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County of Mendocino
Retiree Health Plan Strategy

Bordan Darm, Sacramento

Services provided by Mercer Health & Benefits LLC

Retiree Health Plan Evaluation

- The County of Mendocino (the County) directed Mercer to do the following evaluations:
  - For non-Medicare eligible retirees identify plan designs that will provide cost savings
  - For Medicare eligible employees outline a defined contribution design which will enable the health plan to extend the current retiree health plan trust fund dollars for as long as possible while still providing access to health care.
  - For non-Medicare eligible retirees outline a contribution strategy which will enable the health plan to extend the current retiree health plan trust fund dollars for as long as possible while still providing access to health care.
- Mercer has outlined a retiree healthcare strategy that will reduce the annual County contribution from $3.8 million to $1.9 million.

County Cost	Medicare Eligible	Non-Medicare Eligible	Total Retirees
Composite Basis - Current	$ 1,838,109	$ 1,956,493	$ 3,794,603
Composite Basis - Renewal	$ 1,971,359	$ 2,129,856	$ 4,101,214
Stand-Alone Basis - Renewal	$ 1,505,236	$ 2,590,167	$ 4,095,403
Defined Contribution	$ 919,055	$ 978,247	$ 1,897,301

- Past retiree studies have been based on current budgeted rates (2010). In conjunction with this report, Mercer calculated the July 1, 2010 preliminary renewal to update rates for the time period of July 1, 2010 through June 30, 2011.
  - As a result of the preliminary renewal calculation, the overall renewal increase is projected to be 6.4% from $605.02 to 643.44 per retiree per month
    - The Medicare eligible retiree stand alone rate would adjust from $505.62 per month to $509.04 per month
    - The non-Medicare eligible retirees stand-alone rate would adjust from $680.60 per month to $745.46 per retiree per month
      - The main cause for the greater increase in the non-Medicare eligible retiree rate is due to a greater allocation of reinsurance costs and a lesser allocation of prescription drug rebates
- The following page outlines the preliminary renewal for the retiree plan.

Renewal Evaluation

County of Mendocino Retiree Plan July 1, 2010 Preliminary Renewal	Non-Medicare Experience			Medicare Experience			Total Retiree Experience		
Experience Period January 1, - December 31, 2009		**Avg. Monthly**	**Annual**		**Avg. Monthly**	**Annual**		**Avg. Monthly**	**Annual**
Enrollment									
Retirees		367	4,408		297	3,565		664	7,973
Dependents		40	484		12	148		53	632
	Medical	**Prescription Drugs**	**Total**	**Medical**	**Prescription Drugs**	**Total**	**Medical**	**Prescription Drugs**	**Total**
Paid Claims	$ 2,368,339	$ 756,416	$ 3,124,755	$ 721,778	$ 799,995	$ 1,521,774	$ 3,090,117	$ 1,556,411	$ 4,646,529
Large Claim Adjustment	$ 294,139	$ -	$ 294,139	$ -	$ -	$ -	$ 294,139	$ -	$ 294,139
Adjusted Paid Claims	$ 2,074,200	$ 756,416	$ 2,830,616	$ 721,778	$ 799,995	$ 1,521,774	$ 2,795,978	$ 1,556,411	$ 4,352,389
Enrollment	4,892	4,892	4,892	3,713	3,713	3,713	8,605	8,605	8,605
Pd Claims/member/month	$ 424.00	$ 154.62	$ 578.62	$ 194.39	$ 215.46	$ 409.85	$ 324.92	$ 180.87	$ 505.80
Trend	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Months of Trend	18	18	18	18	18	18	18	18	18
Trend Factor	1.1130	1.1130	1.1130	1.1130	1.1130	1.1130	1.1130	1.1130	1.1130
Projected Claims	$ 471.92	$ 172.10	$ 644.02	$ 216.36	$ 239.81	$ 456.18	$ 361.65	$ 201.32	$ 562.97
Plan Adjustments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rebates	$ -	$ 26.48	$ 26.48	$ -	$ 36.90	$ 36.90	$ -	$ 30.98	$ 30.98
Adjusted Projected Paid Claims	$ 471.92	$ 145.62	$ 617.54	$ 216.36	$ 202.91	$ 419.28	$ 361.65	$ 170.34	$ 531.99
Fixed Costs									
Specific Stop Loss ($100,000)			$ 70.47			$ 32.31			$ 54.00
Aggregate Stop Loss (125%)			$ 2.38			$ 2.38			$ 2.38
County of Mendocino - Administration			$ 13.73			$ 13.73			$ 13.73
DHS Administration			$ 18.50			$ 18.50			$ 18.50
Foundation - PPO Access			$ 1.50			$ 1.50			$ 1.50
Blue Cross - PPO Access			$ 13.19			$ 13.19			$ 13.19
DHS - Cost Containment			$ 3.65			$ 3.65			$ 3.65
DHS - Nurseline			$ 0.50			$ 0.50			$ 0.50
Consulting Fee			$ 4.00			$ 4.00			$ 4.00
Total Fixed Costs			$ 127.92			$ 89.76			$ 111.45
Total Projected Cost			$ 745.46			$ 509.04			$ 643.44
Current Rate			$ 680.60			$ 505.62			$ 605.02
			9.5%			0.7%			6.4%
			$ 64.86			$ 3.41			$ 38.42

Medicare Eligible Retiree Health Plan Strategy

- The County in conjunction with the Retiree Health Benefit Committee advised Mercer to pursue an individual market option for Medicare eligible retirees via Extend Health
  - This direction allows the County to adopt a defined contribution strategy
  - Mercer developed a table outlining the budgeted retiree costs on a composite basis (Medicare eligible retirees and non-Medicare eligible retirees have a combined rate) and on a stand alone basis (Medicare eligible retirees and non-Medicare eligible retirees have separate rates).
    - Additionally, the table provides the impact of the County and retiree contributions on the composite and stand alone rates, and
    - outlines a defined contribution with Extend Health placement for Medicare eligible coverage with the targeted savings

		Cost Per Member per Month			Annual Cost		
Medicare Retirees*	Enrollment	Composite Rate	Retiree Contribution	County Contribution	Budgeted Cost	Retiree Contribution	County Contribution
Composite Basis - Current							
Retirees	289	$ 605.02	$ 75.00	$ 530.02	$ 2,098,209	$ 260,100	$ 1,838,109
Dependents	12	$ 605.02	$ 605.02	$ -	$ 87,123	$ 87,123	$ -
Total	301				$ 2,185,332	$ 347,223	$ 1,838,109
Composite Basis - Renewal							
Retirees	289	$ 643.44	$ 75.00	$ 568.44	$ 2,231,459	$ 260,100	$ 1,971,359
Dependents	12	$ 643.44	$ 643.44	$ -	$ 92,656	$ 92,656	$ -
Total	301				$ 2,324,114	$ 352,756	$ 1,971,359
Stand Alone Basis							
Retirees	289	$ 509.04	$ 75.00	$ 434.04	$ 1,765,336	$ 260,100	$ 1,505,236
Dependents	12	$ 509.04	$ 509.04	$ -	$ 73,301	$ 73,301	$ -
Total	301				$ 1,838,637	$ 333,401	$ 1,505,236
Defined Contribution							
Retirees	289			$ 265.01			$ 919,055
Dependents	12			$ -			$ -
Total	301						

* Note Medicare eligible retirees incur a cost of $96.40 per month for Medicare Part B coverage not shown in their contribution.

Non-Medicare Eligible Retiree Health Plan Strategy

- The County in conjunction with the Retiree Health Benefit Committee requested Mercer to design two to three plan designs which would make healthcare coverage affordable for non-Medicare eligible retirees and allow the County to extend the current retiree health plan trust fund dollars for as long as possible while still providing access to health care.
  - This direction requires the County to adopt a consumer drive (high deductible) health plan (CDHP).
  - Mercer identified three CDHP plans for the County in addition to the present plan and Plan II of the Active employee health plan.
  - The following table outlines the plan values of these options:

Health Plan Options	Factor	Rate	$ Value	% Value
Current Plan	88.1	$ 745.46	$ -	0.0%
Plan II	80.5	$ 681.15	$ 64.31	-8.6%
HSA1250/90/70	75.2	$ 636.14	$ 109.32	-14.7%
HSA2500/100/70	66.2	$ 560.28	$ 185.18	-24.8%
HSA3000/80/60	57.5	$ 486.23	$ 259.23	-34.8%

  - A plan design summary is provided in the attached document

Non-Medicare Eligible Retiree Health Plan Strategy

Non-Medicare Retirees	Enrollment	Cost Per Member per Month: Composite Rate	Cost Per Member per Month: Retiree Contribution	Cost Per Member per Month: County Contribution	Annual Cost: Budgeted Cost	Annual Cost: Retiree Contribution	Annual Cost: County Contribution
Composite Basis - Current							
Retirees	376	$ 605.02	$ 171.40	$ 433.62	$ 2,729,850	$ 773,357	$ 1,956,493
Dependents	41	$ 605.02	$ 605.02	$ -	$ 297,670	$ 297,670	$ -
Total	417				$ 3,027,520	$ 1,071,027	$ 1,956,493
Composite Basis - Renewal							
Retirees	376	$ 643.44	$ 171.40	$ 472.04	$ 2,903,213	$ 773,357	$ 2,129,856
Dependents	41	$ 643.44	$ 643.44	$ -	$ 316,574	$ 316,574	$ -
Total	417				$ 3,219,786	$ 1,089,931	$ 2,129,856
Stand Alone Basis							
Retirees	376	$ 745.46	$ 171.40	$ 574.06	$ 3,363,524	$ 773,357	$ 2,590,167
Dependents	41	$ 745.46	$ 745.46	$ -	$ 366,767	$ 366,767	$ -
Total	417				$ 3,730,291	$ 1,140,124	$ 2,590,167
Plan II							
Retirees	376	$ 681.15	$ 464.34	$ 216.81	$ 3,073,367	$ 2,095,121	$ 978,247
Dependents	41	$ 681.15	$ 681.15	$ -	$ 335,128	$ 335,128	$ -
Total	417				$ 3,408,495	$ 2,430,248	$ 978,247
HSA1250/90/70							
Retirees	376	$ 636.14	$ 419.33	$ 216.81	$ 2,870,270	$ 1,892,023	$ 978,247
Dependents	41	$ 636.14	$ 636.14	$ -	$ 312,982	$ 312,982	$ -
Total	417				$ 3,183,252	$ 2,205,005	$ 978,247
HSA2500/100/70							
Retirees	376	$ 560.28	$ 343.47	$ 216.81	$ 2,527,988	$ 1,549,742	$ 978,247
Dependents	41	$ 560.28	$ 560.28	$ -	$ 275,658	$ 275,658	$ -
Total	417				$ 2,803,647	$ 1,825,400	$ 978,247
HSA3000/80/60							
Retirees	376	$ 486.23	$ 269.42	$ 216.81	$ 2,193,889	$ 1,215,642	$ 978,247
Dependents	41	$ 486.23	$ 486.23	$ -	$ 239,227	$ 239,227	$ -
Total	417				$ 2,433,116	$ 1,454,870	$ 978,247

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