

Memorandum

MIAMI-DADE
COUNTY

Date: March 6, 2007

To: Honorable Bruno A. Barreiro
and Members, Board of County Commissioners

Supplement to
Agenda Item No. 12(B)8

From: George M. Burgess
County Manager

Subject: Supplemental Information on the Report Regarding Issuance of a Request for
Proposals for a Self-funded Medical Program

The following information is provided to supplement the report on the issuance of a Request for Proposals (RFP) for a Self-funded Medical Program.

On February 24, 2007, Commissioner Natasha Seijas requested additional information on the February 13, 2007 report to the Budget and Finance Committee on the issuance of a RFP for a Self-funded Medical Program. The Exhibits attached to the report are intended to be illustrative of the reductions in premiums that could have been passed on in 2007, had such a plan been implemented, based on anticipated savings. The savings were projected based on two factors: first, our non-claims expenses as compared to a conservative estimate of what we would have expected to save in a self-funded environment based on industry norms and second, savings to be achieved by restructuring the coverage tiers to correctly reflect an "employee only" rate (which would be much lower than our current employee only rates) and passing those savings on in the form of reduced dependent premiums. We have also created a new coverage tier for "employee + child(ren) with a premium lower than the current "employee + family" that recognizes the lower risk coverage for children.

As I committed to in the report, all of the savings achieved will be used to reduce dependent and retiree premiums. Employee contributions funded through departmental budgets will not be reduced. All premiums and departmental contributions will be deposited in the Health Insurance Trust Fund and expenses charged to this Trust Fund.

Simply restructuring the categories of dependent coverage does not in and of itself account for savings. If the County merely modified the levels of dependent coverage to our existing programs, without modifying our employee contribution, the rates for 2007 would have resembled those in Exhibit I. As you can see, though employee + child(ren) the employee + spouse, or employee + family rates are higher. That is because in this assumption, there are no savings to share; the total cost of the program remains the same. We are simply modifying the distribution of cost, in order to include the employee + child(ren) tier. If we modify the employee contribution to the appropriate level, and restructure the dependent tiers, the rates for 2007 would have resembled those in Exhibit II. Again, though the "employee + child(ren)" is lower, the "employee+ spouse" and "employee + family" rates are higher. The ability to substantially reduce dependent premiums across all tiers was based on both the re-tiering approach, as well as the savings to be realized from consolidating plans and moving to a self-funded approach.

The question was also raised as to whether the analysis includes all expenses incurred by the County administration in managing the self-funded program, plus the fees transferred to the provider for its administrative costs and what additional County staff expenses will be incurred if the entire program becomes self-funded. Expenses incurred by the County administration for managing the self-funded program will not be higher than the fully insured programs. The selected proposer will be responsible for plan administration, as the plans are now. The premise of this recommendation is a change in the

Honorable Chairman Bruno A. Barreiro
And Members, Board of County Commissioners
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funding strategy, but not a change in the fundamental way in which our employees receive their healthcare. Claims administration, authorizations for care, member services, disease management programs and network management, to name a few, would continue to be the responsibility of the plan.

Staff will continue to be responsible to communicate with our employees and to facilitate their enrollment and other related activities. Cigna performs the same administrative functions for our self-funded Point of Service (POS) plan, as the health maintenance organizations do for our fully insured plans. The analysis does take into consideration the fees, both administrative and stop loss, that would be incurred in moving to a self-funded program.

Finally, as you requested, I have attached a copy of the report regarding this issue which was delivered to the County by our consultant, Deloitte. Should you have any additional questions or concerns, please feel free to contact me.



Assistant County Manager

Miami-Dade County

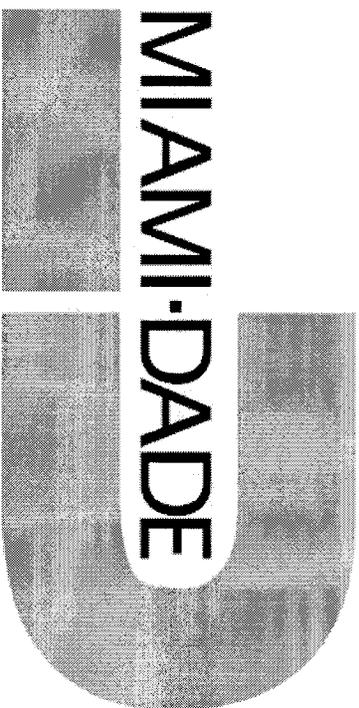
Exhibit 1: Change from current 3-tier rates to 4-tier rates, holding single rate constant

Current 3-Tier			Proposed 4-Tier			
AvMed HMO			AvMed HMO			
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$229.97	\$0.00	\$229.97	\$0.00	\$0.00	N/A
Ee+Spouse	\$393.20	\$163.23	\$413.95	\$183.98	\$20.74	12.7%
Ee+Child	\$393.20	\$163.23	\$367.95	\$137.98	(\$25.25)	-15.5%
Ee+Children	\$451.38	\$221.41	\$367.95	\$137.98	(\$83.43)	-37.7%
Family	\$451.38	\$221.41	\$476.93	\$246.96	\$25.55	11.5%
Humana HMO			Humana HMO			
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$256.70	\$0.00	\$256.70	\$0.00	\$0.00	N/A
Ee+Spouse	\$438.91	\$182.21	\$462.07	\$205.36	\$23.15	12.7%
Ee+Child	\$438.91	\$182.21	\$410.72	\$154.02	(\$28.19)	-15.5%
Ee+Children	\$503.08	\$246.38	\$410.72	\$154.02	(\$92.36)	-37.5%
Family	\$503.08	\$246.38	\$519.73	\$263.03	\$16.65	6.8%
JMH HMO			JMH HMO			
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$229.06	\$0.00	\$229.06	\$0.00	\$0.00	N/A
Ee+Spouse	\$391.35	\$162.29	\$412.30	\$183.25	\$20.95	12.9%
Ee+Child	\$391.35	\$162.29	\$366.49	\$137.43	(\$24.86)	-15.3%
Ee+Children	\$449.26	\$220.20	\$366.49	\$137.43	(\$82.77)	-37.6%
Family	\$449.26	\$220.20	\$475.92	\$246.86	\$26.65	12.1%
Vista HMO			Vista HMO			
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$207.94	\$0.00	\$207.94	\$0.00	\$0.00	N/A
Ee+Spouse	\$355.57	\$147.63	\$374.29	\$166.35	\$18.72	12.7%
Ee+Child	\$355.57	\$147.63	\$332.71	\$124.76	(\$22.87)	-15.5%
Ee+Children	\$407.55	\$199.61	\$332.71	\$124.76	(\$74.85)	-37.5%
Family	\$407.55	\$199.61	\$431.59	\$223.64	\$24.03	12.0%
CIGNA POS			CIGNA POS			
	2007 Bi-Weekly Premium-Equivalent Rate	2007 Bi-Weekly EE Contribution	Proposed Premium-Equivalent Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$349.59	\$10.49	\$349.59	\$10.49	\$0.00	0.0%
Ee+Spouse	\$657.20	\$318.10	\$699.18	\$360.08	\$41.98	13.2%
Ee+Child	\$657.20	\$318.10	\$629.26	\$290.16	(\$27.94)	-8.8%
Ee+Children	\$1,010.28	\$437.85	\$629.26	\$290.16	(\$147.69)	-33.7%
Family	\$1,010.28	\$437.85	\$1,036.94	\$697.84	\$259.99	59.4%

Miami-Dade County

Exhibit 2: Change from current 3-tier rates to 4-tier rates, based on redistribution of tiers

Current 3-Tier			Proposed 4-Tier				
AvMed HMO			AvMed HMO				
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$229.97	\$0.00	\$182.28	\$0.00	\$0.00	N/A	
Ee+Spouse	\$393.20	\$163.23	\$364.55	\$182.28	\$19.04	11.7%	
Ee+Child	\$393.20	\$163.23	\$309.87	\$127.59	(\$35.64)	-21.8%	
Ee+Children	\$451.38	\$221.41	\$309.87	\$127.59	(\$93.82)	-42.4%	
Family	\$451.38	\$221.41	\$633.87	\$451.59	\$230.18	104.0%	
Humana HMO			Humana HMO				
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$256.70	\$0.00	\$210.42	\$0.00	\$0.00	N/A	
Ee+Spouse	\$438.91	\$182.21	\$420.84	\$210.42	\$28.21	15.5%	
Ee+Child	\$438.91	\$182.21	\$357.72	\$147.30	(\$34.92)	-19.2%	
Ee+Children	\$503.08	\$246.38	\$357.72	\$147.30	(\$99.08)	-40.2%	
Family	\$503.08	\$246.38	\$710.21	\$499.79	\$253.41	102.9%	
JMH HMO			JMH HMO				
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$229.06	\$0.00	\$194.14	\$0.00	\$0.00	N/A	
Ee+Spouse	\$391.35	\$162.29	\$388.27	\$194.14	\$31.84	19.6%	
Ee+Child	\$391.35	\$162.29	\$330.03	\$135.89	(\$26.40)	-16.3%	
Ee+Children	\$449.26	\$220.20	\$330.03	\$135.89	(\$84.31)	-38.3%	
Family	\$449.26	\$220.20	\$686.73	\$492.59	\$272.39	123.7%	
Vista HMO			Vista HMO				
	2007 Bi-Weekly Premium Rate	2007 Bi-Weekly EE Contribution	Proposed Premium Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$207.94	\$0.00	\$158.05	\$0.00	\$0.00	N/A	
Ee+Spouse	\$355.57	\$147.63	\$316.10	\$158.05	\$10.42	7.1%	
Ee+Child	\$355.57	\$147.63	\$268.69	\$110.64	(\$37.00)	-25.1%	
Ee+Children	\$407.55	\$199.61	\$268.69	\$110.64	(\$88.97)	-44.6%	
Family	\$407.55	\$199.61	\$551.87	\$393.82	\$194.21	97.3%	
CIGNA POS			CIGNA POS				
	2007 Bi-Weekly Premium-Equivalent Rate	2007 Bi-Weekly EE Contribution	Proposed Premium-Equivalent Rate	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$349.59	\$10.49	\$345.96	\$10.38	(\$0.11)	-1.0%	
Ee+Spouse	\$657.20	\$318.10	\$691.92	\$356.34	\$38.24	12.0%	
Ee+Child	\$657.20	\$318.10	\$588.13	\$252.55	(\$65.55)	-20.6%	
Ee+Children	\$1,010.28	\$437.85	\$588.13	\$252.55	(\$185.30)	-42.3%	
Family	\$1,010.28	\$437.85	\$1,144.11	\$808.52	\$370.67	84.7%	



Miami-Dade County

Employee Health Insurance Program Strategy

October 17, 2006

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- Background & Objectives
- Employee Perceptions of County's Health Insurance Program
- Policy Recommendations
- Summary 9





Background & Objectives

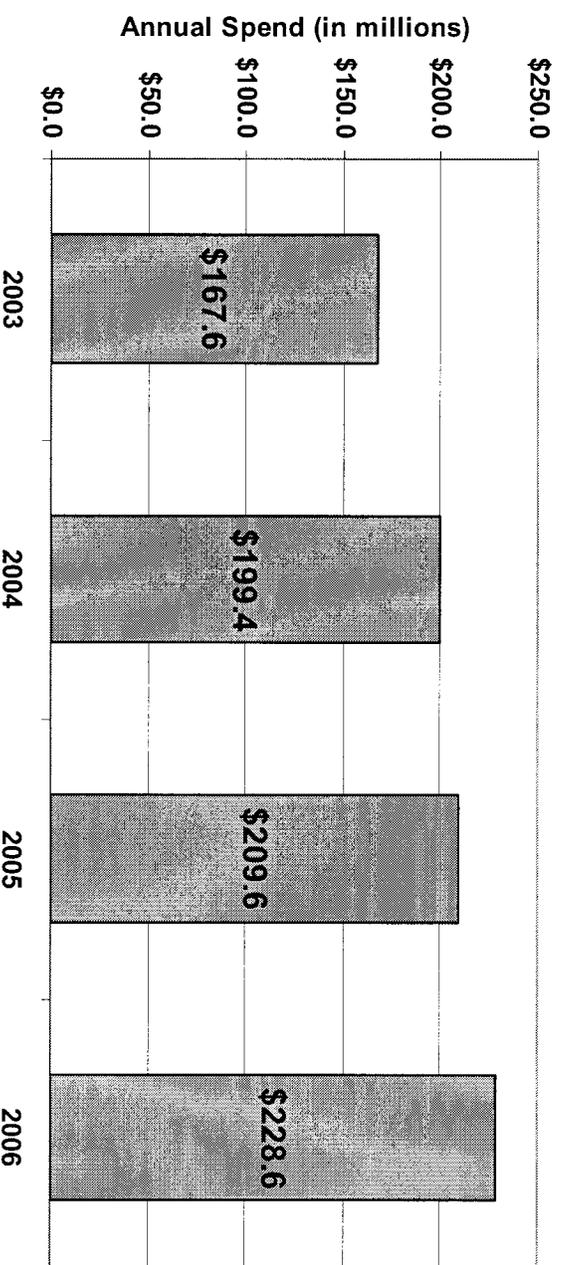
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Background & Objectives

- The County currently offers five health plan options: fully insured HMOs through AvMed, Humana, JMH, and Vista and a self-insured POS plan administered by CIGNA Healthcare
- Overall cost increases since 2003 have been over 35%

Historical Annual County & Employee Costs: MDC Only

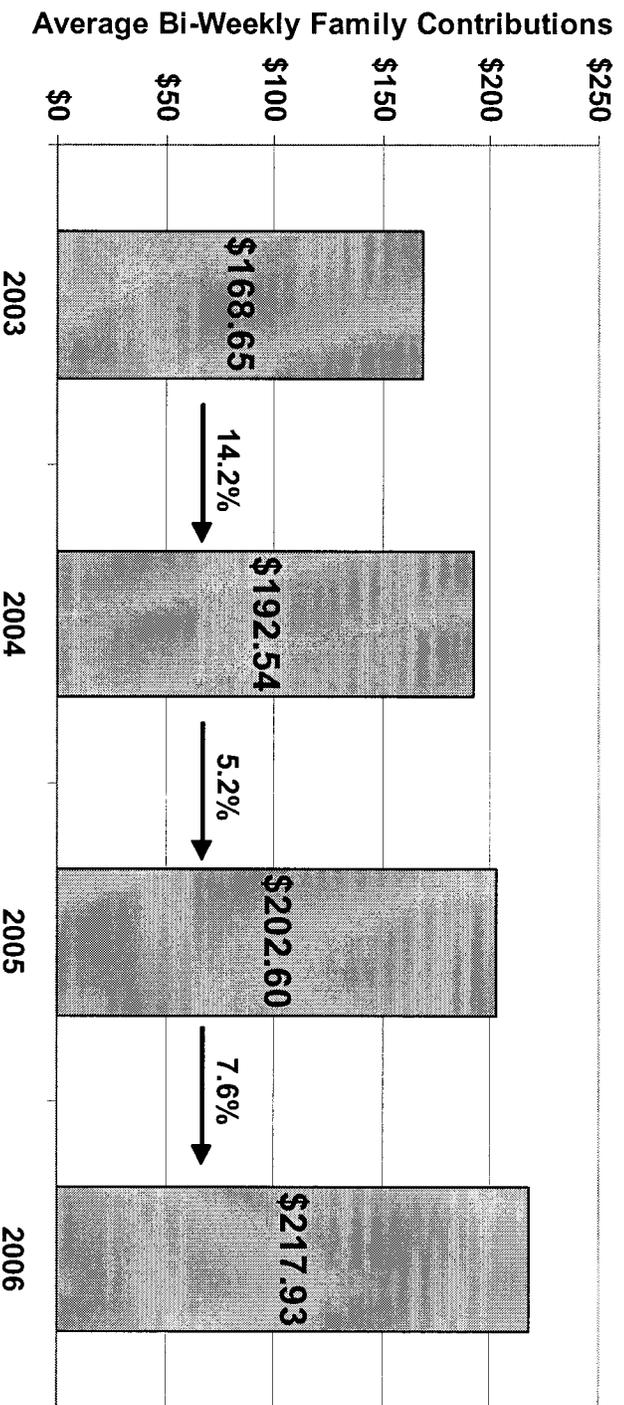


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Background & Objectives

- Family contributions have increased 29% since 2003, bringing the average cost to \$218 per biweekly period

Historical Family Contributions



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Background & Objectives

- Miami-Dade County is paying more per capita than other public employers in South Florida, yet shouldering less of the overall cost

2006 Contributions						
	Miami-Dade County Gov't	Miami-Dade County Public Schools	Broward County Gov't	Broward County Schools	Palm Beach Schools	
Employees	26,881*	41,718	4,970**	28,769	19,375	
Contributions Per Employee Per Year (\$)						
Employer Paid	\$6,461	\$5,328	\$6,343	\$4,811	\$5,612	
Employee Paid	<u>\$2,042</u>	<u>\$738</u>	<u>\$950</u>	<u>\$824</u>	<u>\$1,005</u>	
Total Cost	\$8,503	\$6,066	\$7,293	\$5,635	\$6,617	
Contributions Per Employee Per Year (%)						
Employer Paid	76.0%	87.8%	87.0%	85.4%	84.8%	
Employee Paid	24.0%	12.2%	13.0%	14.6%	15.2%	

* Based on active County employees, excluding the Public Health Trust

** Broward County Government data reflects 2005 rates and enrollment



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Background & Objectives

- Our goal is to develop a clear, concise strategy for reforming our employee health insurance program with the objective of mitigating the rate of increase in total program cost while making coverage more affordable for employees covering their dependents
- Solutions should incorporate appropriate cost controls while maintaining an effective and efficient benefits program
- Recommendations need to consider two components:
 - Revisions to plan architecture without reducing benefit levels
 - Funding and alleviating the burden of dependent costs

Employee Perceptions of the County's Health Insurance Program

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Employee Perceptions of the County's Health Insurance Program

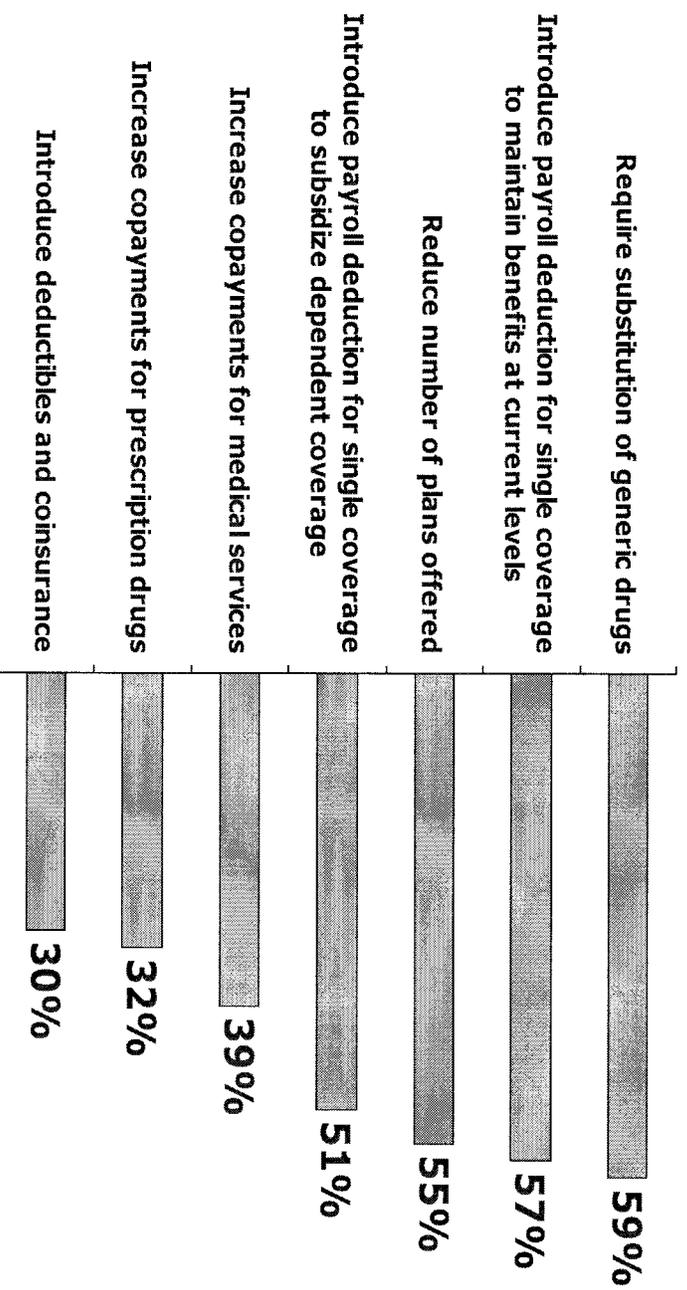
- The County used a three-pronged approach to gathering feedback from employees:
 - Written survey conducted in the spring of 2006
 - 6,000 responses
 - 89% satisfied with overall value of their medical plan
 - 19% of those with dependent children did not cover their children under the County's program or their spouse's program
 - Employee Focus Groups held mid-May
 - Provided opportunity for further discussion of responses received
 - Employee Forum held in June
 - Promoted open discussion by employees of health insurance issues

— (M)

Employee Perceptions of the County's Health Insurance Program

- Employee responses to the written survey and focus groups indicate that employees acknowledge the importance of making coverage more affordable

Employee Agreement with Approaches to Cost Control





Policy Recommendations

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Policy Recommendations: Options with Highest Employee Agreement

- Recommending changes in the order that employees are most comfortable with as indicated on slide 9 presents challenges:
 - Generic Substitution
 - Past studies of MDC's drug utilization indicates generic substitution is already at a high level
 - As a result, it is unlikely that implementing mandatory generic use would achieve the level of savings needed
 - Introduce a single contribution
 - Contained within collective bargaining units and would necessitate discussion and concurrence of the Unions
 - Should become a recommendation for the next bargaining session and be pursued further

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Policy Recommendations: Consolidation

- The consolidation of plans was a favorable approach to employees; this would be feasible and appropriate to implement
 - Currently, each carrier has an increased amount of risk due to the size of the population insured by each
 - Consolidating would lead to more cost-efficient rates
 - Employees were more concerned with continuing to have access to their physicians than with which health plan they had
 - Qualified providers participate in multiple networks
 - Consolidation of plans would include a comprehensive analysis to match current providers against the network of any proposed plan
 - Recommended plan would also be contractually required to seek participation from those providers who are highly utilized but not participating in the recommended network

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Policy Recommendations: Self-Insurance

- Self-insurance would reduce excess administrative charges, risk charges, and operating profit
- HMOs currently retain any excess premium earned due to good claims experience
- Non-claims expense has been around 15% - 25% for the HMOs, as opposed to 4% for the self-insured CIGNA plan
- Self-insurance would be a transparent change to our employees

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	Fully Insured				Self-Insured
	AvMed HMO	Humana HMO	JMH HMO	Vista HMO	CIGNA POS
Premiums Paid	\$129,077,789	\$20,980,474	\$30,912,686	\$17,503,040	\$100,469,271
Non-Claims Expense	\$24,312,625	\$3,210,416	\$7,962,593	\$3,752,080	\$4,085,062
Non-Claims Expense as % of Premium	18.8%	15.3%	25.8%	21.4%	4.1%

Policy Recommendations: Lowering Dependent Cost

- Option 1: Convert current three-tier premiums (employee only, employee + one, employee + more than one) to a four-tier arrangement (employee only, employee + spouse, employee + child(ren), employee + family)
 - Pros:
 - No impact on aggregate plan premium
 - Employees covering only their children would pay a significantly lower amount than current
 - Cons:
 - Redistribution of costs would increase the contributions for employees covering only spouses or spouses plus children

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Policy Recommendations: Lowering Dependent Cost

- Option 2: Set premiums as a percentage of salary
 - Pros:
 - Reduce premiums for most employees
 - Cons:
 - Would result in shortage of required premiums being collected, thus requiring substantial dependent subsidy by County
- Illustration shows proposed contributions as 5% of midpoint of salary band
- For all employees making \$50,000 or more the contributions are not increased, they are held at the current level

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Policy Recommendations: Lowering Dependent Cost

• Option 2 Illustrated

Salary Range		Single				AvMed Couple				Family						
Min	Max	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution
\$0	\$9,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0	2	\$6,000	96%	\$221	\$10
\$10,000	\$14,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0	0	\$0	0%	\$221	\$24
\$15,000	\$19,999	16	\$17,583	0%	\$0	\$0	0	\$163	0%	\$163	\$34	0	\$0	0%	\$221	\$34
\$20,000	\$24,999	437	\$23,088	0%	\$0	\$0	40	\$22,885	19%	\$163	\$43	39	\$23,539	24%	\$221	\$43
\$25,000	\$29,999	891	\$27,598	0%	\$0	\$0	156	\$27,890	15%	\$163	\$53	146	\$27,938	21%	\$221	\$53
\$30,000	\$34,999	1,125	\$32,255	0%	\$0	\$0	241	\$32,470	13%	\$163	\$62	324	\$32,533	18%	\$221	\$62
\$35,000	\$39,999	1,125	\$37,539	0%	\$0	\$0	279	\$37,680	11%	\$163	\$72	431	\$37,731	15%	\$221	\$72
\$40,000	\$44,999	998	\$42,455	0%	\$0	\$0	376	\$42,619	10%	\$163	\$82	560	\$42,600	14%	\$221	\$82
\$45,000	\$49,999	765	\$47,608	0%	\$0	\$0	282	\$47,677	9%	\$163	\$91	560	\$47,789	12%	\$221	\$91
\$50,000	and above	2,065	\$64,629	0%	\$0	\$0	1,046	\$67,205	6%	\$163	\$91	2,504	\$68,120	8%	\$221	\$91
Totals		7,422	\$43,886	0%	\$0	\$0	2,420	\$50,977	8%	\$395,022	\$272,394	4,566	\$55,410	10%	\$1,010,955	\$712,089
% of Total		52%					17%					32%				
Additional Annual Cost by MDC						\$0					\$3,188,345					\$7,770,493

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Salary Range		Single				CIGNA Couple				Family						
Min	Max	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution
\$0	\$9,999	4	\$6,000	5%	\$10	\$10	1	\$6,000	138%	\$318	\$10	1	\$6,000	190%	\$438	\$10
\$10,000	\$14,999	2	\$13,732	2%	\$10	\$10	0	\$0	0%	\$318	\$24	0	\$0	0%	\$438	\$24
\$15,000	\$19,999	4	\$17,538	2%	\$10	\$10	1	\$15,179	54%	\$318	\$34	0	\$0	0%	\$438	\$34
\$20,000	\$24,999	231	\$23,120	1%	\$10	\$10	2	\$22,192	37%	\$318	\$43	0	\$0	0%	\$438	\$43
\$25,000	\$29,999	544	\$27,752	1%	\$10	\$10	12	\$28,222	29%	\$318	\$53	2	\$26,422	43%	\$438	\$53
\$30,000	\$34,999	715	\$32,271	1%	\$10	\$10	24	\$32,300	26%	\$318	\$62	12	\$32,325	35%	\$438	\$62
\$35,000	\$39,999	706	\$37,602	1%	\$10	\$10	27	\$38,120	22%	\$318	\$72	8	\$38,021	30%	\$438	\$72
\$40,000	\$44,999	677	\$42,585	1%	\$10	\$10	49	\$42,665	19%	\$318	\$82	18	\$42,939	27%	\$438	\$82
\$45,000	\$49,999	672	\$47,541	1%	\$10	\$10	37	\$47,836	17%	\$318	\$91	26	\$47,999	24%	\$438	\$91
\$50,000	and above	2,889	\$71,471	0%	\$10	\$10	362	\$81,484	10%	\$318	\$318	384	\$98,585	13%	\$438	\$438
Totals		6,444	\$52,365	1%	\$67,573	\$67,569	515	\$69,061	12%	\$163,820	\$126,747	451	\$81,571	14%	\$197,471	\$173,424
% of Total		87%					7%					6%				
Additional Annual Cost by MDC						\$91					\$963,893					\$625,240



Policy Recommendations: Lowering Dependent Cost

- Option 2 Illustrated (Continued)

Salary Range		Single				Humana Couple				Family						
Min	Max	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution
\$0	\$9,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0	1	\$6,000	107%	\$246	\$10
\$10,000	\$14,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0	0	\$0	0%	\$246	\$24
\$15,000	\$19,999	6	\$18,700	0%	\$0	\$0	0	\$0	0%	\$182	\$24	0	\$0	0%	\$246	\$34
\$20,000	\$24,999	112	\$23,028	0%	\$0	\$0	12	\$23,182	20%	\$182	\$43	10	\$22,815	28%	\$246	\$43
\$25,000	\$29,999	198	\$27,810	0%	\$0	\$0	30	\$28,204	17%	\$182	\$53	23	\$27,763	23%	\$246	\$53
\$30,000	\$34,999	256	\$32,120	0%	\$0	\$0	60	\$32,206	15%	\$182	\$62	67	\$32,195	20%	\$246	\$62
\$35,000	\$39,999	179	\$37,587	0%	\$0	\$0	38	\$37,794	13%	\$182	\$72	64	\$37,648	17%	\$246	\$72
\$40,000	\$44,999	101	\$42,586	0%	\$0	\$0	72	\$42,957	11%	\$182	\$82	88	\$42,552	15%	\$246	\$82
\$45,000	\$49,999	227	\$47,326	0%	\$0	\$0	57	\$47,374	10%	\$182	\$91	67	\$47,367	14%	\$246	\$91
Totals	and above	1,251	\$64,453	0%	\$0	\$0	104	\$67,515	7%	\$182	\$182	238	\$68,103	9%	\$246	\$246
% of Total		57%	\$39,875	0%	\$0	\$0	373	\$46,401	10%	\$67,955	\$38,637	558	\$51,189	13%	\$137,479	\$82,412
Additional Annual Cost by MDC					\$0	\$0	17%			\$762,514	\$215,202	22%			\$1,431,752	\$411,587

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Salary Range		Single				JMH Couple				Family						
Min	Max	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution
\$0	\$9,999	1	\$6,000	0%	\$0	\$0	0	\$0	0%	\$162	\$10	0	\$0	0%	\$220	\$10
\$10,000	\$14,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$162	\$24	0	\$0	0%	\$220	\$24
\$15,000	\$19,999	1	\$19,436	0%	\$0	\$0	0	\$0	0%	\$162	\$34	0	\$0	0%	\$220	\$34
\$20,000	\$24,999	55	\$23,143	0%	\$0	\$0	4	\$24,050	18%	\$162	\$43	3	\$23,495	24%	\$220	\$43
\$25,000	\$29,999	89	\$27,330	0%	\$0	\$0	10	\$27,271	15%	\$162	\$53	14	\$27,689	21%	\$220	\$53
\$30,000	\$34,999	95	\$32,016	0%	\$0	\$0	22	\$32,746	13%	\$162	\$62	18	\$32,586	18%	\$220	\$62
\$35,000	\$39,999	65	\$37,339	0%	\$0	\$0	18	\$37,836	11%	\$162	\$72	17	\$37,606	15%	\$220	\$72
\$40,000	\$44,999	62	\$42,332	0%	\$0	\$0	20	\$42,543	10%	\$162	\$82	40	\$42,725	13%	\$220	\$82
\$45,000	\$49,999	37	\$47,528	0%	\$0	\$0	18	\$47,403	9%	\$162	\$91	16	\$47,429	12%	\$220	\$91
\$50,000	and above	92	\$70,916	0%	\$0	\$0	47	\$71,909	6%	\$162	\$162	69	\$71,931	8%	\$220	\$220
Totals		497	\$40,456	0%	\$0	\$0	139	\$49,311	9%	\$22,558	\$14,281	177	\$51,498	11%	\$38,976	\$23,146
% of Total		61%			\$0	\$0	17%			\$215,202	\$215,202	22%			\$89,976	\$411,587
Additional Annual Cost by MDC					\$0	\$0				\$215,202	\$215,202				\$89,976	\$411,587



Policy Recommendations: Lowering Dependent Cost

• Option 2 Illustrated (Continued)

Salary Range	Single						Couple						Family					
	Min	Max	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	
\$0	\$9,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0	0	\$0	0%	\$200	\$200		
\$10,000	\$14,999	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0	0	\$0	0%	\$200	\$200		
\$15,000	\$19,999	3	\$16,182	0%	\$0	\$0	0	\$0	0%	\$0	\$0	0	\$0	0%	\$200	\$200		
\$20,000	\$24,999	65	\$23,218	0%	\$0	\$0	17	\$23,332	16%	\$148	\$43	12	\$23,363	22%	\$200	\$43		
\$25,000	\$29,999	108	\$27,717	0%	\$0	\$0	28	\$27,512	14%	\$148	\$53	58	\$28,001	19%	\$200	\$53		
\$30,000	\$34,999	146	\$32,357	0%	\$0	\$0	52	\$32,369	12%	\$148	\$62	81	\$32,489	16%	\$200	\$62		
\$35,000	\$39,999	108	\$37,435	0%	\$0	\$0	43	\$37,625	10%	\$148	\$72	104	\$37,876	14%	\$200	\$72		
\$40,000	\$44,999	85	\$42,382	0%	\$0	\$0	62	\$42,775	9%	\$148	\$82	97	\$42,360	12%	\$200	\$82		
\$45,000	\$49,999	74	\$47,738	0%	\$0	\$0	43	\$47,334	8%	\$148	\$91	101	\$47,560	11%	\$200	\$91		
\$50,000	and above	124	\$54,486	0%	\$0	\$0	100	\$64,802	6%	\$148	\$148	307	\$63,275	8%	\$200	\$200		
Totals		713	\$39,901	0%	\$0	\$0	345	\$45,321	8%	\$50,933	\$32,325	760	\$48,438	11%	\$151,704	\$4,583		
% of Total		39%					19%					42%						
Additional Annual Cost by MDC						\$0					\$483,799					\$1,485,152		

Salary Range	Single						Couple						Family					
	Min	Max	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	# of Ees	Average Salary	Contrib as % of Salary	Current Bi-Weekly Contribution	Proposed Bi-Weekly Contribution	
\$0	\$9,999	5	\$6,000	4%	\$0	\$0	1	\$6,000	138%	\$0	\$0	4	\$6,000	122%	\$0	\$0		
\$10,000	\$14,999	2	\$13,732	2%	\$0	\$0	0	\$0	0%	\$0	\$0	0	\$0	0%	\$0	\$0		
\$15,000	\$19,999	30	\$17,722	0%	\$0	\$0	1	\$15,179	54%	\$0	\$0	0	\$0	0%	\$0	\$0		
\$20,000	\$24,999	900	\$23,092	0%	\$0	\$0	75	\$23,077	19%	\$0	\$0	64	\$23,391	25%	\$0	\$0		
\$25,000	\$29,999	1,830	\$27,661	0%	\$0	\$0	236	\$27,876	16%	\$148	\$21	243	\$27,910	21%	\$200	\$21		
\$30,000	\$34,999	2,337	\$32,242	0%	\$0	\$0	399	\$32,422	14%	\$148	\$32	502	\$32,472	18%	\$200	\$32		
\$35,000	\$39,999	2,183	\$37,552	0%	\$0	\$0	405	\$37,708	12%	\$148	\$37	624	\$37,747	15%	\$200	\$37		
\$40,000	\$44,999	1,994	\$42,503	0%	\$0	\$0	579	\$42,679	11%	\$148	\$42	803	\$42,580	14%	\$200	\$42		
\$45,000	\$49,999	1,649	\$47,567	0%	\$0	\$0	437	\$47,606	10%	\$148	\$47	770	\$47,722	12%	\$200	\$47		
\$50,000	and above	5,397	\$58,388	0%	\$0	\$0	1,659	\$70,329	7%	\$148	\$70	3,502	\$70,014	9%	\$200	\$70		
Totals		16,327	\$46,647	0%	\$0	\$0	3,792	\$52,407	9%	\$50,933	\$32,325	6,512	\$55,940	11%	\$151,704	\$4,583		
% of Total		61%					14%					24%						
Additional Annual Cost by MDC						\$91					\$5,613,753					\$11,724,225		

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Policy Recommendations: Lowering Dependent Cost

- Option 3: Reduce flex dollars to employees from the current level of \$1,000 to \$500
 - Pros:
 - Savings would be used to reduce dependent premiums
 - Cons:
 - This would create an issue for collective bargaining
 - Not considered to be a suitable approach since it would require taking money back from employees; those with employee-only coverage would lose money and gain nothing
- Illustrated scenarios show \$500 flex distributed to dependent tiers under two scenarios:
 - Each tier is provided flex based on an equal dollar amount
 - Each tier is provided flex based on an equal percentage reduction in contributions

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Policy Recommendations: Lowering Dependent Cost

Option 3 Illustrated

\$500 Flex to Dependents Only
 Distributed based on Equal Dollar Amount
 Rates shown on Bi-weekly Basis
 Analysis based on MDC Enrollment Only

\$500 Flex to Dependents Only
 Distributed based on Equal Percentage
 Rates shown on Bi-weekly Basis
 Analysis based on MDC Enrollment Only

Current	Additional \$ to dependents	\$13,440,500	Additional \$ to dependents	\$13,440,500
AVMed HMO				
2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution
Single \$0.00 2 Person \$163.23 Family \$221.41	Single \$0.00 2 Person \$112.72 Family \$170.90	Single \$0.00 2 Person \$124.78 Family \$169.26	Single \$0.00 2 Person \$124.78 Family \$169.26	Single \$0.00 2 Person \$124.78 Family \$169.26
\$ Change to Rate				
\$0.00 -\$50.51 -\$50.51	\$0.00 -\$50.51 -\$50.51	\$0.00 -\$38.45 -\$52.15	\$0.00 -\$38.45 -\$52.15	\$0.00 -\$38.45 -\$52.15
% Change to Rate				
0.0% -30.9% -22.8%	0.0% -30.9% -22.8%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%
Humana HMO				
2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution
Single \$0.00 2 Person \$182.21 Family \$246.38	Single \$0.00 2 Person \$131.70 Family \$195.87	Single \$0.00 2 Person \$139.29 Family \$188.35	Single \$0.00 2 Person \$139.29 Family \$188.35	Single \$0.00 2 Person \$139.29 Family \$188.35
\$ Change to Rate				
\$0.00 -\$50.51 -\$50.51	\$0.00 -\$50.51 -\$50.51	\$0.00 -\$42.92 -\$58.03	\$0.00 -\$42.92 -\$58.03	\$0.00 -\$42.92 -\$58.03
% Change to Rate				
0.0% -27.7% -20.5%	0.0% -27.7% -20.5%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%
JMH HMO				
2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution
Single \$0.00 2 Person \$162.29 Family \$220.20	Single \$0.00 2 Person \$111.78 Family \$169.69	Single \$0.00 2 Person \$124.06 Family \$168.34	Single \$0.00 2 Person \$124.06 Family \$168.34	Single \$0.00 2 Person \$124.06 Family \$168.34
\$ Change to Rate				
\$0.00 -\$50.51 -\$50.51	\$0.00 -\$50.51 -\$50.51	\$0.00 -\$38.23 -\$51.87	\$0.00 -\$38.23 -\$51.87	\$0.00 -\$38.23 -\$51.87
% Change to Rate				
0.0% -31.1% -22.9%	0.0% -31.1% -22.9%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%
Vista HMO				
2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution
Single \$0.00 2 Person \$147.63 Family \$199.61	Single \$0.00 2 Person \$97.12 Family \$149.10	Single \$0.00 2 Person \$112.86 Family \$152.59	Single \$0.00 2 Person \$112.86 Family \$152.59	Single \$0.00 2 Person \$112.86 Family \$152.59
\$ Change to Rate				
\$0.00 -\$50.51 -\$50.51	\$0.00 -\$50.51 -\$50.51	\$0.00 -\$34.77 -\$47.02	\$0.00 -\$34.77 -\$47.02	\$0.00 -\$34.77 -\$47.02
% Change to Rate				
0.0% -34.2% -25.3%	0.0% -34.2% -25.3%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%	0.0% -23.6% -23.6%
CIGNA POS				
2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution	Proposed Employee Contribution
Single \$10.49 2 Person \$318.10 Family \$437.85	Single \$10.49 2 Person \$267.59 Family \$404.02	Single \$10.49 2 Person \$243.17 Family \$347.47	Single \$10.49 2 Person \$243.17 Family \$347.47	Single \$10.49 2 Person \$243.17 Family \$347.47
\$ Change to Rate				
\$0.00 -\$50.51 -\$33.83	\$0.00 -\$50.51 -\$33.83	\$0.00 -\$74.93 -\$90.38	\$0.00 -\$74.93 -\$90.38	\$0.00 -\$74.93 -\$90.38
% Change to Rate				
0.0% -15.9% -7.7%	0.0% -15.9% -7.7%	0.0% -23.6% -20.6%	0.0% -23.6% -20.6%	0.0% -23.6% -20.6%

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Policy Recommendations: Lowering Dependent Cost

- Option 4: Use self-insurance savings to reduce dependent premiums
 - Pros:
 - Dependent premiums would be significantly reduced
 - There would be no additional cost incurred to the County
 - Cons:
 - Savings of self-insurance do not accrue to the County itself
- Illustrated scenarios show the following:
 - Distribution of savings from:
 - Switching to 1,2,3 tier ratios
 - Savings to self-insure
 - Removal of CIGNA family subsidy
 - Scenarios are illustrated showing distribution of savings on an equal dollar amount and an equal percentage to dependent tiers

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Policy Recommendations: Lowering Dependent Cost

Option 4 Illustrated

\$46.6 million distributed based on savings to switch to 1,2,3 Tier Ratios, savings to Self Insurance (7% Non-Claims), and CIGNA Family subsidy removed
 Distributed based on Equal Dollar Amount
 Rates shown on Bi-weekly Basis
 Analysis based on MDC Enrollment Only

\$46.6 million distributed based on savings to switch to 1,2,3 Tier Ratios, savings to Self Insurance (7% Non-Claims), and CIGNA Family subsidy removed
 Distributed based on Equal Percentage
 Rates shown on Bi-weekly Basis
 Analysis based on MDC Enrollment Only

Current	2007 Bi-Weekly Net EE Contribution	2007 Bi-Weekly Net EE Contribution
AvMed HMO		
Single	\$0.00	\$0.00
2 Person	\$163.23	\$163.23
Family	\$221.41	\$221.41
Humana HMO		
Single	\$0.00	\$0.00
2 Person	\$182.21	\$182.21
Family	\$246.38	\$246.38
JMH HMO		
Single	\$0.00	\$0.00
2 Person	\$162.29	\$162.29
Family	\$220.20	\$220.20
Vista HMO		
Single	\$0.00	\$0.00
2 Person	\$147.63	\$147.63
Family	\$199.61	\$199.61
CIGNA POS		
Single	\$10.49	\$10.49
2 Person	\$318.10	\$318.10
Family	\$437.85	\$437.85
Annual Cost to MDC	\$184,096,429	

Additional \$ to dependents Inc / (Dec) to Dependent Contributions	Proposed Employee Contribution	\$ Change to Rate	% Change to Rate
AvMed HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$7.01	-\$156.22	-95.7%
Family	\$189.29	-\$32.12	-14.5%
Humana HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$35.16	-\$147.05	-80.7%
Family	\$245.58	-\$0.80	-0.3%
JMH HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$18.87	-\$143.42	-88.4%
Family	\$213.00	-\$7.20	-3.3%
Vista HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$0.00	-\$147.63	-100.0%
Family	\$140.84	-\$58.77	-29.4%
CIGNA POS			
Single	\$10.38	-\$0.11	-1.0%
2 Person	\$181.08	-\$137.02	-43.1%
Family	\$527.04	-\$89.19	-20.4%
Annual Cost to MDC	\$181,888,223		
Employee Savings due to Self Insurance	(\$21,887,793)		
MDC Savings due to CIGNA Subsidy	(\$2,208,206)		

Additional \$ to dependents Inc / (Dec) to Dependent Contributions	Proposed Employee Contribution	\$ Change to Rate	% Change to Rate
AvMed HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$81.17	-\$82.06	-50.3%
Family	\$162.35	-\$59.06	-26.7%
Humana HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$93.71	-\$88.50	-48.6%
Family	\$187.42	-\$58.96	-23.9%
JMH HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$86.45	-\$75.84	-46.7%
Family	\$172.91	-\$47.30	-21.5%
Vista HMO			
Single	\$0.00	\$0.00	0.0%
2 Person	\$70.39	-\$77.25	-52.3%
Family	\$140.77	-\$58.84	-29.5%
CIGNA POS			
Single	\$10.38	-\$0.11	-1.0%
2 Person	\$158.69	-\$159.41	-50.1%
Family	\$312.76	-\$125.09	-28.6%
Annual Cost to MDC	\$181,888,223		
Employee Savings due to Self Insurance	(\$21,887,793)		
MDC Savings due to CIGNA Subsidy	(\$2,208,206)		

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Summary

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Summary

- We recommend that the County do the following:
 - Consolidate the number of health plans offered to one vendor with a Point-of-Service (POS) option and two Health Maintenance Organization (HMO) options
 - Self-insure all plan options and return the achieved savings to employees in the form of premium reductions for dependent coverage
- These recommendations will play a key role in achieving our goals through the following:
 - Preserve the level of benefits valued by our employees
 - Reduce the overall expense of the healthcare program
 - Provide immediate relief to employees who cover dependents

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