COUNTY OF MENDOCINO

RETIREE HEALTH BENEFITS COMMITTEE
RECOMMENDATIONS ON RETIREE HEALTH BENEFTIS

RETIREE INFORMATIONAL MEETING APRIL 12, 2010

The Retiree Health Benefits Committee met on April 8, 2010 and revised its prior recommendation to the County Executive Office for maintaining access to health care for qualified Mendocino County Retirees.

RHBC Recommendations – Medicare Eligible Retirees

1. Medicare eligible retirees on the County self-funded plan be transitioned to individual Medicare supplemental plans using Extend Health as the Medicare Coordinator service provider.

2. Subject to the availability of funds in the Retiree Health Insurance Trust Fund, a County contribution of **$100.00** per Medicare eligible retiree per month be provided to retirees to offset the retiree costs for a supplemental insurance plan.

3. Subject to the availability of funds in the Retiree Health Insurance Trust Fund, a County contribution of **$4.00** per retiree account per month service charge for the maintenance of the Health Reimbursement Account (HRA). Extend Health requires that any County contribution be placed in an HRA. There is a $4.00 monthly charge per retiree account HRA maintenance fee.

4. Recommendation for implementation date of Medicare eligible retiree transition to be August, 2010 after a 90-day notification period informing retirees of any plan changes.

***RHBC Recommendations* - Early "Non-Medicare Eligible" Retirees**

The RHBC voted unanimously to make the following recommendations regarding the Non-Medicare Eligible or early retiree health plan to the CEO:

1. Modify the retiree health plan to mirror the Active Plan II in terms of level of benefits for the medical plan only (dental and vision not included, however still available through the current retiree dental and vision plans), putting the early retirees on the Active Plan but retaining separate, stand-alone rates for early retirees. Rates would reflect each group's own plan experience and own associated costs.

   The RHBC recognizes that economies of scale would be realized based on the two groups being bundled together for purchasing power for fixed costs such as claims administration, reinsurance, and network discounting. This approach has no negative impact to the active plan, nor does it increase costs to the County in terms of higher premiums or increased OPEB liability.

2. Contribute **$200** per month towards the early retiree health plan premiums (approximately 277 retirees) from the Retiree Health Trust Fund until the funds are depleted, after which time 100% of the costs will be borne by the retirees.

3. Open up retiree health plan benefits to post-1998 employees/retirees in order to keep the pool large enough to be sustainable as a group health plan and hopefully prevent the "death spiral"

effect of adverse selection. This would not incur costs for the County as the plan costs would be borne 100% by the retirees. The RHBC recommends an implementation or effective date of January 1, 2011, allowing currently retired, post 1998 retirees the one-time opportunity to opt into plan during the County's normal open enrollment process.

4. Place the following restrictions on post-1998 retiree participation in the early retiree health plan:
    a. If a retiree opts out of the plan they are not able to opt back in. This is intended to mitigate the effects of adverse selection within the plan. However, upon reaching Medicare eligibility age, the retiree could use Extend Health for enrollment into a Medicare supplement plan.
    b. These retirees not be eligible for County contributions from the existing reserve funds, however, should excess earnings become available at some point in the future, all retirees on the plan would benefit from any contributions made from future excess earnings.
5. Fund the stabilization reserve for the early retiree plan over five years to minimize negative impact on premiums. Over the last few years the active plan has maintained a premium rate higher than the minimum required to cover costs in order to fund a stabilization reserve. The retiree plan has not. The recommendation is that a stabilization reserve for the retiree plan be funded over five years using a surcharge of approximately **$28.66** (assuming plan design change to mirror Active Plan II) which would be added to the non-Medicare eligible retirees' premium.
6. Leave the Incurred But Not Reported (IBNR) "tail" reserves in the trust fund.
7. Consider any future impacts the Healthcare Reform Act may have when designing and administering the new retiree health plan in order to take full advantage of any permanent or temporary short-term reimbursements which may be used to lower costs to the retirees participating in the plan.
8. Implementation date for early retiree (non-Medicare eligible) plan changes to be August 1, 2010.
9. Establish a Committee responsible for the development and implementation of a communication plan so that all retirees are adequately informed on plan changes.
10. Establish a Committee to review and recommend wellness incentives to the Retiree Health Plan as a cost saving measure with a possible implementation date of January 2011.

Summary:

The effect of reducing the County contribution to $200 per month for early retirees and $104 per month for Medicare eligible retirees currently on the plan will be to extend the Retiree Health Insurance Trust Fund and allow County contributions to continue for approximately 14 additional months beyond the proposed implementation date of August 2010.