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County of Mendocino Retiree Health Plan Fully-Insured Health Plan Marketing

Bordan Darm, Sacramento

Marketing Summary

- The County of Mendocino (the County) directed Mercer to conduct a fully-insured marketing of its retiree health plan (rhp).
- Mercer conducted a marketing and requested bids for:
 - fully-insured Medicare Supplemental plans for Medicare eligible retirees, and
 - fully-insured health plans for non-Medicare eligible retirees
 - Bids were requested for both group coverage and individual coverage
- On a group and individual basis the market responded:
 - with favorable quotes for Medicare Supplemental coverage for the Medicare eligible retiree population.
 - Unfavorably for the non-Medicare eligible population by refusing to quote on coverage.
- On a composite basis the County currently budgets \$605.02 per retiree per month (prpm).
 - Based on annual plan experience through December 31, 2009, Mercer calculated separate rates for non-Medicare and Medicare eligible retirees.
 - The non-Medicare eligible rate would be \$680.60 prpm
 - The Medicare eligible rate would be \$505.62 prpm
- Although there are no fully-insured market solutions for the non-Medicare eligible retiree population, the market solutions available for the Medicare eligible retiree population provide significant savings over the \$505.62 prpm rate.
 - The group market returned rates between \$168 prpm and \$365 prpm.
 - The individual market returned rates between \$25 prpm and \$380 prpm
 - Under both the group and the individual market solutions, the Medicare eligible retiree would still be required to pay the \$96.40 per month for Part B coverage (as they currently do under the County's rhp)

Marketing Summary (cont.)

- The difference between the group market and the individual market for the County's Medicare eligible retiree population can be best described as defined benefit versus defined contribution.
 - Under the group market, the County would elect a carrier and a plan (defining the benefit)
 - The monthly rate and benefits for the plan would be set for the year
 - Under the individual market, the Medicare eligible retirees from the County would be able to choose from a wide variety of carriers and plan designs depending on their particular needs.
 - The County would establish a Health Savings Account (HSA) for each retiree and fund the account with a particular dollar amount (defined contribution).
 - The County would enter into a contract with a third-party administrator to assist retirees in choosing the right coverage and answering questions regarding coverage.

Marketing Summary – The Group Market (Defined Benefit)

- Mercer requested the following carriers provide group bids:
 - United Healthcare, Aetna, Cigna, Blue Shield, Anthem Blue Cross, HealthNet and Kaiser
 - HealthNet and Kaiser declined to provide quotes due to network access limitations.
 - Blue Shield would not provide a quote on a retiree only population.
 - Anthem Blue Cross declined to quote due to their “Blue on Blue” policy. Part of the Blue on Blue policy states that Blue Cross will not compete with a third-party administrator such as Delta Health Systems which utilizes the Blue Cross network. Under appeal Anthem Blue Cross maintained their declination for providing a bid.
 - United Healthcare, Aetna, and Cigna provided quotes for group Medicare Supplemental coverage.
 - All three carriers offered price advantaged products over what the County currently spends for the Medicare eligible retirees.
 - The price advantage is due to the County entering into each carriers national Medicare Supplemental pool, as opposed to being priced based on the County’s experience.
 - The group market returned rates between \$168 prpm and \$365 prpm
 - Plan design and rates are outlined in the attached document
- All carriers declined to quote fully-insured coverage for the non-Medicare eligible population.
 - The County will need to implement a non-fully insured solution for the non-Medicare eligible retiree population

Marketing Summary – The Individual Market (Defined Contribution)

- Mercer also sought solutions in the individual healthcare market.
 - The individual healthcare market would require individual underwriting for the non-Medicare eligible retirees.
 - Non-Medicare retirees are not guaranteed coverage and could be denied coverage, or pre-existing conditions could be excluded from coverage, limited in coverage, and/or require a surplus premium.
 - Mercer does not recommend the individual market as a solution for the non-Medicare eligible retiree population.
 - The individual market is required to offer guaranteed issuance of coverage for the Medicare eligible population. Medicare eligible retirees could not be denied coverage, nor could pre-existing conditions be excluded from coverage, limited in coverage, nor requested to pay a surplus premium.
- The individual market could be a solution for the non-Medicare eligible retiree population.
 - It offers a greater variety of plan designs and rates
 - A TPA would be recommended to answer retiree questions, outline available coverage and place coverage (this would reduce the administrative requirement to the County)
 - Extend Health provided the individual market quote. Sample rates are as follows:

Key Areas	Medicare Advantage # of options # of carriers Premium range	Medigap (male age 75) # of options # of carriers Premium range & Plan F	Part D # of options # of carriers Premium range
Ukiah, CA (95482)	11 plan options 5 carriers \$0-\$164	22 plan options 6 carriers \$86.64-\$279 (Plan J: \$139.09)	21 plan options 8 carriers \$24.40-\$105.50
Santa Rosa, CA (95409)	19 plan options 4 carriers \$0-\$164	22 plan options 6 carriers \$86.64-\$279 (Plan F: \$139.09)	21 plan options 8 carriers \$24.40-\$105.50

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