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County of Mendocino Active Employee Health Plan 2008 / 2009 Plan Performance and Plan Projections

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Executive Summary

Background

- The County of Mendocino Employee Health Plan runs on a Calendar year basis.
- This report outlines plan performance compared to projections for the 2008 and 2009 plan years.
 - Please note that the plan experience for 2009 is based on January 1, 2009 through March 31, 2009 (3 months).
- The County of Mendocino 2009 Employee Health Plan Renewal Report (September 3, 2008) outlined projections for 2008 and 2009. These projections are used as the basis for this report.
- Effective January, 2009 the health plan rates were increased 16%.
- The County has outlined a strategy to fully fund health plan costs and reserve requirements by December 31, 2011.
 - Reserve requirements are estimated to be \$6,307,748 at that time.
 - o \$2,492,075 = incurred but not paid claim reserve
 - o \$3,815,674 = Stabilization reserve

2008 / 2009 Plan Performance

- January 1, 2008 the health plan was in a deficit position of \$1,451,986.
- As of March 31, 2009 the health plan was in a surplus position of \$249,405.
 - Over 15 months the health plan developed a \$1,701,391 surplus to eliminate the deficit position and contribute to the funding of reserves.
 - Over the first 12 months, a surplus of \$461,248 was developed.
 - With the 16% rate increase implemented in January, 2009 and favorable plan experience, the past 3 months have developed a surplus of \$1,240,143.
- The projected surplus position for December 31, 2009 is \$2,392,765.
 - In order to reach this projection, the health plan will need to achieve an additional \$2,143,360 in surplus over the remaining 9 months of 2009.

2008 Summary

2008 Plan Performance

- The 2008 plan year started in a deficit position of \$1,451,986.
 - The deficit was reduced to \$990,738 by December 31, 2008.
 - The deficit was projected to be reduced to \$254,630 by December 31, 2008.
 - The difference between the realized deficit reduction and projected deficit reduction is \$736,108. The difference is mainly due to the following:
 - A realized average enrollment of 1,274 subscribers compared to a projected enrollment of 1,247 subscribers.
 - A \$300,100 higher claim cost than projected
 - Projected prescription drug rebates of \$95,372 not realized
 - Plan expenses \$73,097 higher than projected
 - Realized revenue was \$317,169 less than projected
- The 2008 plan year projected \$4,954,005 in unfunded reserve requirements. Based on realized plan experience the 2008 plan year reserve requirement is updated to be projected at \$5,126,710
 - Incurred but not paid (IBNP) reserve = was projected at \$1,943,602 and has been updated to \$1,999,164.
 - The IBNP reserve is estimated to cover the outstanding liability of claims incurred but not yet paid.
 - Stabilization reserve = was projected at \$3,010,403 and has been updated to \$3,127,546.
 - A stabilization reserve is established to cover adverse claim fluctuation and unexpected plan expenses.
 - The reserve is calculated as three months of plan costs.

2009 Summary

2009 Plan Performance

- The 2009 plan year started in a deficit position of \$990,738.
 - The plan deficit has been eliminated.
 - A surplus of \$249,405 has been achieved as of March 31, 2009
 - With the 16% rate increase implemented in January, 2009 and favorable plan experience, the past 3 months have developed a surplus of \$1,240,143.
- The projected surplus position for December 31, 2009 is \$2,392,765.
 - In order to reach this projection, the health plan will need to achieve an additional \$2,143,360 in surplus over the remaining 9 months of 2009.
- The projected reserve requirement for December 31, 2009 is \$5,420,089.
 - Incurred but not paid (IBNP) reserve is projected at \$2,132,388
 - Stabilization reserve is projected at \$3,287,701.
- It is estimated that the County will have funded \$2,392,765 of the reserve requirement and have an unfunded reserve of \$3,027,324.

2008 Summary

Plan Experience	2008 Projection		2008 Realized		Difference		
	Annual	PEPM	Annual	PEPM	\$ Annual	\$ PEPM	% PEPM
Total Plan Cost	\$ 12,041,614	\$ 804.71	\$ 12,510,182	\$ 818.30	\$ 468,568	\$ 13.59	1.7%
Revenue	\$ 13,288,600	\$ 888.04	\$ 12,971,431	\$ 848.47	\$ (317,169)	\$ (39.57)	-4.5%
Surplus / (Deficit)	\$ 1,246,986	\$ 83.33	\$ 461,248	\$ 30.17	\$ (785,738)	\$ (53.16)	-33.8%
Beginning Plan Surplus / (Deficit) Position	\$ (1,501,616)	\$ (100.35)	\$ (1,451,986)	\$ (94.96)	\$ 49,630	\$ 5.37	-5.4%
Ending Plan Surplus / (Deficit) Position	\$ (254,630)	\$ (17.02)	\$ (990,738)	\$ (64.80)	\$ (736,108)	\$ (47.78)	280.7%
Reserve Requirement							
Incurred But Not Paid Claim Reserve	\$ (1,943,602)	\$ (129.89)	\$ (1,999,164)	\$ (130.77)	\$ (55,562)	\$ (0.88)	0.7%
Stabilization Reserve	\$ (3,010,403)	\$ (201.18)	\$ (3,127,546)	\$ (204.53)	\$ (117,143)	\$ (3.40)	1.7%
Total Reserve	\$ (4,954,005)	\$ (331.06)	\$ (5,126,710)	\$ (335.34)	\$ (172,705)	\$ (4.28)	1.3%
Total Surplus / (Deficit) Position	\$ (5,208,635)	\$ (348.08)	\$ (6,117,448)	\$ (400.15)	\$ (908,813)	\$ (52.07)	15.0%
Projected Employees		1,247		1,274			

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2009 Summary

Plan Experience	2009 Annual Projection		2009 Realized (3 Months)		Difference	
	Annual	PEPM	Annual	PEPM	\$ PEPM	% PEPM
Total Plan Cost	\$ 13,022,011	\$ 870.22	\$ 2,626,418	\$ 695.19	\$ (175.03)	-20.1%
Revenue	\$ 15,414,776	\$ 1,030.12	\$ 3,866,561	\$ 1,023.44	\$ (6.68)	-0.6%
Surplus / (Deficit)	\$ 2,392,765	\$ 159.90	\$ 1,240,143	\$ 328.25	\$ 168.35	105.3%
Beginning Plan Surplus / (Deficit) Position	\$ (254,630)	\$ (17.02)	\$ (990,738)	\$ (262.24)	\$ (245.22)	1440.8%
Ending Plan Surplus / (Deficit) Position	\$ 2,138,135	\$ 142.89	\$ 249,405	\$ 66.02	\$ (76.87)	-53.8%
Reserve Requirement						
Incurred But Not Paid Claim Reserve	\$ (2,111,504)	\$ (141.11)	\$ (2,132,388)	\$ (564.42)	\$ (423.31)	300.0%
Stabilization Reserve	\$ (3,255,503)	\$ (217.56)	\$ (3,287,701)	\$ (970.22)	\$ (652.66)	300.0%
Total Reserve	\$ (5,367,007)	\$ (358.66)	\$ (5,420,089)	\$ (1,434.65)	\$ (1,075.99)	300.0%
Total Surplus / (Deficit) Position	\$ (3,228,872)	\$ (215.78)	\$ (5,170,684)	\$ (1,368.63)	\$ (1,152.85)	534.3%
Projected Employees		1,247		1,259		

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Appendix A - 2008 Detailed Summary

Plan Expenses and Revenue	2008 Projection		2008 Realized		Difference		
	Annual	PEPM	Annual	PEPM	\$ Annual	\$ PEPM	% PEPM
Paid Claims							
Medical	\$ 7,767,203	\$ 519.06	\$ 7,933,589	\$ 518.94	\$ 166,386	\$ (0.12)	0.0%
Prescription Drugs	\$ 1,842,473	\$ 123.13	\$ 1,886,073	\$ 123.37	\$ 43,600	\$ 0.24	0.2%
Dental	\$ 837,769	\$ 55.99	\$ 916,736	\$ 59.96	\$ 78,967	\$ 3.97	7.1%
Vision	\$ 50,250	\$ 3.36	\$ 61,397	\$ 4.02	\$ 11,146	\$ 0.66	19.5%
Total	\$ 10,497,695	\$ 701.53	\$ 10,797,795	\$ 706.29	\$ 300,100	\$ 4.76	0.7%
County Costs							
Salaries & Benefits	\$ 141,748	\$ 9.47	\$ 121,734	\$ 7.96	\$ (20,014)	\$ (1.51)	-15.9%
Services & Supplies	\$ 8,816	\$ 0.59	\$ 10,532	\$ 0.69	\$ 1,716	\$ 0.10	16.8%
Life Insurance	\$ 70,000	\$ 4.68	\$ 57,640	\$ 3.77	\$ (12,360)	\$ (0.91)	-19.4%
Reinsurance							
Specific Stop Loss (\$175,000)	\$ 577,012	\$ 38.56	\$ 582,252	\$ 38.09	\$ 5,240	\$ (0.47)	-1.2%
Aggregate Stop Loss (125%)	\$ 54,020	\$ 3.61	\$ 55,190	\$ 3.61	\$ 1,170	\$ -	0.0%
Plan Administration & Cost Containment							
DHS Administration	\$ 254,388	\$ 17.00	\$ 259,896	\$ 17.00	\$ 5,508	\$ -	0.0%
DHS Cost Containment	\$ 52,374	\$ 3.50	\$ 111,518	\$ 7.29	\$ 59,144	\$ 3.79	108.4%
DHS Nurseline	\$ 9,727	\$ 0.65	\$ 9,937	\$ 0.65	\$ 211	\$ -	0.0%
PPO Network							
PPO Access - Blue Cross	\$ 191,689	\$ 12.81	\$ 221,578	\$ 14.49	\$ 29,889	\$ 1.68	13.1%
PPO Access - Foundation	\$ 22,446	\$ 1.50	\$ -	\$ -	\$ (22,446)	\$ (1.50)	-100.0%
Health Plan Consulting							
Mercer General Consulting	\$ 80,000	\$ 5.35	\$ 76,250	\$ 4.99	\$ (3,750)	\$ (0.36)	-6.8%
Other	\$ 5,000	\$ 0.33	\$ 5,000	\$ 0.33	\$ -	\$ (0.00)	-0.9%
Aon Actuarial Review	\$ 20,000	\$ 1.34	\$ 22,000	\$ 1.44	\$ 2,000	\$ 0.10	7.4%
Misc. Expenses	\$ -	\$ -	\$ 27,347	\$ 1.79	\$ 27,347	\$ 1.79	100.0%
Prescription Drug Rebates	\$ (95,372)	\$ (6.37)	\$ -	\$ -	\$ 95,372	\$ 6.37	-100.0%
Wellness Program	\$ 152,072	\$ 10.16	\$ 151,513	\$ 9.91	\$ (559)	\$ (0.25)	-2.5%
Total Plan Expenses	\$ 1,543,919	\$ 103.18	\$ 1,712,388	\$ 112.01	\$ 168,469	\$ 8.83	8.6%
Total Cost	\$ 12,041,614	\$ 804.71	\$ 12,510,182	\$ 818.30	\$ 468,568	\$ 13.59	1.7%
Revenue	\$ 13,280,600	\$ 888.04	\$ 12,971,431	\$ 848.47	\$ (317,169)	\$ (39.57)	-4.5%
Surplus / (Deficit)	\$ 1,246,986	\$ 83.33	\$ 461,248	\$ 30.17	\$ (785,738)	\$ (53.16)	-63.8%

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Appendix B - 2009 Detailed Summary

Plan Expenses and Revenue	2009 Annual Projection		2009 Realized (3 Months)		Difference		
	Annual	PEPM	Annual	PEPM	\$ Annual	\$ PEPM	% PEPM
Paid Claims							
Medical	\$ 8,347,069	\$ 557.81	\$ 1,734,780	\$ 459.18	\$ (98.63)	\$ -17.7%	
Prescription Drugs	\$ 2,075,507	\$ 138.70	\$ 467,859	\$ 123.34	\$ (14.86)	\$ -10.7%	
Dental	\$ 925,972	\$ 61.88	\$ 214,868	\$ 56.37	\$ (5.01)	\$ -8.1%	
Vision	\$ 51,775	\$ 3.46	\$ 15,024	\$ 3.98	\$ (0.52)	\$ 15.0%	
Total	\$ 11,400,323	\$ 761.85	\$ 2,432,531	\$ 643.37	\$ (117.98)	\$ -15.5%	
County Costs							
Salaries & Benefits	\$ 146,000	\$ 9.76	\$ 43,234	\$ 11.44	\$ 1.68	\$ 17.2%	
Services & Supplies	\$ 9,080	\$ 0.61	\$ 1,052	\$ 0.28	\$ (0.33)	\$ -54.1%	
Life Insurance	\$ 70,000	\$ 4.68	\$ 14,503	\$ 3.84	\$ (0.84)	\$ -17.9%	
Reinsurance							
Specific Stop Loss (\$175,000)	\$ 649,138	\$ 43.38	\$ 155,931	\$ 41.27	\$ (2.11)	\$ -4.9%	
Aggregate Stop Loss (125%)	\$ 54,020	\$ 3.61	\$ 12,976	\$ 3.43	\$ (0.18)	\$ -5.0%	
Plan Administration & Cost Containment							
DHS Administration	\$ 254,388	\$ 17.00	\$ 50,475	\$ 13.36	\$ (3.64)	\$ -21.4%	
DHS Cost Containment	\$ 52,374	\$ 3.50	\$ 13,223	\$ 3.50	\$ -	\$ 0.0%	
DHS Nurseline	\$ 9,727	\$ 0.65	\$ 2,456	\$ 0.65	\$ -	\$ 0.0%	
PPO Network							
PPO Access - Blue Cross	\$ 200,315	\$ 13.39	\$ 33,059	\$ 8.75	\$ (4.64)	\$ -34.7%	
PPO Access - Foundation	\$ 22,446	\$ 1.50	\$ -	\$ -	\$ (1.50)	\$ -100.0%	
Health Plan Consulting							
Mercer General Consulting	\$ 80,000	\$ 5.35	\$ 18,750	\$ 4.96	\$ (0.39)	\$ -7.3%	
Other	\$ 5,000	\$ 0.33	\$ 1,944	\$ 0.51	\$ 0.18	\$ 54.5%	
Aon Actuarial Review	\$ 20,000	\$ 1.34	\$ -	\$ -	\$ (1.34)	\$ -100.0%	
Misc. Expenses	\$ -	\$ -	\$ 3,016	\$ 0.80	\$ 0.80	\$ 100.0%	
Prescription Drug Rebates	\$ (107,435)	\$ (7.18)	\$ (156,732)	\$ (41.19)	\$ (34.31)	\$ 477.9%	
Wellness Program	\$ 156,634	\$ 10.47	\$ -	\$ -	\$ (10.47)	\$ -100.0%	
Total Plan Expenses	\$ 1,621,688	\$ 108.37	\$ 193,886	\$ 51.32	\$ (57.05)	\$ -52.6%	
Total Cost	\$ 13,022,011	\$ 870.22	\$ 2,626,418	\$ 695.19	\$ (175.03)	\$ -20.1%	
Revenue	\$ 15,414,776	\$ 1,030.12	\$ 3,866,561	\$ 1,023.44	\$ (6.68)	\$ -0.6%	
Surplus / (Deficit)	\$ 2,392,765	\$ 159.90	\$ 1,240,143	\$ 328.25	\$ 168.35	\$ 105.3%	

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