

**County of Mendocino**  
**Human Resources Department**  
**Employee Benefits Division**  
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**IMPORTANT NOTICE ABOUT RETIREE HEALTH,  
PRESCRIPTION DRUG COVERAGE AND MEDICARE**

The Human Resources Department, in conjunction with the County Executive Office and the Mendocino County Retirement Office, will be holding a Question and Answer session on a proposal to protect and preserve the retiree health plan.

**August 27, 2009 from 3:00 – 5:00 p.m.**  
**Board of Supervisors Chambers**  
**501 Low Gap Road, Ukiah, CA.**

All interested parties are welcome to attend.

On September 22, 2009, the Human Resources Department (responsible for administering the Retiree Health Benefits), together with the County Executive Office will be submitting a number of recommendations for the Board of Supervisors' consideration in an effort to strengthen the retiree health benefits plan. The Board of Supervisors' Retirement Ad Hoc Committee and a Board of Retirement Ad Hoc Committee support reasonable actions by the Board of Supervisors to cut costs and/or increase financing to sustain the retiree health benefits program. At present, we are facing the depletion of the retiree health plan's trust reserve which funds health care costs. This is caused by a number of factors:

- ❖ A lack of excess investment earnings used to fund the health plan
- ❖ Rising health care costs
- ❖ Increased health plan usage

It is anticipated that any plan design changes or premium adjustments, approved by the Board of Supervisors, would become effective January 1, 2010.

## **THE CHALLENGE**

Revenues to pay for the Retiree Health Plan are derived from excess earnings of investments of the Retirement System. The absence of these excess investment earnings in the past year have necessitated drawing down the balance of the retiree health plan trust reserve fund.

### **The costs of the Retiree Health Plan are determined by:**

- ❖ The number of people participating
- ❖ The rate of usage of health care
- ❖ The cost of the care provided
- ❖ The proportion of costs borne by the Retirement System retiree health plan trust reserve and by plan participants.

**Changing any of these factors can change the costs.**

## **PRESERVING THE RETIREE HEALTH PLAN**

### RECOMMENDATIONS UNDER CONSIDERATION

#### **1. PLAN CHANGE.**

- Redesign Plan using Plan II design offered to the active employees.
- Savings of \$300,000 projected annually.

#### **2. PREMIUM INCREASE TO RETIREES.**

- Increase retiree contributions by \$50.00 (\$96.40 current rate + \$50.00 to \$146.40 per month, per retiree) for those retirees under age 65 and/or not currently on Medicare.
- Increase retiree contributions by \$50.00 for Medicare-Eligible retirees.
- Savings of \$405,000 projected annually.

#### **IMPACT TO HEALTH PLAN TRUST RESERVE:**

- Preserves the health plan's trust fund reserve due to reduction in health plan costs.

#### **IMPACT TO RETIREES/DEPENDENTS:**

- Increase in annual deductible/individual from \$100 to \$500
- Increase in annual deductible/family from \$200 to \$1,500
- Increase in annual out-of-pocket maximum/individual from \$1,100 to \$4,000
- Increase in annual out-of-pocket maximum/family from \$2,200 to \$8,000
- No change in Preventative Services coverage - remains at 100% for in-network providers and 60% for out-of-network providers.
- No change in inpatient Hospital services coverage – remains at 80% for in-network providers & 60% for out-of-network providers.
- Emergency services benefit remains same for both in-network providers (80%) and out-of-network providers (60%)
- In most cases, the benefit for Generic Prescriptions increases from 20% to \$10 minimum (or 10% co-pay)
- Avoidance of more drastic changes to retiree health plan

Questions or Concerns?

Questions can also be submitted via email to [Goodrics@co.mendocino.ca.us](mailto:Goodrics@co.mendocino.ca.us)  
**Please allow 24 hour response time.**