

RETIREE HEALTH PLAN WORKGROUP - Alternative Plans Evaluated & CEO Recommendation

		1	2		3		4		5	6	7
	CURRENT PLAN	Monthly Premium	Cost to Establish 3 Month Stabilization Reserve		Monthly Premium with Stabilization Reserve		OPEB Liability thru 12/31/13		OPEB Impact to County Bond Ratings	Meet & Confer	CEO Recommendation
	Retiree (Zero County Subsidy)	\$922.56	N/A - No Reserve		N/A		None		None	N/A	Yes - Thru 12/31/12
Option	ALTERNATIVE PLAN	Monthly Premium	Cost to Establish 3 Month Stabilization Reserve		Monthly Premium with Stabilization Reserve		OPEB Liability thru 12/31/13		OPEB Impact to County Bond Ratings	Meet & Confer	CEO Recommendation
			1 Year	2 Year	1 Year	2 Year	74 Enrolled	120 Enrolled			
A	Blended/Different Rates - County Pays 75% of Subsidy; Actives Pay 25% of Subsidy	\$576.78	N/A - Funded Thru Established Active Reserve		N/A	N/A	\$311,000	\$195,000	Unknown at This Time	Required	No
B	Blended/Different Rates - Retirees Pay 100% of Subsidy	\$953.57	N/A - Funded Thru Established Active Reserve		N/A	N/A	\$311,000	\$195,000	Unknown at This Time	Required	No
C	Current Plan II Option - Fund 3 Month Stabilization Reserve	\$922.56	\$158,152.80 (\$205.93 per month)	\$158,152.80 (\$102.96 per month)	\$1,128.49	\$1,025.52	None	None	None	N/A	No
D	Catastrophic Plan \$1,000 Deductible with Option to Fund 3 Month Stabilization Reserve	\$805.39	\$158,152.80 (\$205.93 per month)	\$158,152.80 (\$102.96 per month)	\$1,011.32	\$908.35	None	None	None	N/A	No
E	Catastrophic Plan \$5,000 Deductible with Option to Fund 3 Month Stabilization Reserve	\$756.50	\$158,152.8 (\$205.93 per month)	\$158,152.8 (\$102.96 per month)	\$962.43	\$859.46	None	None	None	N/A	No
F	Catastrophic Plan \$10,000 Deductible with Option to Fund 3 Month Stabilization Reserve	\$691.92	\$158,152.8 (\$205.93 per month)	\$158,152.8 (\$102.96 per month)	\$897.85	\$722.88	None	None	None	N/A	No

RETIREE HEALTH PLAN WORKGROUP - Retiree Recommendations

		1	2	3	4	5	6	7	8	9	10
Option	ALTERNATIVE PLAN	Monthly Premium	Cost to Establish 3 Month Stabilization Reserve	Subsidy - Per Year			OPEB Liability thru 12/31/13		OPEB Impact to County Bond Ratings	Meet & Confer	CEO Recommendation
				County	Active	Retiree	74 Enrolled	120 Enrolled			
A	Fully Blended - County Pays 100% of Subsidy	\$576.78	N/A - Funded Thru Established Active Reserve	\$293,209.00			\$311,000	\$195,000	Unknown at This Time - Previous Ratings Based on Zero Liability	Required	No
B	Blended/Different Rates - Retirees Pay Actives 25% Portion of Subsidy & County Subsidizes 75%	\$663.33	N/A - Funded Thru Established Active Reserve	\$219,907.00		\$73,302.00	\$311,000	\$195,000	Unknown at This Time - Previous Ratings Based on Zero Liability	Required	No

Blending: The retirees and active employees are combined into one pool for purposes of underwriting, reserve sharing and cross subsidies of cost from active employees to retirees. Rates are based on the combined claims experience of the two groups which provides lower rates for retirees while increasing the active employee rates. Premium rates for Plan II for active employees and retirees are the same.

Blending/Different Rates: Same blending of claims experience as above, however retirees absorb the increased cost of premium rates, due to blending, of the active employees which results in different rates for the two groups. Premium rates for the retirees would be higher than the active employees, but lower than rates determined by separating the claims experience of the two groups. (See below)

Separation: The retirees and active employees are combined into one pool for the sole purpose of realizing economies of scale for fixed expenses such as claims administration, third party plan administration, stop loss insurance and network discounting. Rates are different for each group and reflect each group's own costs and claims experience which results in higher premiums for the retirees.

Credibility: The term pertains to reliability of given claims experience to predict future costs. In medical experience rating, this "credibility" or reliability is based on the size (number of lives) in the experience data. A claims experience with 500 or more lives is considered fully credible. As the number of lives decrease in a pool, the credibility of experience data is lowered. The threshold for noncredibility is considered to be 250 lives; a claims experience projection is considered to be 50% credible with 375 lives.

OPEB Liability: The Government Accounting Standards Board (GASB) requires that the costs that pertain to other post-employment benefits (OPEB), other than pension, are reported. GASB requires that employers report liabilities that are accrued in OPEB plans over the service time of employees, rather than as the current year's cash outlay. Since the Board's original stated intent for the Retiree Health Plan is to end the plan effective 12/31/13 when Health Plan Exchanges are implemented under Health Care Reform, the OPEB liability analysis is for a finite period of time, 2 years. This factor changes the potential liability significantly since normally OPEB liability is calculated over a 30 year time frame. In Mendocino County's situation the OPEB liability is amortized over the 2 year time frame, so becomes more similar to a cash flow analysis.

Stabilization Reserve: A stabilization reserve is typically established to protect the solvency of a self-insured health plan and ability to pay expenses in the event of extreme fluctuations in plan costs. Stabilization Reserves are usually equivalent to 3 months of plan expenditures. A stabilization reserve has never been established for the Retiree Health Plan. Since both 60 participants and 120 participants are not credible for cost projections, the retiree plan rates remain the same; the stabilization reserve amount, should one be established, would also remain the same for both group sizes. If the two groups are blended, the active stabilization reserve serves both pools. The active plan reserve amount is not increased because of the small size of the retiree pool.