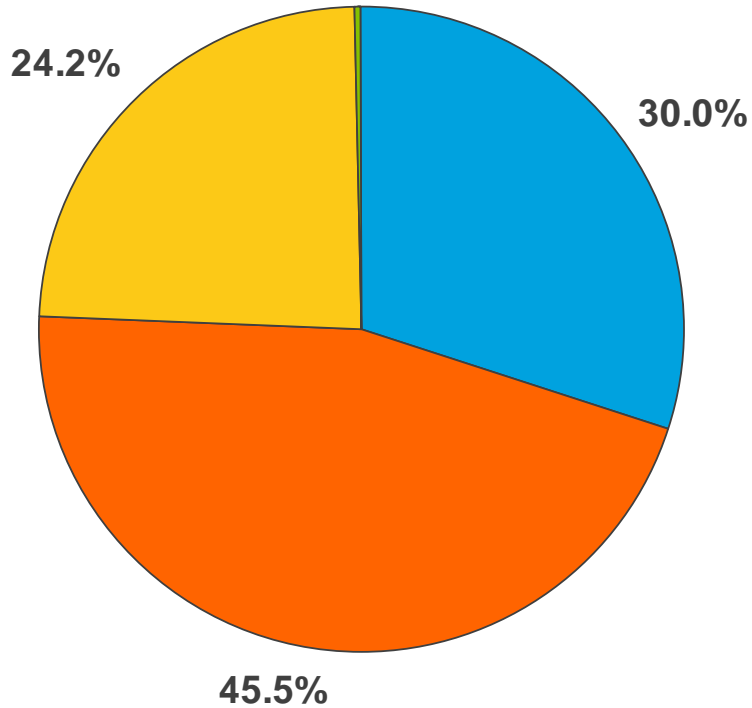
Demographics have been relatively stable



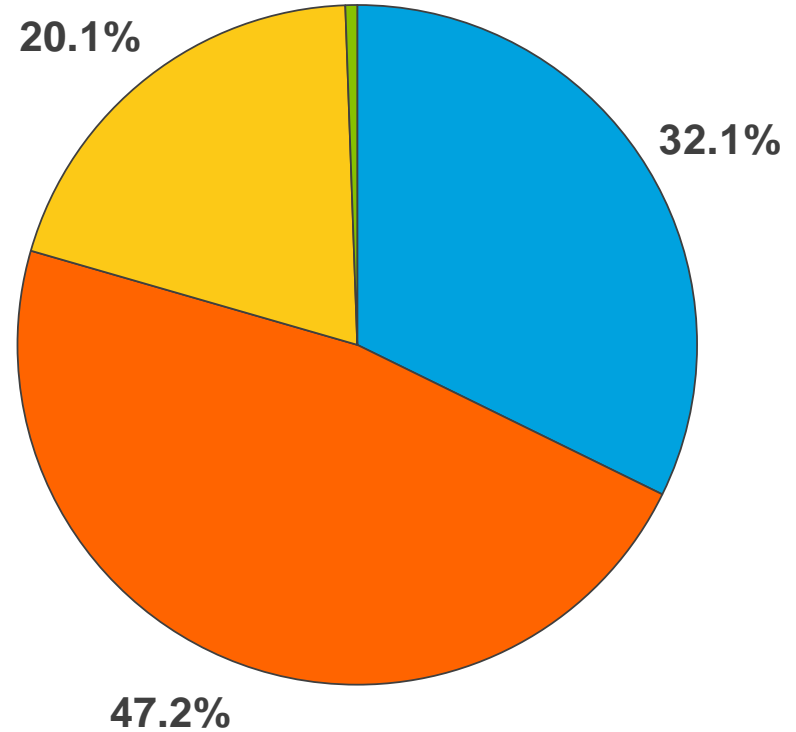
Early Retirees' Experience

Inpatient services have grown at a faster pace than other services

Distribution of Costs
Year ended March 31, 2008

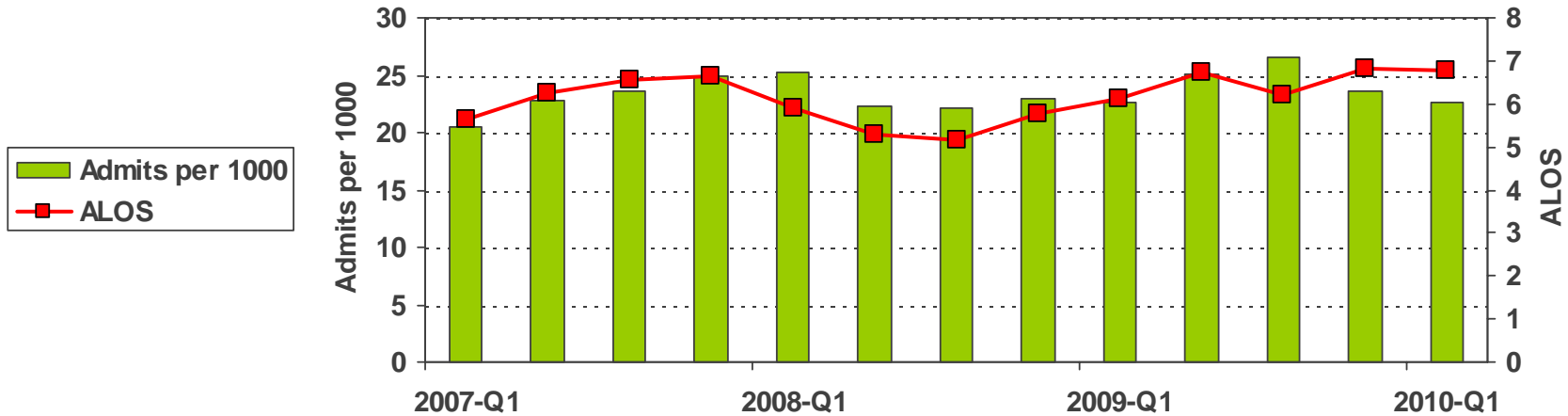
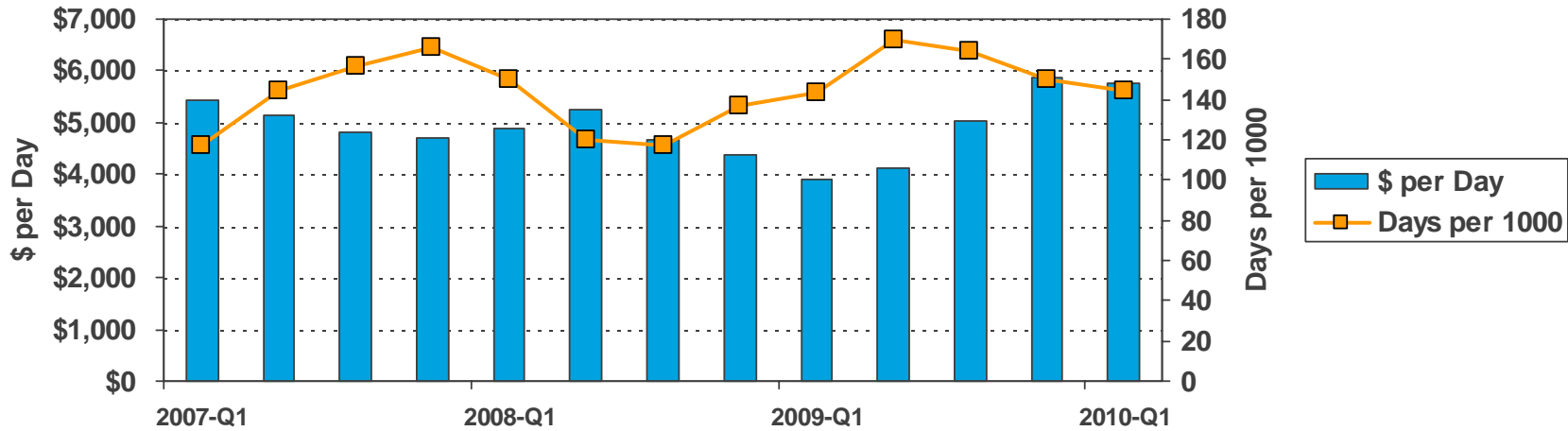


Distribution of Costs
Year ended March 31, 2010



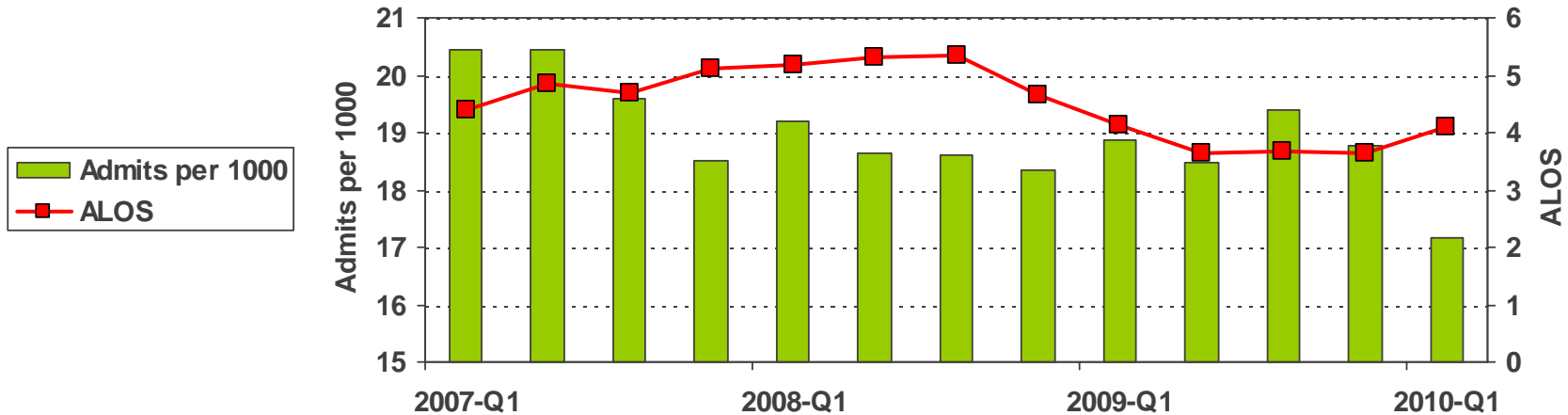
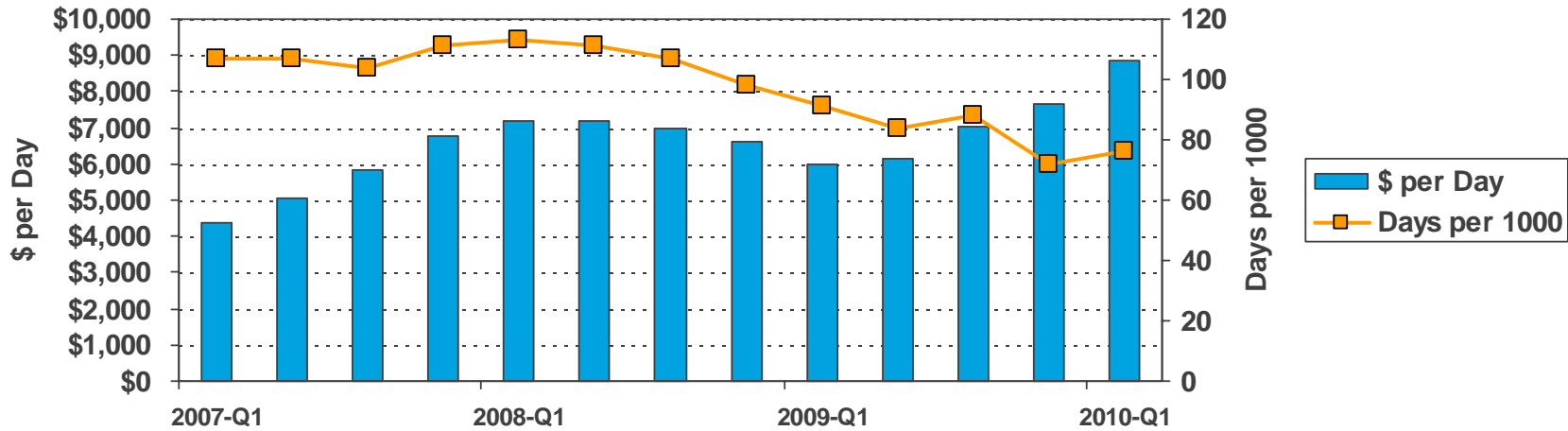
Early Retirees' Experience

We have seen a general deterioration in experience across all inpatient measures



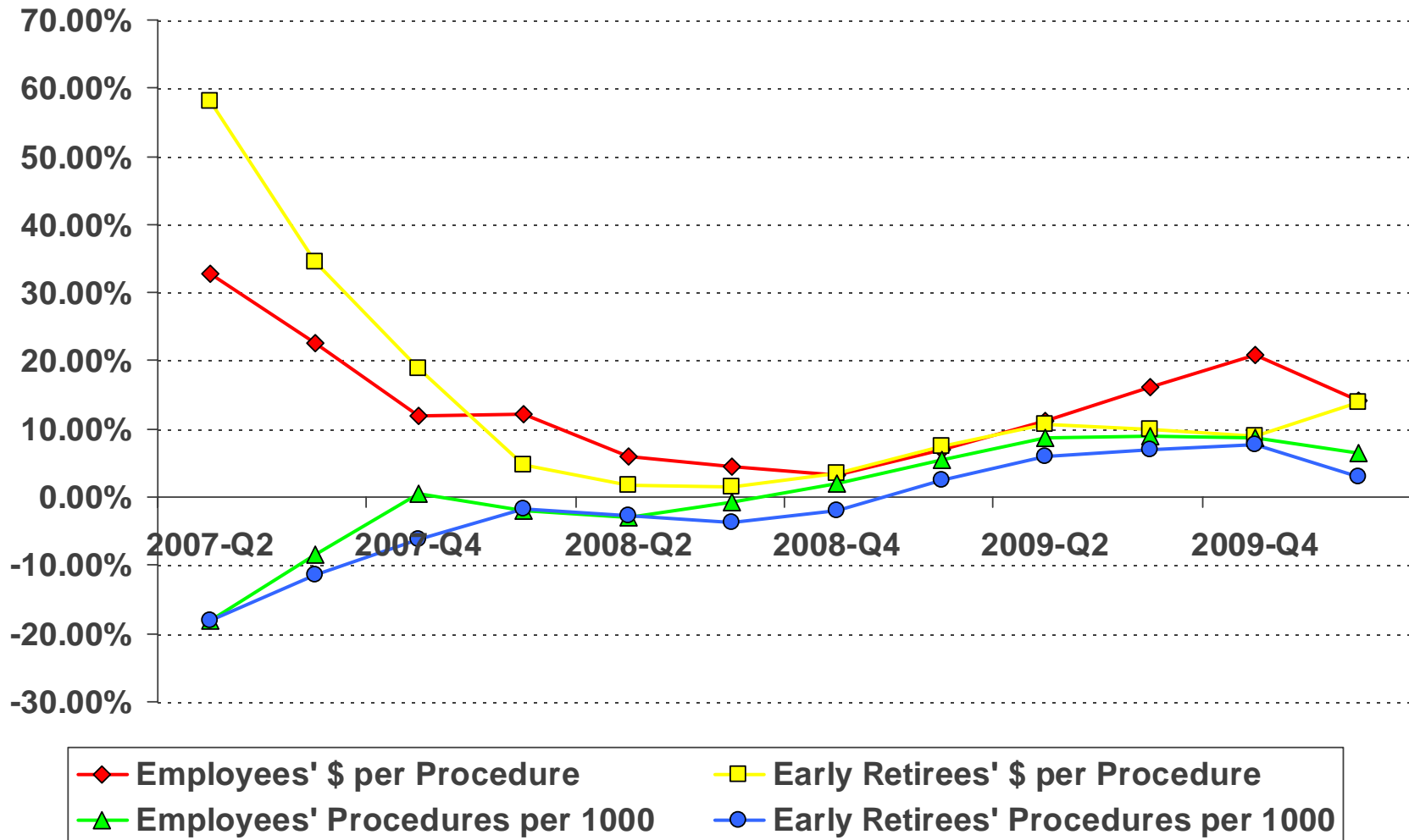
Employees' Experience

Most recent experience has been fairly neutral across all inpatient measures



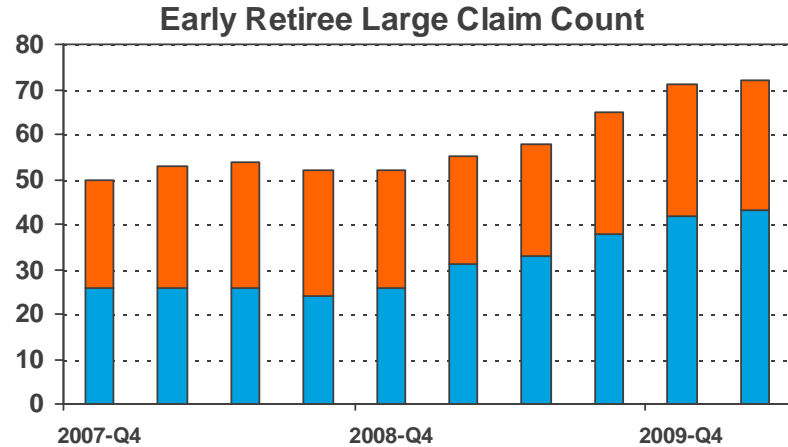
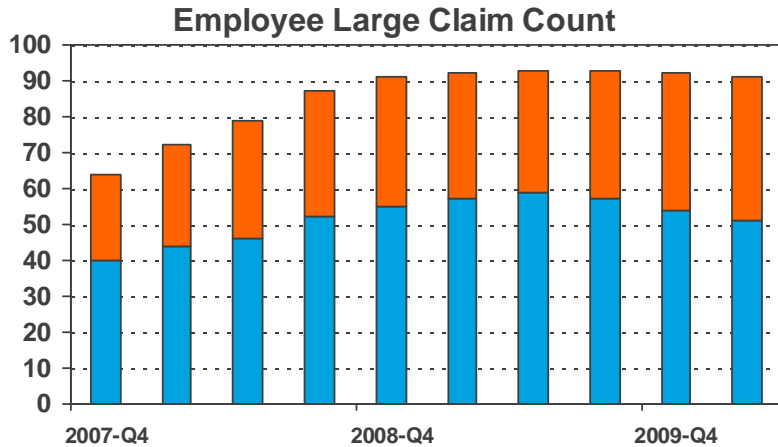
Employees' and Early Retirees' Out Patient Trends

Both groups have shown a marked improvement from the past but recent indicators are trending upward (unfavorable)

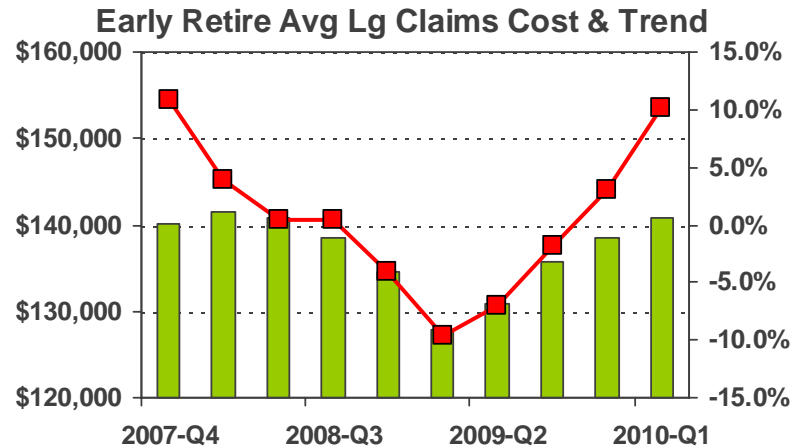
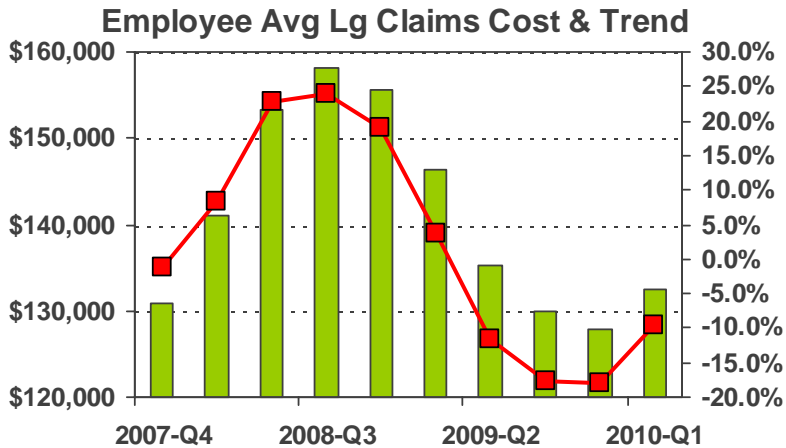


Employees' and Early Retirees' Large Claims (>\$50k) Experience

Employee experience has leveled off; Early Retiree experience is deteriorating



■ Claims btw \$50k and \$100k
 ■ Claims greater than \$100k

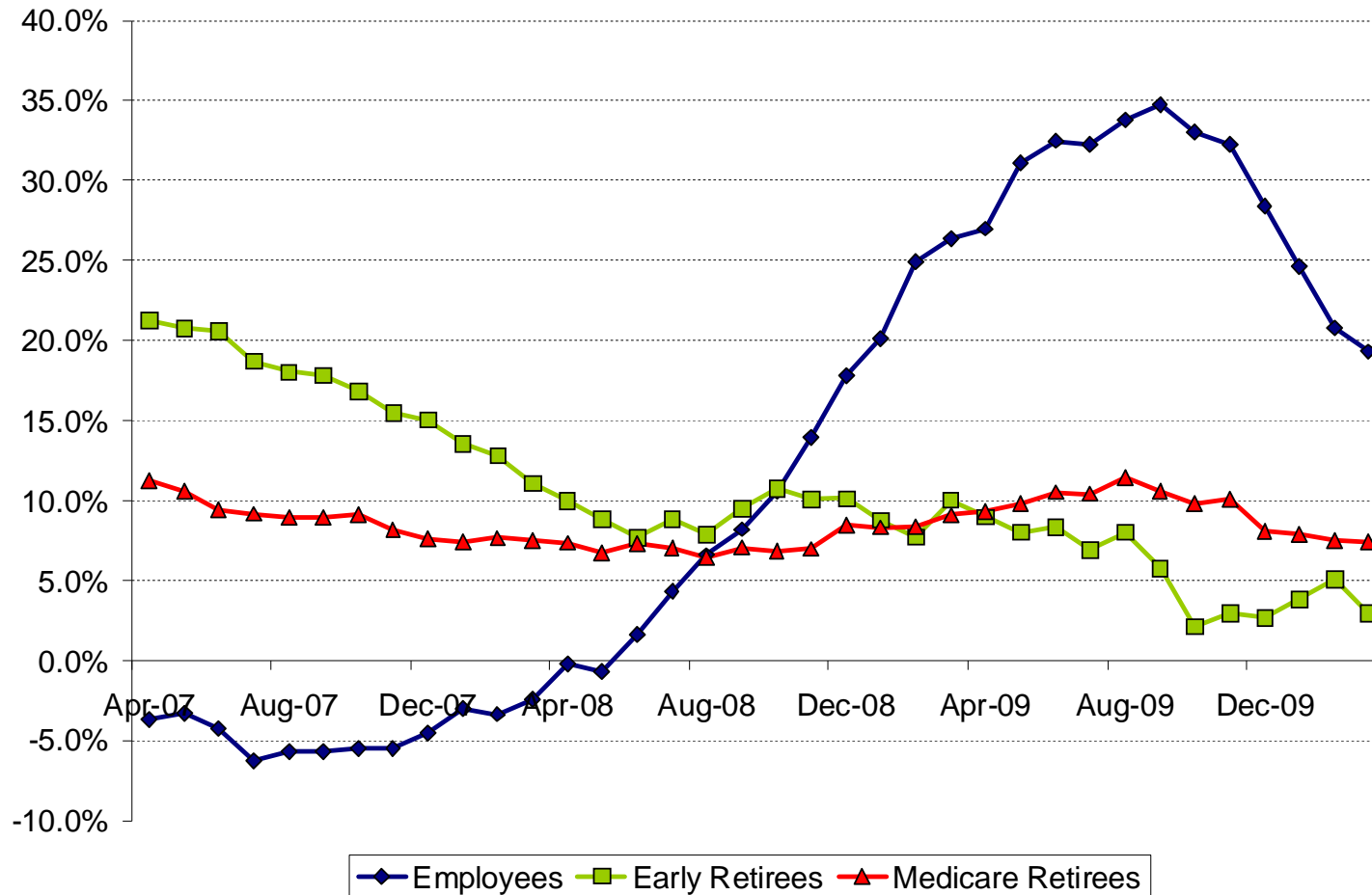


■ Average \$ of claims >\$50k
 — Trend in >\$50k claims cost

All Enrollees Pharmacy Experience to March 2010

Annual trend experience has been volatile but is showing favorable decline for the most recent time periods

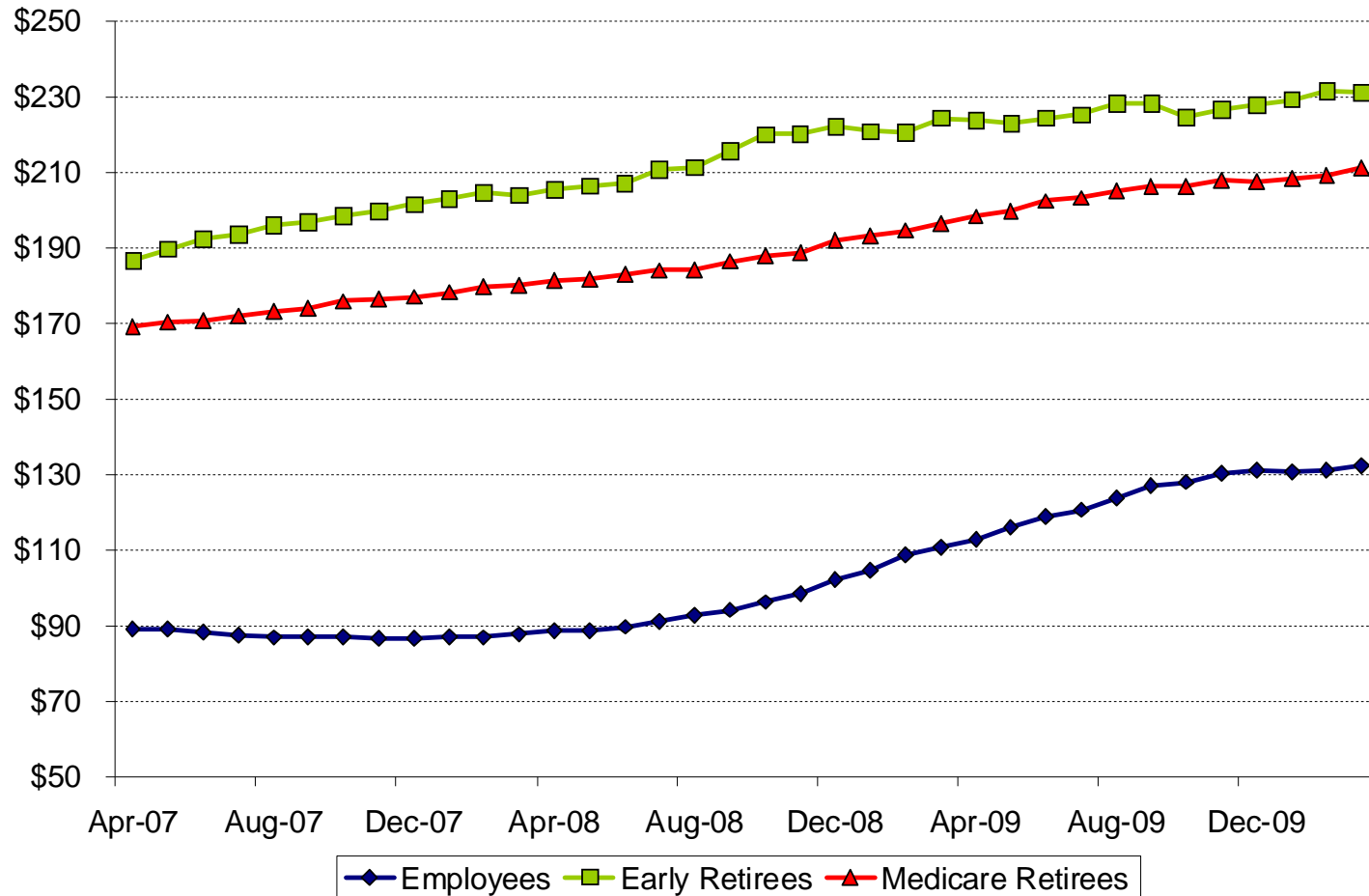
Rolling 12-Month Pharmacy Trends



All Enrollees Pharmacy Experience to March 2010

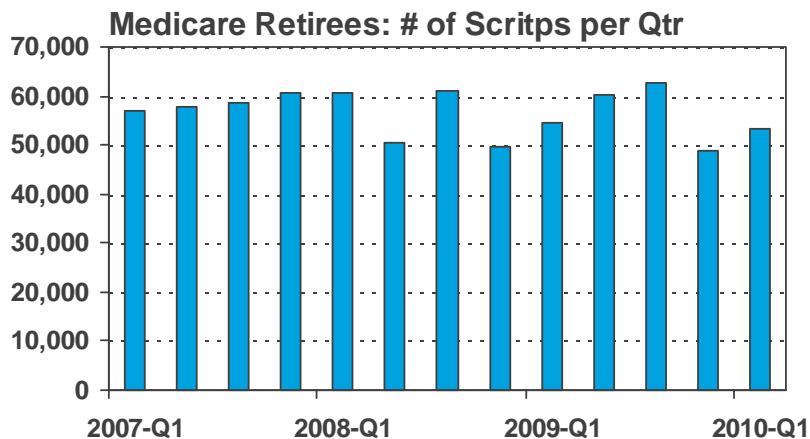
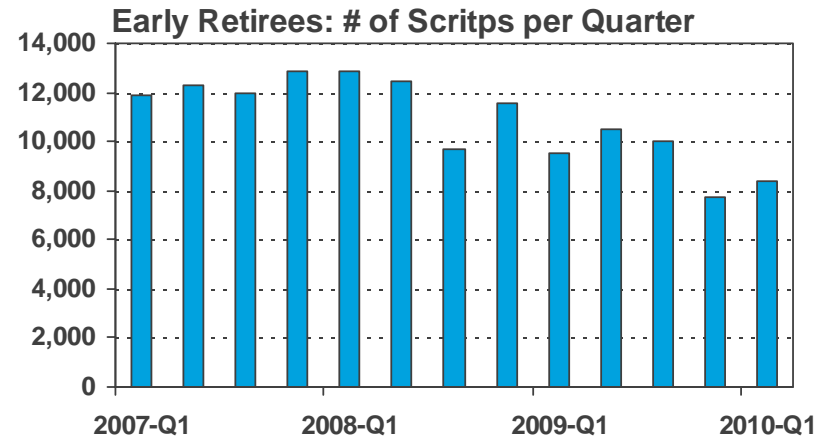
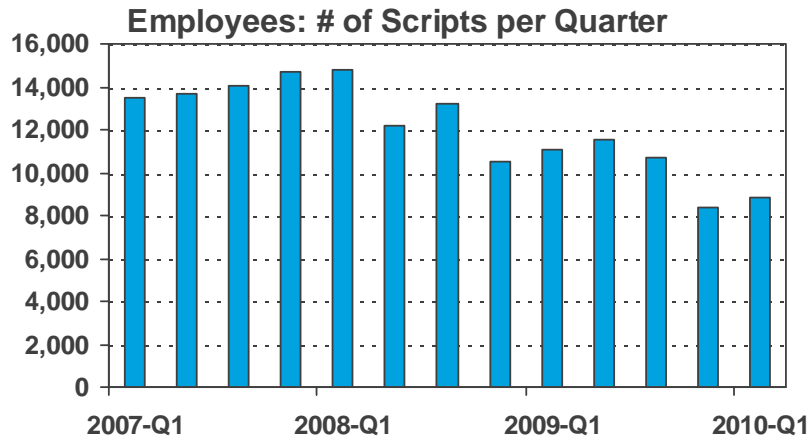
Monthly per capita costs continue to run very high; Unusually, Early Retiree costs exceed Medicare Retiree costs

Rolling 12-Month Pharmacy Per Member Costs



All Enrollees Pharmacy Experience

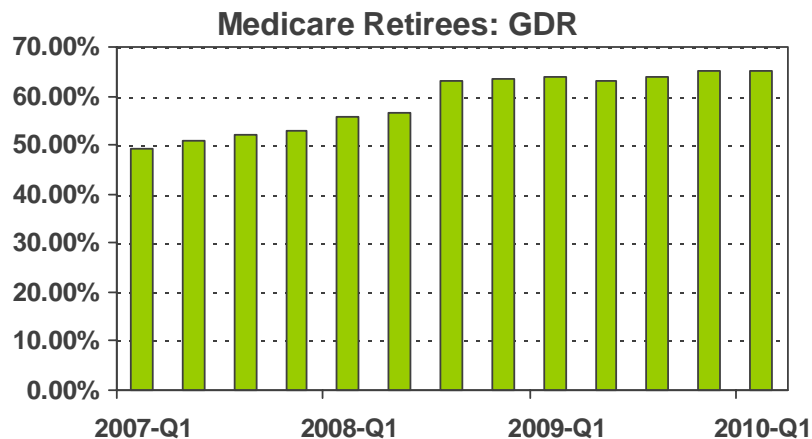
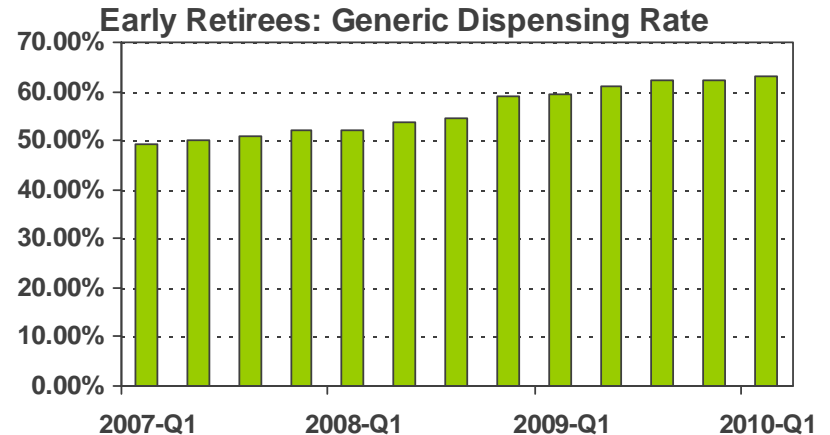
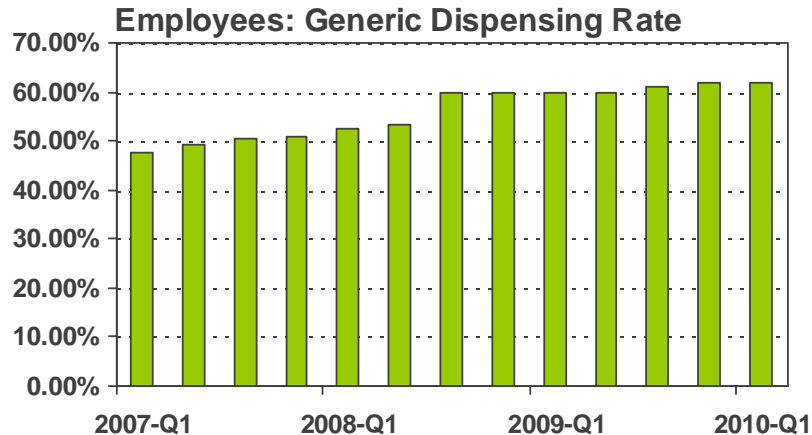
A declining trend in the number of scripts has helped the pharmacy experience



- The number of scripts has shown a marked decrease for the 2009/10 plan year to date
- Although, for the non-Medicare enrollment, the declining trend started in 2008, the increase in the non-generic copay design for the pharmacy program has played a part in accelerating this experience

All Enrollees Pharmacy Experience

The increase in generic dispensing rates has had a positive impact on recent pharmacy experience



- Generic dispensing rates have increased across all categories of membership
- This is positive news and likely reflects the impact of plan changes made by the Board for this plan year
- There is still more opportunity for improvement
 - Outside of a staff model HMO, it is not uncommon to see rates in the high 60s

Review of Employee dental plan experience

Employee Dental Plan

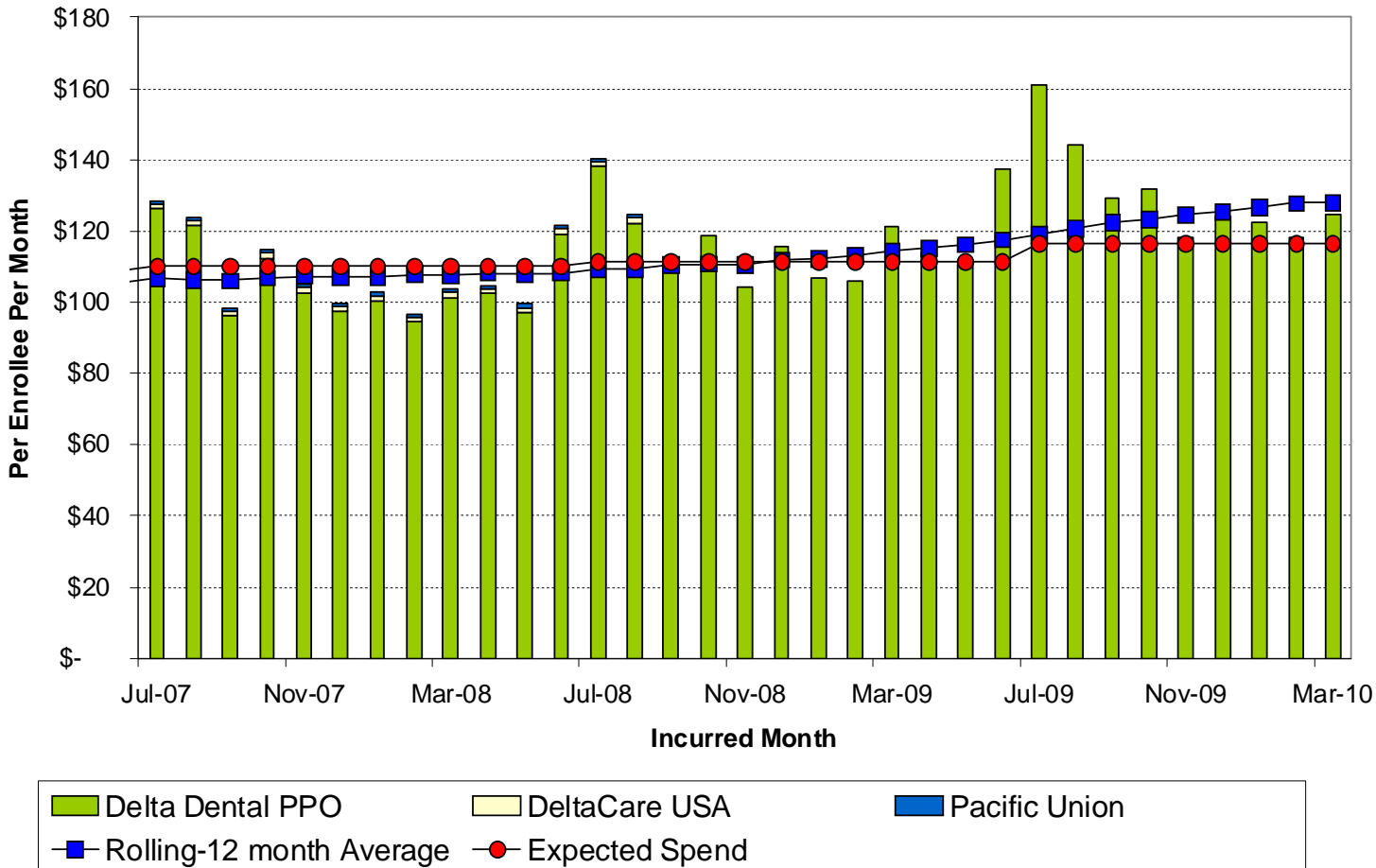
Updated projections for 2009/10 plan year

- Based on enrollment and estimated claims incurred to March 2010

2009/10 Plan Year	Original Estimate (2008 R&B)	Updated Projections
Estimated Incurred Claims	\$42.1M	\$40.8M
Estimated Contributions	\$42.2M	\$39.5M
Shortfall	\$0.1M	\$(1.3M)

Employee Dental Plan to March 2010

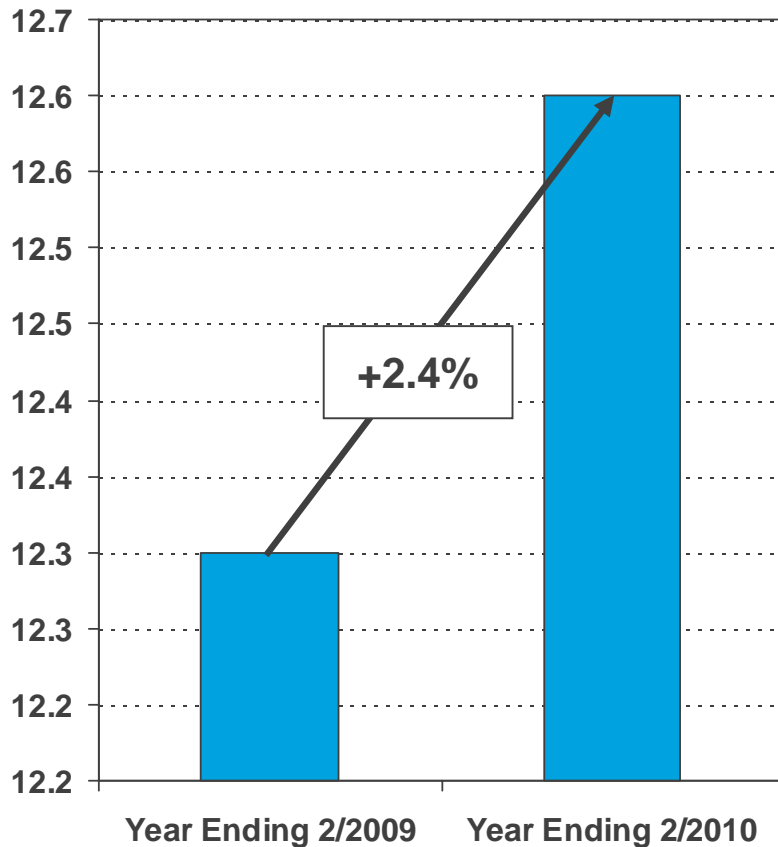
The experience over the summer of 2009 was unusually poor. The most recent experience has not been low enough to offset those revenue shortfalls



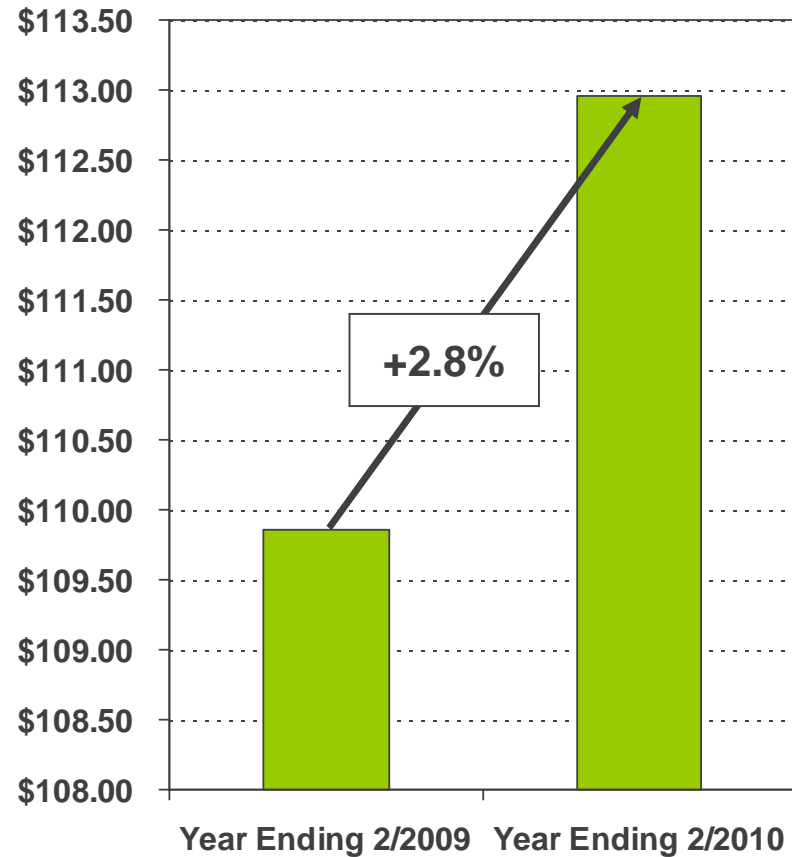
Employee Dental Plan

Combined utilization and unit costs increases were 5.3% against an expected increase of 3.5%

Average # of Procedures per Enrollee



Average Cost per Procedure



MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN