



City of Novi

Employee Benefit Plan Renewal Process and Future Planning

November 9, 2009

Contents

- Review of Renewal Process
- Recommendations for 2010
- Future Considerations



Renewal Process

Renewal Process

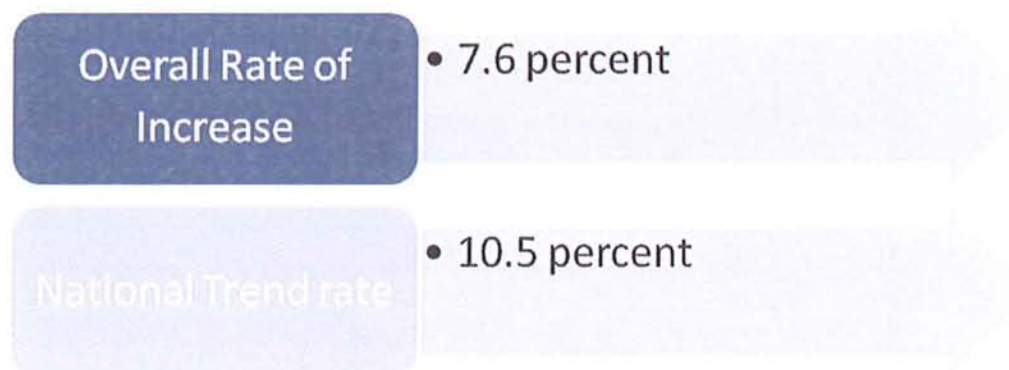
Requested incumbent carriers to provide pricing for current plans and for cost saving ideas that would not be subject to bargaining

Requested competitive bids from alternative carriers

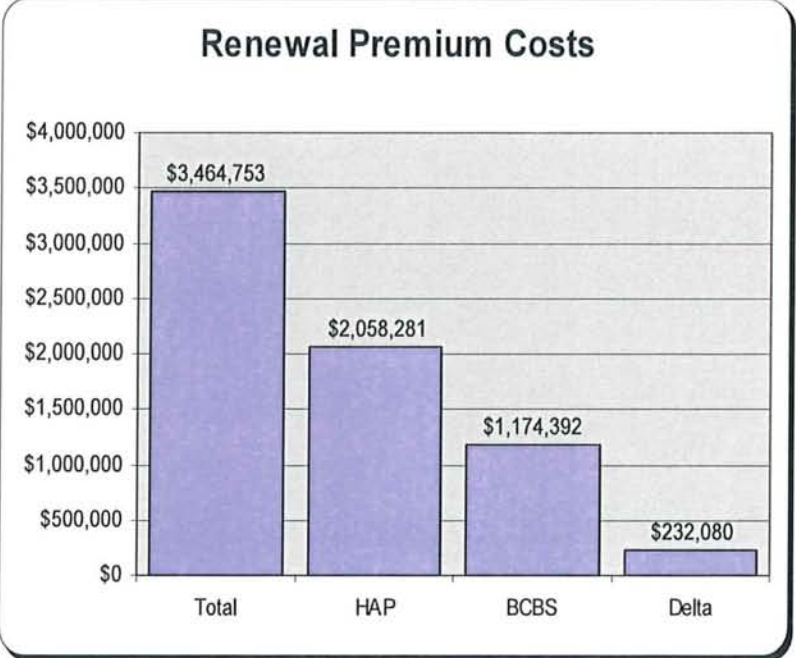
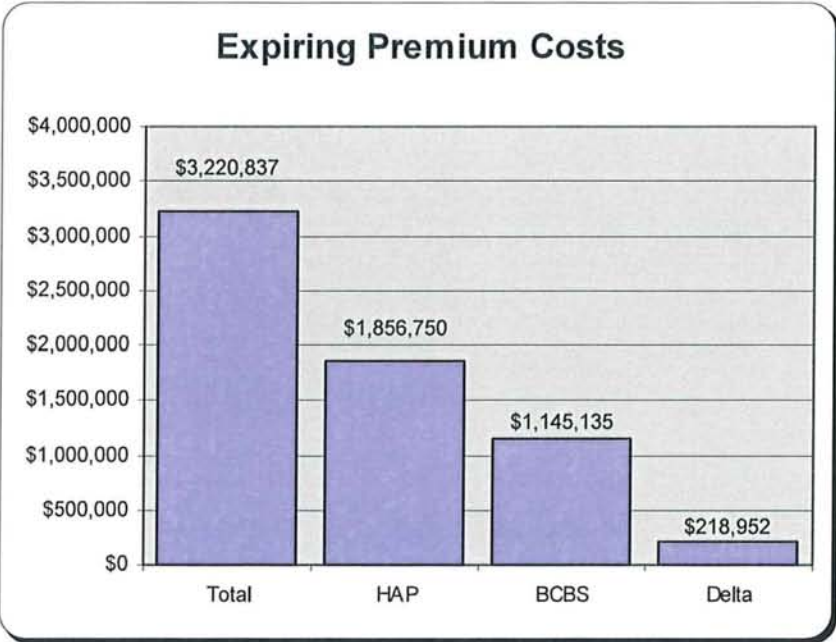
Based on earlier review of possible savings under self-funded arrangement, requested that BCBS provide updated pricing for 2010

Overview of Expiring and Renewal Premium Costs

	Blue Cross Blue Shield	Health Alliance Plan	Delta Dental
2009 Premium	\$1,145,135	\$1,856,750	\$218,952
Combined Premium		\$3,220,837	
2010 Premium	\$1,174,392	\$2,058,281	\$232,080
Combined Premium		\$3,464,753	



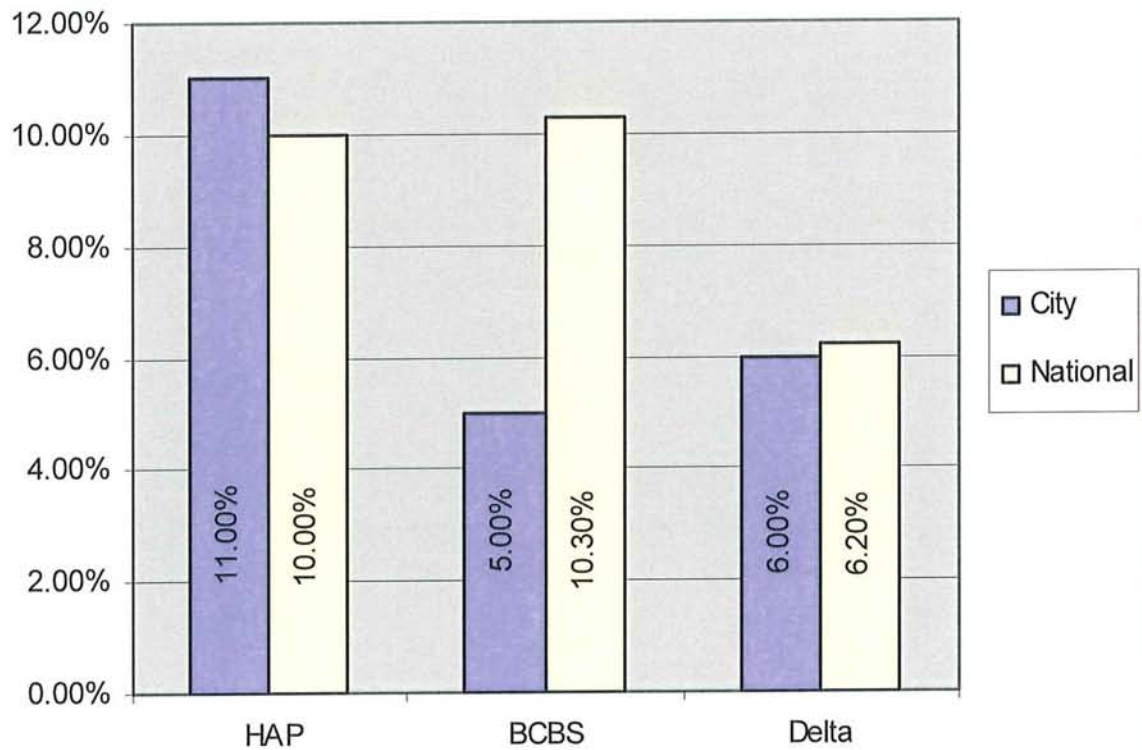
Costs by Plan



Renewal Data reflects a 2.9% increase in BCBS costs vs. the 5% premium increase due to the elimination of higher cost BCBS Traditional Plan option for non-union employees.

Premium Trends

2010 City of Novi Premium Increase vs. National Trend



Projected Costs Under BCBS Self-Funded Model

Reviewed pricing for stop loss deductibles of \$10,000, \$25,000 and \$50,000 per employee (current stop loss deductible is \$25,000 in BCBS plan)

Reviewed proposals to self-fund only BCBS portion of program (keeping HMOs) and also as a total replacement (moving all employees to BCBS PPO plan)

At all deductible levels, overall projected costs were higher than under current insured arrangement (projected claim costs based on actual BCBS claim history and estimated HAP claim history)

Projected pricing for total replacement option is \$3,323,596. Projected pricing to maintain insured options is \$3,232,673.

Comparison of Costs – Insured vs. Self Funded

(Based on Self-Funding Only Current Employees/Retirees Covered under BCBS)

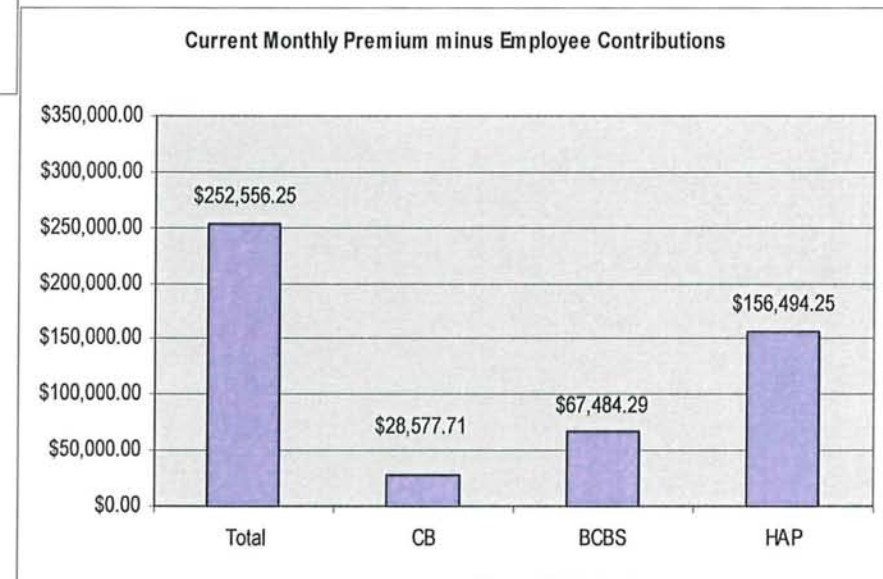
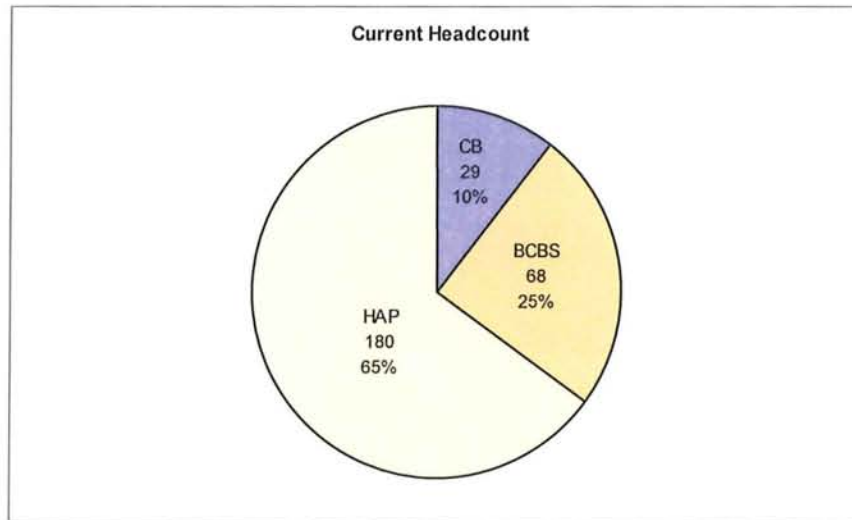
	\$10,000 Specific	\$25,000 Specific
Administrative Fee per Employee per Month	\$49.69	\$49.69
Projected Annual Administration Costs*	\$51,181	\$51,181
Stop Loss Premium:		
Specific Rate Per Employee Per Month	\$549.36	\$286.75
Aggregate Rate Per Employee Per Month	\$31.96	\$52.57
Projected Annual Stop Loss Premium	\$718,512	\$419,400
BCBS Projected Claims Cost	\$839,270	\$993,401
Projected Fixed Costs Plus Claims	\$1,608,963	\$1,463,982
Aggregate Attachment Point	\$977,350	\$1,183,041
Projected Fixed Costs Plus Maximum Claim Liability	\$1,747,043	\$1,653,622

Based on 97 covered lives currently insured with BCBS

Fully insured BCBS premium projection for 2010 is \$1,174,392

* Administrative fees only charged for 10 months in first year of self funding with BCBS

Current Headcount / Cost



Comparison of Costs – Insured vs. Self Funded

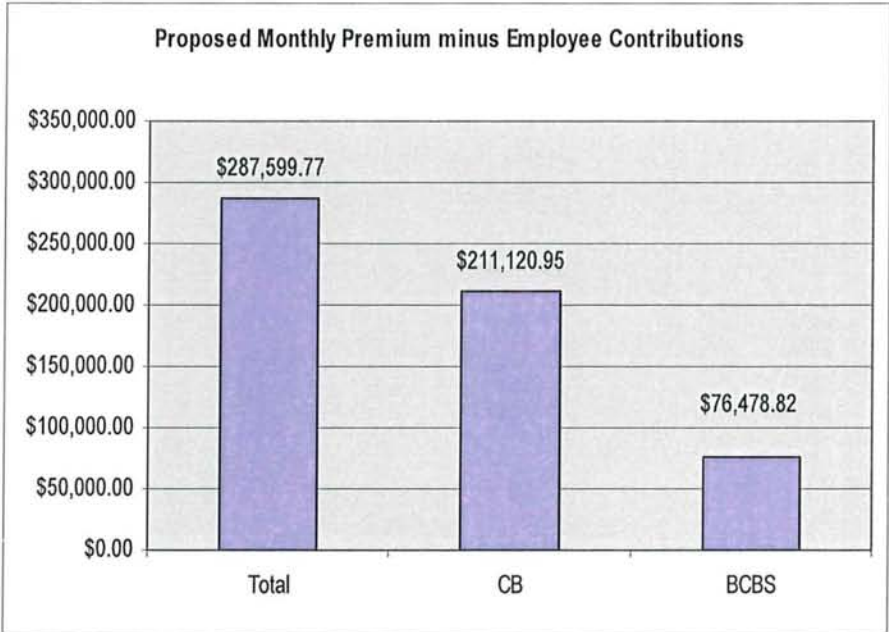
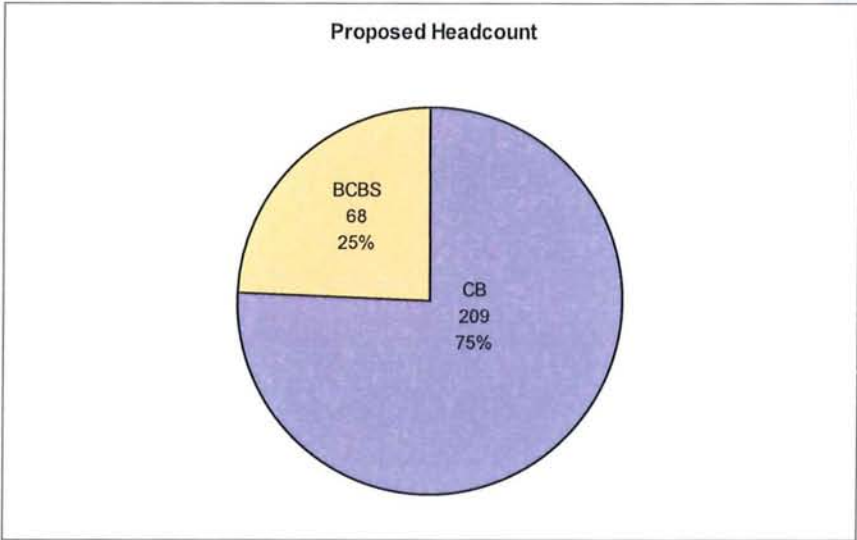
(Based on Self Funding Entire Group of Employees/Retirees and Eliminating HAP Option)

	\$50,000 Specific
Administrative Fee per Employee per Month	\$39.61
Projected Annual Administration Costs*	\$110,908
Stop Loss Premium:	
Specific Rate Per Employee Per Month	\$132.16
Aggregate Rate Per Employee Per Month	\$14.05
Projected Annual Stop Loss Premium	\$491,266
BCBS Projected Claims Cost	\$2,721,422
Projected Fixed Costs Plus Claims	\$3,323,596
Aggregate Attachment Point	\$3,153,309
Projected Fixed Costs Plus Maximum Claim Liability	\$3,755,483

230 MW
 Based upon 315-covered lives
 Fully insured BCBS and HAP premium projection for 2010 is \$3,305,210.

* Administrative fees only charged for 10 months in first year of self funding with BCBS *\$3,232,673*

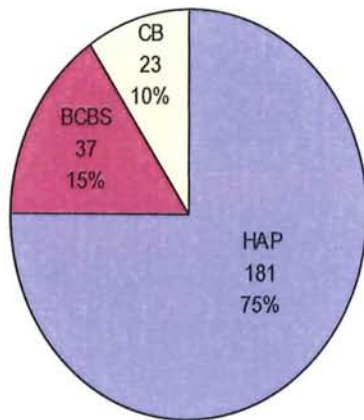
Self-Funded Headcount / Cost



Calculation assumes all HAP members enroll in Community Blue. Calculation would significantly increase with Traditional enrollment.

ENROLLMENT BY CARRIER

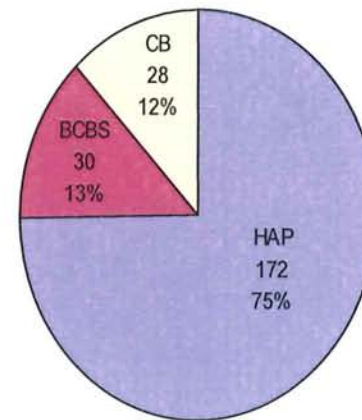
2008 Employee Enrollment by Carrier



Active - 37 BCBS, 181 HAP, 23 CB

241 Total Contracts

2009 Employee Enrollment by Carrier



Active - 30 BCBS, 172 HAP, 28 CB

230 Total Contracts

Recommendations

2010 Benefit Plan Recommendations

Renew insured plans with BCBS, HAP and Delta Dental

Implement passive dental PPO program (additional discounts with no provider disruption)

Adopt BCBS pharmacy step therapy initiative

Eliminate BCBS traditional plan as an option for non-bargained employees

Modify pharmacy copayment structure for non-bargained employees in 2010

Initiatives will not disrupt provider access or negotiated benefit levels

Future Planning Considerations

What Drives Health Care Costs?

Elements of Health Care Trend



Areas of Opportunity

Trends in Healthcare Cost Management

Eligibility Issues

- Definition of eligible dependent
- Dependent audits
- Spousal surcharge or other spousal access limitation
- Coverage for retired employees working at other jobs

Plan Design Issues

- Deductibles, coinsurance, copayments
- Plan designs tied to participation in wellness incentives
- High deductible plans with reimbursement accounts
- Rx management
- Wellness promotion activities

Cost Sharing Issues

- Core/buy-up strategy rather than uniform percentage of premium subsidy
- Premium contributions tied to increase in annual premium rates or tied to salary
- Premium contributions tied to participation in or results of wellness activities
- Smoker surcharges

Initiatives Already Adopted

Management of cost sharing features in plan (e.g., Rx copayments, emergency room and office visit copayments)

Completed dependent audit in 2009

Pharmacy cost management initiatives (e.g., generic promotion, quantity limits, etc.)

Ongoing wellness programs and health promotion

Management of premium cost sharing arrangement

Initiatives Requiring Bargaining

Spousal surcharges

Plan designs featuring higher deductibles with reimbursement accounts

Plan designs tied to wellness incentives

Core/buy-up strategy rather than flat premium subsidy

Contributions tied to participation in or results of wellness initiatives

Retiree Opportunities

Group
Medicare
Advantage
Plans

Group
Medicare
Supplement
Plans

Medicare
Part D Drug
Plans

Account
Based Plans

Questions?
