

Memorandum



DATE June 11, 2010
TO Honorable Mayor and Members of the Dallas City Council
SUBJECT Preview of Employee Health Benefits for FY2010-2011 Briefing

Attached you will find the Preview of Employee Health Benefits for FY2010-2011 briefing that will be presented at the City Council Briefing on June 16, 2010.

Should you have any questions please feel free to contact me.



Mary K. Suhm
City Manager

cc: Deborah Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
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Preview of Employee Health Benefits for FY2010-2011

June 16, 2010



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Health Plan Overview

- The City's self-insured health benefits plan is administered through a contract with UnitedHealthcare
- UHC's scope of services include:
 - Providing Medical Plans
 - PPO – 70/30/3k Plan
 - 75/25 PPO Plan with a Health Reimbursement Account
 - Dental and Vision Plan Offerings (Fully funded through employee contributions)
 - Dental HMO
 - Dental PPO
 - Claims Administration
 - Employee Assistance Program
 - Flexible Spending Accounts
 - Employee Medical Spending
 - Dependent Care Assistance Program
 - Life Insurance offerings
 - Basic life
 - Supplemental life
 - Accidental Death and Dismemberment
- The City's annual budget for Employee Health Benefits FY09-10 is \$106 Million.
 - The City's portion is \$51.6 million

Health Plan Overview

	City Contributions	Employee/Retiree Contributions
Medical Plans HRA Plan PPO – 70/30/3k Medicare Plans	\$51.6 million	\$45.3 million \$25.3 million from EE \$20.0 million from Ret
Other Benefits (Dental, Vision, FSA, etc.)	No City Contributions	\$6.9 million

City of Dallas Healthcare

- Offered to full-time and permanent part-time employees, council members, retirees and qualified dependents
- Two plan options
 - Health Reimbursement Account (HRA)
 - Preferred Provider Organization (PPO)
- 22,057 lives covered as outlined below:
 - 2,463 Employees have waived coverage

Status	Plan	Lives Covered
Active	HRA	14,367
Active	PPO	4,531
Terminated	COBRA	111
Retirees	Plan	
Retiree (Pre-65)	HRA	1,651
Retiree (Pre-65)	PPO	1,236
Retiree (Post-65)	HRA	30
Retiree(Post-65)	PPO	131

- Additional 3,448 Post-65 Retirees purchase Supplemental Medicare Plans

Health Care - Monthly Contribution Comparisons

	Dallas	Carrollton	Fort Worth	Garland	Houston	Plano	Richardson	San Antonio
Health Plan	UHC HRA	Advantage PPN	PPO Plan	Cigna PPO Plan	HMO Plan	PPO Plan	BCBS PPO Plan	PPO Plan
Employee Only	\$75 EE \$284 City	\$67 EE \$487 City	\$48 EE \$433 City	\$42 EE \$513 City	\$36 EE \$322 City	\$38 EE \$437 City	\$55 EE \$436 City	\$45 EE \$283 City
Employee & Spouse	\$421 EE \$284 City	\$169 EE \$720 City	\$301 EE \$681 City	\$224 EE \$513 City	\$199 EE \$664 City	\$189 EE \$1,039 City	\$321 EE \$436 City	\$225 EE \$430 City
Employee & Child(ren)	\$212 EE \$422 City	(+1) 169 EE (+2) 310 EE (+1) \$720 City (+2) \$804 City	\$261 EE \$640 City	\$198 EE \$513 City	(+1) 199 EE (+2) 244 EE (+1) \$664 City (+2) \$891 City	\$119 EE \$759 City	\$273 EE \$436 City	\$111 EE \$461 City
Employee & Family	\$534 EE \$422 City	\$310 EE \$804 City	\$407 EE \$941 City	\$330 EE \$513 City	\$245 EE \$891 City	\$297 EE \$1,473 City	\$397 EE \$436 City	\$295 EE \$605 City

**EE designates Employee

HRA Medical Plan

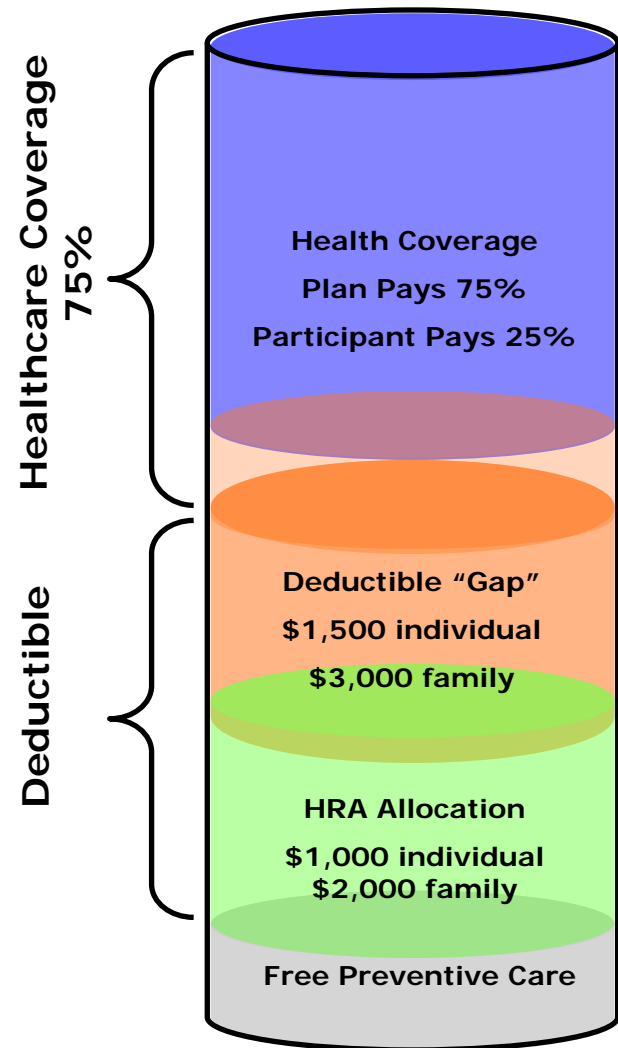
High-deductible medical plan, with a health reimbursement account

1. Medical Plan and Prescription Plan:

- Combined Medical and Prescription Deductible:
 - \$2,500 per individual
 - \$5,000 per family
- Annual maximum out-of-pocket of:
 - \$6,000 per individual
 - \$12,000 per family
- Up to 100% coverage for preventive care
 - Examples: Annual Physical, Mammogram and Colonoscopy

2. Health Reimbursement Account:

- City funds that may be accessed by credit card, to pay for eligible medical expenses during the plan year
- HRA utilized prior to employee paying towards the deductible
 - \$1000 allocation for individual coverage
 - \$2000 allocation for family coverage
- Unused HRA funds rollover up to a maximum of \$6,000



PPO Plan - 70/30 \$3,000 Deductible

Medical Plan and Prescription Plan have separate deductibles

1. Medical Plan

- High Deductible Medical plan:
 - \$3000 deductible per individual
 - \$9000 family deductible
- Deductible must be met before plan pays, except for preventive services
 - Preventive Care
 - Employee pays 30% coinsurance and plan pays 70%
 - Deductible is waived

2. Prescription Drugs

- \$75 deductible per person
 - Tier 1 Drugs - 10% of cost (\$10 minimum)
 - Tier 2 Drugs - 25% of cost (\$25 minimum)
 - Tier 3 Drugs - 40% of cost (\$40 minimum)
- *Description of Drug Tiers found in Appendix page 41

Dental and Vision

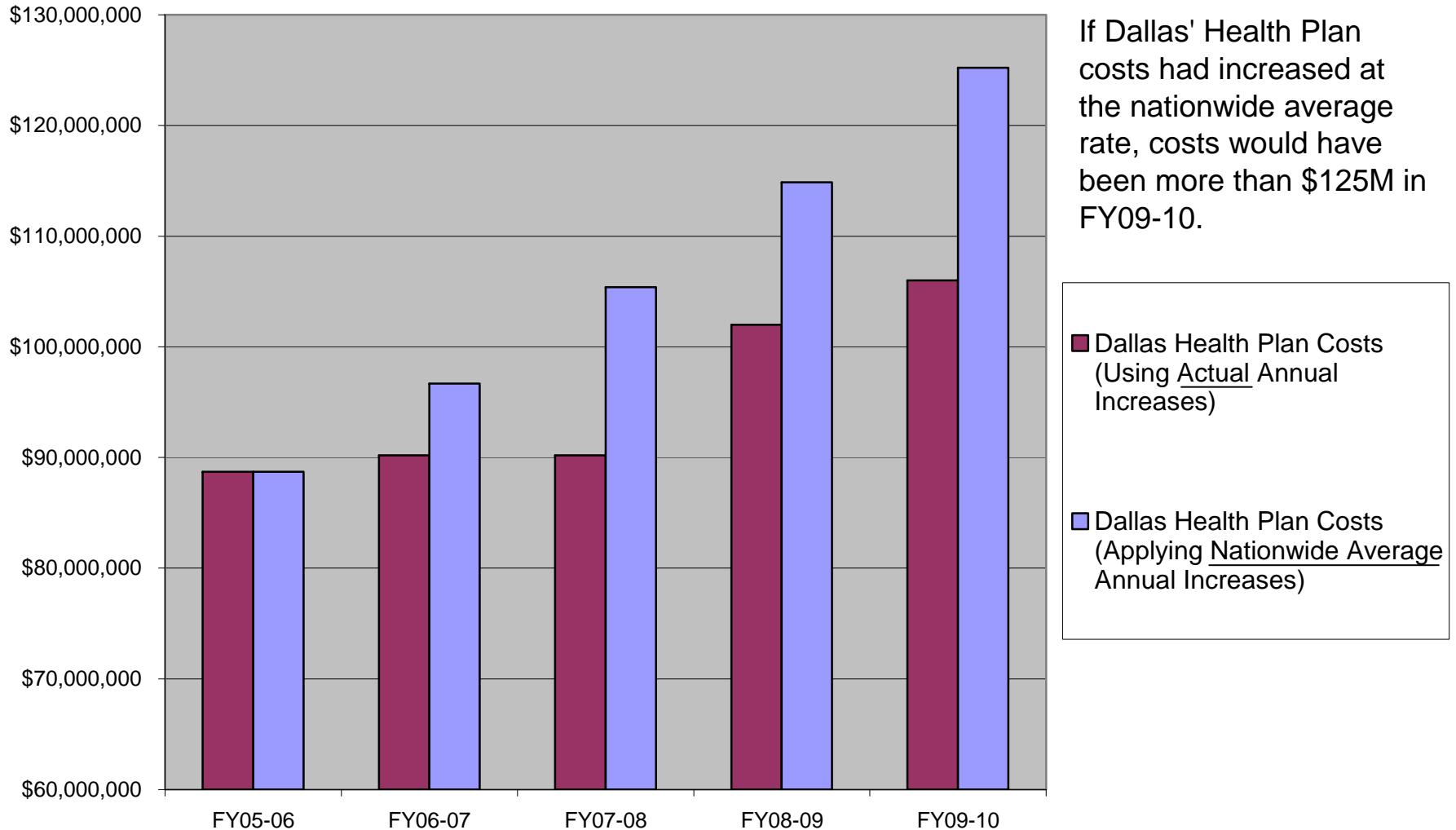
Dental Plans – 100% employee paid

- ❑ Dental PPO Plan
 - Over 4000 PPO access points in DFW Metro Area
 - \$1000 annual maximum benefit
- ❑ Dental HMO Plan
 - Limited coverage network for DHMO
 - Member assigned to a Primary Care Dentist
 - Member pays co-payments at time of service

Vision Plan - 100% employee paid

- ❑ Plan features:
 - Low co-payment for regular vision exam
 - Eyeglass lenses and frame coverage
 - Contact lens coverage in lieu of frames
 - Low out-of-pocket costs

Change in Annual Health Care Costs



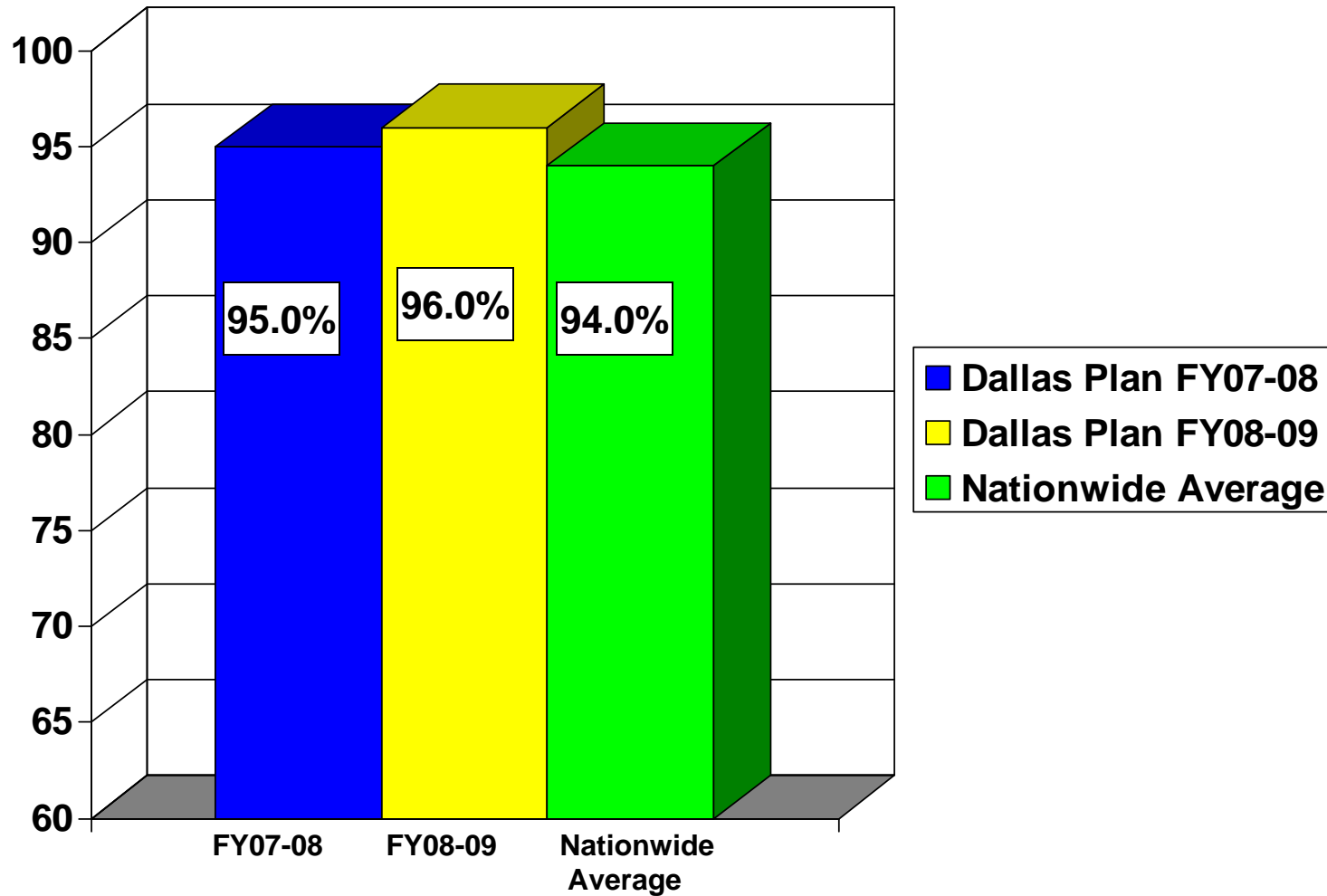
Health Plan Results – Key Metrics



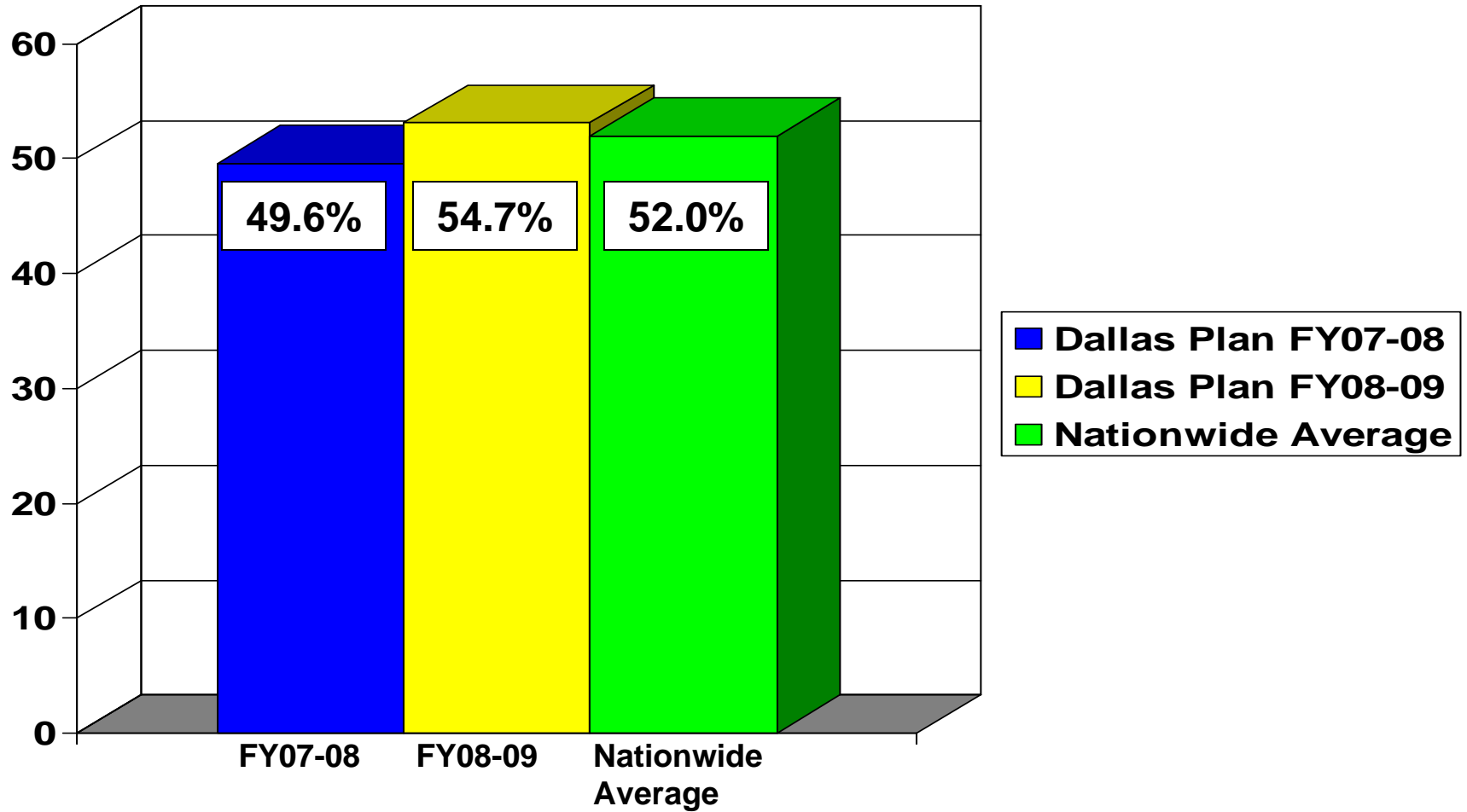
Health Plan Results

- Health Plans are measured by the following key metrics:
 - In-network Utilization
 - Insurers, such as UHC, have contracts with health care professionals to provide services at a discounted rate to the insurers' customers – this is referred to as the “network”
 - When the insurers' customers use a network provider, it costs less than if they used an ‘out of network’ provider
 - Higher in-network utilization results in lower overall health care costs
 - Network Discounts
 - The discount amount off allowed charges
 - Generic Drug Utilization
 - The rate at which the participants utilize generic drugs versus brand name drugs
 - Prescription Drug Cost
 - Average amount paid per prescription

In-Network Utilization



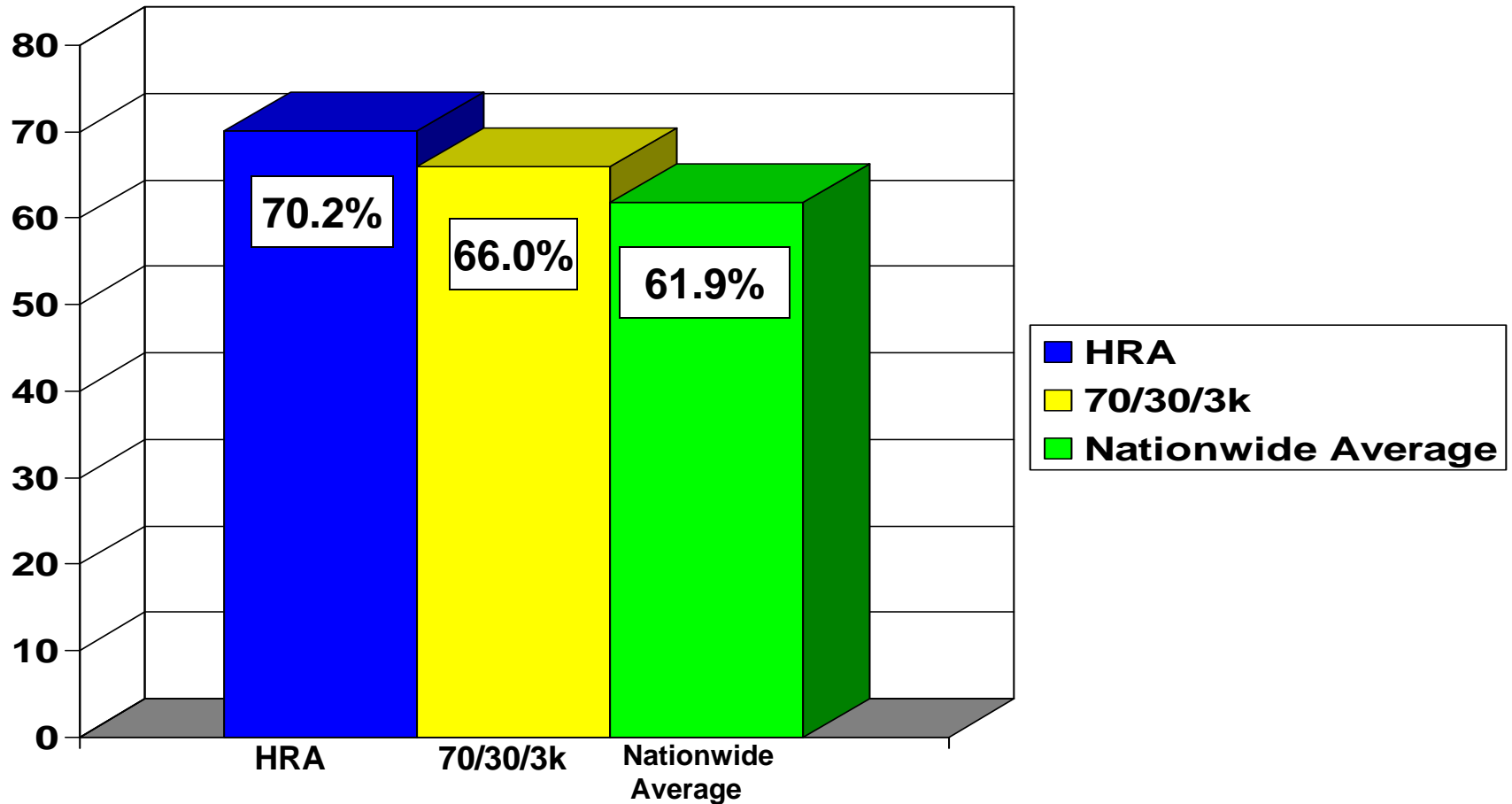
Network Discounts



As employees continue to select doctors in UHC's network, both the Plan and employees save money

Generic Drug Utilization

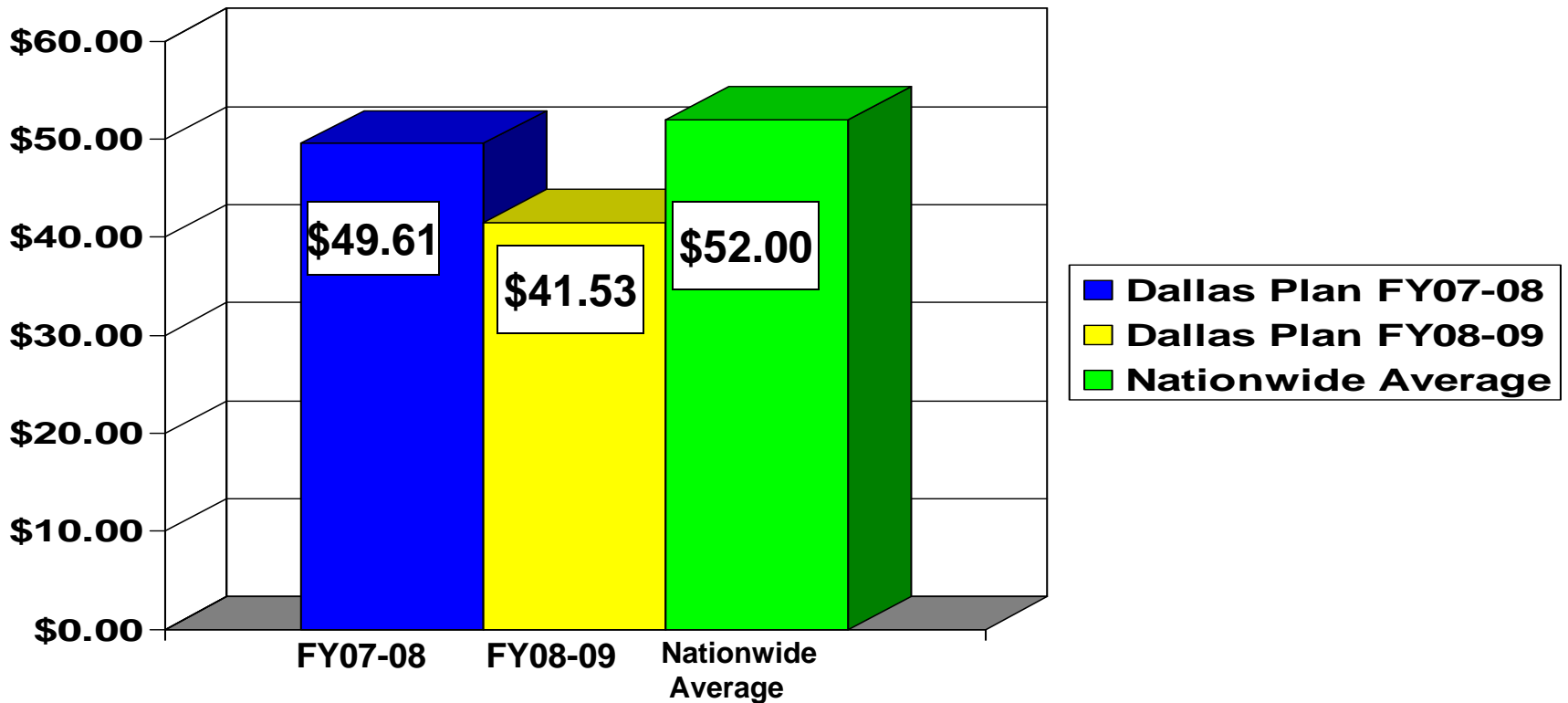
2010 Generic Drug Utilization by Plan



The City's generic drug utilization is higher than the norm.

For every 1% increase in generic drug utilization, the Plan's overall expense for prescription drugs can be reduced by ½%.

Prescription Drug Cost – Average Amount Paid per Prescription



As a result of plan design changes, the City was able to further decrease the average amount paid per prescription.

Request For Information

Results – Buck Consultants Evaluation



Request For Information

- The last health plan RFP was issued in 2005
- UHC was awarded a four year contract with two one-year renewal options
- The first renewal option was exercised last year
- During this extension the City:
 - Directed our actuarial consultant Buck to issue a RFI to decide if we should:
 - Exercise our final one year renewal option with UHC; or
 - Issue a RFP
 - RFI results indicate:
 - UHC has the lowest pricing in Administrative fees
 - UHC's Pharmacy costs will be less than the City's current rate
 - UHC's network discount are comparable to other vendors

buck

City of Dallas Medical/RX Plan RFI Summary Results

Medical/RX RFI

Buck Consultants RFI utilized the following:

- City's self-funded medical and pharmacy plan design
- Actual Claims
- Actual Utilization
- Premium Data

Purpose:

- Determine the competitiveness of medical and pharmacy solutions available in the marketplace prior to the end of the current contract
- Obtain RFI results prior to the release of the public RFP

Below is a summary of the feedback:

- Medical Proposals were submitted by;
 - UHC (current), Aetna, Blue Cross/Blue Shield of Texas, Cigna
- Pharmaceutical Proposals were submitted by;
 - Caremark, Catalyst, Cigna, Express Scripts, Humana, and Walgreens

RFI Results – Summary

	UHC 2010- Current Contract Terms	UHC 2011- Current Contract Terms**	UHC 2011 - Proposed Contract Terms	Aetna	Cigna	BCBSTX
Adjusted Projected 2011 Medical Claims PEPM*	\$461.60	\$480.06	\$480.06	\$497.89	\$478.04	\$504.35
Administrative Fee PEPM	\$15.15	\$15.15	\$21.25	\$37.12	\$30.09	\$29.98
Projected 2011 RX Claims PEPM	<u>\$73.74</u>	<u>\$73.74</u>	<u>\$55.88</u>	<u>\$72.53</u>	<u>\$60.91</u>	<u>\$65.82</u>
Projected 2011 Medical, RX + Admin. PEPM	\$550.49	\$568.95	\$557.19	\$607.55	\$569.04	\$600.15
Current Self-funded Plans Enrollment	12,699	12,699	12,699	12,699	12,699	12,699
Annual Projected Health Care Cost*	\$83,887,872	\$86,702,000	\$84,909,000	\$92,583,000	\$86,715,000	\$91,456,000
No Change	\$83,887,872	\$83,887,872	\$83,887,872	\$83,887,872	\$83,887,872	\$83,887,872
Difference	\$0	\$2,814,128	\$1,021,128	\$8,695,128	\$2,827,128	\$7,568,128

* PEPM designates Per Employee Per Month

** UHC Projection assuming no changes to the current plan design or PBM contract

RFI Results – Summary (cont'd)

Network Penetration

- UHC network provides excellent access to providers and hospitals
- Other vendors that quoted have networks of similar size in North Texas
- Best-practice for in-network penetration is 95%
- Currently with UHC, 96% of all claims are paid in-network
 - Saves the City and its employees money

Network Discounts

- Overall UHC Network Discounts of 54.7% are at a best-practice level
- Other vendors offered similar discount levels for this response
- One vendor quoted 54.9%
 - Higher administrative fees were also quoted

*Additional RFI results may be found in the Appendix pages 42-46

RFI Results – Administrative Fees

	Current		Effective January 1, 2011							
	UHC		UHC		Aetna		CIGNA		BCBSTX	
	PPO	HRA	PPO	HRA	PPO	HRA	PPO	HRA	PPO	HRA
Total Fee Per Employee Per Month	\$15.15	\$15.15	\$21.25	\$21.25	\$35.65	\$37.65	\$26.45	\$31.39	\$29.98	\$29.98
Employees	3,340	9,359	3,340	9,359	3,340	9,359	3,340	9,359	3,340	9,359
	\$607,212	\$1,701,466	\$851,700	\$2,386,545	\$1,428,852	\$4,228,396	\$1,060,116	\$3,525,348	\$1,201,598	\$3,366,994
Annual fees based on 12,699 enrollees	\$2,308,678		\$3,238,245		\$5,657,248		\$4,585,464		\$4,568,592	

RFI Results – Administrative Fees (cont'd)

- UHC's Administrative fees Per Employee Per Month (PEPM) are below what similar vendors quoted
 - Current Administrative fees are \$15.15 per employee per month
 - Renewal Administrative fees would increase to \$21.25 per employee per month
 - UHC currently receives rebates from Pharmaceutical Manufactures for drug purchases
 - The City has used these rebates to offset administrative expenses
 - Prescription drug rebates that were used to offset Administrative fees have decreased because:
 - The City's high generic drug utilization
 - Changes in drug tiers

RFI Results – Pharmacy Plan

	UHC Current	UHC Proposed	Aetna	BCBS	CVS/Caremark
Network stores:	60,000	60,000	41,269	60,000	64,000+
Performance Guarantees:	100% Pass-Through with minimum rebates above guaranteed	100% Pass-Through with minimum rebates above guaranteed	Total amount at risk of \$100,000	18% of administrative charge	Total amount at risk of \$250,000 Implementation credit of \$5.00 per member
CY 2011 NET PLAN COST <i>estimated using Buck Rx Calculator</i>	\$11,237,000	\$8,515,000	\$11,053,000	\$10,030,000	\$8,156,000
SAVINGS OVER CURRENT		24.2%	1.6%	10.7%	27.4%

RFI Results – Pharmacy Plan (cont'd)

	Catalyst Rx	Cigna	Express Scripts	Humana	Walgreens
Network stores:	62,000+	60,000+	62,236	61,000+	61,000
Performance Guarantees:	Total amount at risk of \$400,000 Implementation credit of \$5.00 per employee	Total amount at risk of \$100,000	Implementation amount at risk of \$290,000. Other performance standards at risk annually of \$5.00 per member per year.	\$7.48 per employee at risk	To be determined
CY 2011 NET PLAN COST <i>estimated using Buck Rx Calculator</i>	\$8,420,000	\$9,282,000	\$9,566,000	\$7,366,000	\$8,317,000
SAVINGS OVER CURRENT	25.1%	17.4%	14.9%	34.4%	26.0%

RFI Results – Pharmacy Plan (cont'd)

- UHC improved Discounts and Rebates will save \$1.8 million per year during the renewal period
- Slightly more competitive RX vendor quotes were received by standalone RX vendors like CVS/Caremark.
 - Additional savings from standalone vendors would be offset due to additional integration costs with UHC if the RX was carved out from the medical plan

2011 Health Plan

Preliminary Considerations



2011 Benefit Plan Considerations

- **RFI results indicate UnitedHealthcare has competitive pricing**
 - Exercise the final one year renewal option with UHC
 - Begin the RFP process in November 2010 for the 2012 plan year
 - Proposed Health Plan RFP timeline located in the Appendix page 48

- **Seek another Pharmacy Benefit Manager (PBM) to administer the City's prescription program**
 - UHC's partner Medco is the current PBM
 - Transitioning to UHC's subsidiary Prescription Solutions by October 1, 2010 could potentially avoid \$500k this plan year
 - To implement this change the following must occur:
 - The existing prescription formulary will be modified October 1, 2010
 - New identification cards will be mailed out prior to October 1, 2010
 - Communication pieces will be distributed to communicate the change
 - Announcements
 - A letter from UHC

2011 Benefit Plan Considerations (cont'd)

- **Remove the healthcare subsidy for retirees over 65 that are enrolled in the City's Health Plan rather than Medicare**
 - Retirees over 65 are eligible to participate in Medicare Plans
 - 161 retirees may be impacted by this change
 - Impacted retirees may do the following:
 - Enroll in Medicare from January thru March, 2011
 - Effective date of the transition to Medicare will be July 1, 2011
 - Remain on the City's self-insured plan at the full plan rate
 - Effective date of the full plan rate for retirees post-65 who remain on the self-insured plan is July 1, 2011
 - Opportunity for Savings:
 - 2011 Plan Year: \$500,000 to \$1,000,000
 - *Rate table located in the Appendix page 50
-
- **Increase the prescription deductible for the PPO - 70/30 \$3,000 deductible plan**
 - 20% of the population participate in this plan
 - Prescription deductible would increase from \$75 to \$150

2011 Benefit Plan Considerations (cont'd)

■ **Modify the City Subsidy to Medicare Supplemental Plans**

- Retirees over 65 are eligible for Medicare
- Medicare Supplemental Plans cover expenses not covered by Medicare
- The City offers several Medicare Supplement Plans
 - The cost of the plan varies depending on the level of benefit
 - Plan F is most often selected because it covers 100% of expenses not covered by Medicare
 - Plan K is the least utilized because it covers 50% of expenses not covered by Medicare
- The City currently subsidizes 50% of all Supplement Plans
 - The City's cost for Plan F is \$99 per month
 - The City's cost for Plan K is \$49 per month
- Recommendation:
 - Change the City's subsidy to \$49 regardless of plan selected
 - Implementing this option would save \$500,000 to \$1,000,000
 - Rate Tables (current and proposed) are found in the Appendix pages 51-52

2011 Benefit Plan Considerations (cont'd)

■ Add an EPO Dental Plan Option

- UHC currently offers a HMO and PPO dental option
- The current HMO plan has a limited network of providers
- Third EPO offering would utilize the PPO network
- A co-payment structure will apply similar to the HMO network

■ Increase the benefit for Diabetic Care

- Program will include the following:
 - Diabetic Care visits coordinated with the onsite clinic
 - Disease Management support through UHC's call center
 - Low risk participants will receive a specialized diabetes informational mailing
 - Moderate risk participants and their doctors will receive a letter in the mail
 - High risk participants will receive two outbound calls from the UHC nurses and a post card
 - Abbott's Freestyle Program will provide free meters and a card to receive discounted strips to participants
 - Monthly group lunch-n-learns will be held
 - Program is at no cost to the City

2011 Benefit Plan Considerations (cont'd)

■ **Implement a Non-Tobacco User Rebate**

- Tobacco User is defined as someone who has used Tobacco within the past 6 months
- All health plan participants will be defaulted to the Tobacco User rate which will be higher than the current rate
- Employees will have an opportunity to complete an Attestation that they are Tobacco Free
 - If so, they will receive a rebate of \$15 per pay period
- Tobacco Users will be eligible to participate in a plan to receive Nicotine Replacement Therapy

■ **Increase Pre-65 Retiree rates on the City's Health plan by \$25 per month**

- A three year strategy was designed to decrease the retiree subsidy by \$25 each year for three years
- The first retiree incremental increase in premium took place in 2010
- This is the second increase in the three year plan
 - Rate Table found in the Appendix page 53

2011 Benefit Plan Considerations (cont'd)

- **Refrain from covering services performed outside of UnitedHealthcares' network**
 - Utilizing services within UHC's network decreases costs for the Plan as well as the employee
 - Currently, 96% of the claims are processed in-network
 - Services received outside of UHC's network will be paid at the members cost
 - The Plan will extend coverage outside of the network for Emergency situations

- **Reduce the Health Reimbursement Allocation in 2011**
 - Individuals will receive \$750 instead of the current \$1,000 allocation
 - Families will receive \$1,500 instead of the \$2,000 allocation
 - Members who complete a Health Risk Assessment through UnitedHealthcare will receive the following allocation:
 - Individuals - \$1,000 Allocation
 - Families - \$2,000 Allocation

Open Enrollment Timeline



Open Enrollment Timeline

Date	Activity	Status
April 19 - 20	Pre-enrollment meeting	Complete
May 5	Colonial starts scheduling depts for enrollment	Complete
June 30	Enrollment guide information to Colonial	In progress
July	Active employee group meetings	
July 30	Enrollment guides mailed to employees/retirees	
August	Retiree group meetings	
September 7 – October 29	Open enrollment for Employees and Retirees	
December 3	Enrollment data is due to the carrier to ensure id cards are distributed on time	

Next Steps



Next Steps

- Agenda item will go to Council June 23, 2010
 - Council will be asked to:
 - Authorize the final one year renewal option of the UHC contract
 - Authorize a change of Pharmacy Benefit Management from Medco to Prescription Solutions effective October 1, 2010
- September 2010 Council will be asked to:
 - Approve the Plan design changes
 - Approve the 2011 Master Plan Document

Early Retiree Reinsurance Plan

- Program Goal
 - Federal legislation appropriated \$5 billion to reimburse employers for the cost of providing health benefits to pre-65 retirees
 - Program reimburses the claims for individuals between the ages 55 to 64 who are not active workers
 - Participating employers shall submit reimbursement claims to Health and Human Services

- The City's projected reimbursements are:
 - 2010 Plan Year: \$4,518,022.02 to \$5,269,167.74
 - 2011 Plan Year: \$6,081,796.27 to \$7,282,172.01

Appendix



Prescription Drug Tiers

■ Tier One Drugs

- Tier 1 is primarily made up of generic drugs.
 - Lowest out of pocket cost
- These drugs contain the same active ingredients as their brand-name counterparts.
- Tier 1 may also include brand-name drugs that the plan has determined to be more effective, less costly or to have fewer side effects than similar medications.

■ Tier Two Drugs

- Tier 2 is primarily made up of brand-name drugs for which generic equivalents are not available.
 - Higher out of pocket cost associated with this tier
- These drugs have been selected by the plan based on review of the relative safety, effectiveness and cost of the many brand-name drugs on the market.

■ Tier Three Drugs

- Tier 3 primarily has non-preferred brand name drugs which may not have a generic equivalent.
 - Highest co-payment option

RFI Results



RFI Results - Summary

	UHC - Current		UHC - Revised		Aetna		Cigna		BCBSTX	
Projected 2011 Medical Claims Cost PEPM	\$480.06		\$480.06		\$480.06		\$480.06		\$480.06	
Current In-network Penetration	95.5%	\$458.46	95.5%	\$458.46	95.5%	\$458.46	95.5%	\$458.46	95.5%	\$458.46
Current Out-of-network Penetration	4.5%	\$21.60	4.5%	\$21.60	4.5%	\$21.60	4.5%	\$21.60	4.5%	\$21.60

In-Network Claims

In-Network PEPM Claims Cost	\$458.46	\$458.46	\$458.46	\$458.46	\$458.46
In-Network Discount Percentage (current is 54.7%)	54.7%	54.7%	52.9%	54.9%	52.3%
Value of Difference in Discounts	1.00	1.00	1.04	1.00	1.05
Discounted In-Network Claims PEPM	\$458.46	\$458.46	\$476.29	\$456.44	\$482.75

Out-of-Network Claims

Out-of-Network PEPM Claims Cost	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60
Out-of-Network Discount Percentage	0%	0%	0%	0%	0%
Discounted Out-of-Network Claims PEPM	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60

Adjusted Projected 2011 Medical Claims PEPM	\$480.06	\$480.06	\$497.89	\$478.04	\$504.35
Administrative Fee PEPM	\$15.15	\$21.25	\$37.12	\$30.09	\$29.98
Projected 2011 RX Claims PEPM	\$73.74	\$55.88	\$72.53	\$60.91	\$65.82
Projected 2011 Medical, RX + Admin. PEPM	\$568.95	\$557.19	\$607.55	\$569.04	\$600.15
Current Self-funded Plans Enrollment	12,699	12,699	12,699	12,699	12,699
Annual Projected Health Care Cost*	\$86,702,000	\$84,909,000	\$92,583,000	\$86,715,000	\$91,456,000
No Change	\$86,702,000	\$86,702,000	\$86,702,000	\$86,702,000	\$86,702,000
Savings	\$0	(\$1,793,000)	\$5,881,000	\$13,000	\$4,754,000

* Based on current enrollment and plan design. Discounts are based on vendors most comprehensive Open Access PPO network available. Annual Projected Health Care Costs exclude HRA allocations, Fully Insured Medicare Advantage plans, and Concentra costs.

RFI Results – Administrative Fees

	Current		Effective January 1, 2011								
	UHC		UHC		Aetna		CIGNA		BCBSTX*		
	PPO	HRA	PPO	HRA	PPO	HRA	PPO	HRA	PPO	HRA	
PPO Medical Claims Administration											
Claims Administration	\$15.15	\$15.15	\$27.13	\$27.13	\$22.47	\$24.47	\$15.95	\$20.89	\$34.00	\$34.00	
PPO Network	incl	incl	incl	incl	\$4.50	\$4.50	\$10.50	\$10.50	incl	incl	
Utilization Management	incl	incl	incl	incl	\$8.08	\$8.08	incl	incl	incl	incl	
Pharmacy Fee	incl	incl	(\$7.99)	(\$7.99)			incl	incl	(\$7.97)	(\$7.97)	
<i>Total Administration, Network, UM</i>	\$15.15	\$15.15	\$19.14	\$19.14	\$35.05	\$37.05	\$26.45	\$31.39	\$26.03	\$26.03	
Other Fees											
Claims Fiduciary	incl	incl	incl	incl	incl	incl			\$1.00	\$1.00	
Disease Management	incl	incl	incl	incl	incl	incl			\$2.95	\$2.95	
Maternity Program	incl	incl	incl	incl	\$0.60	\$0.60	incl	incl	incl	incl	
EAP	incl	incl	\$1.16	\$1.16	not incl	not incl	not incl	not incl	not incl	not incl	
Other Fees	incl	incl	\$0.95	\$0.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<i>Total Other Fees Per Employee Per Month</i>	\$0.00	\$0.00	\$2.11	\$2.11	\$0.60	\$0.60	\$0.00	\$0.00	\$3.95	\$3.95	
Total Fee Per Employee Per Month	\$15.15	\$15.15	\$21.25	\$21.25	\$35.65	\$37.65	\$26.45	\$31.39	\$29.98	\$29.98	
Employees	3,340	9,359	3,340	9,359	3,340	9,359	3,340	9,359	3,340	9,359	
Annual fees based on 12,699 enrollees	\$607,212	\$1,701,466	\$851,700	\$2,386,545	\$1,428,852	\$4,228,396	\$1,060,116	\$3,525,348	\$1,201,598	\$3,366,994	
	\$2,308,678		\$3,238,245		\$5,657,248		\$4,585,464		\$4,568,592		
Fee Guarantee			Fees increase 10% in Year 2 and 9% in Year 3.		Fees increase 4% in Years 2 and 3.		Fees increase 3% in Years 2 and 3.		Fees increase 4% in Years 2 and 3.		

Claims processing for run-out at termination:

UHC - Additional 3 months of fees for processing at termination for 12 months.

Aetna - Fee includes processing at termination for 12 months.

Cigna - Fee includes processing at termination for 12 months.

BCBSTX - Additional 3 months of fees for processing at termination for 12 months.

*BCBS - separate access fee applies to all claims in certain locations of 4% of the claims discount or \$2,000 per claim, whichever is less. Fees will be reflected as claim charges.

RFI Results - Pharmacy

	UHC Current	UHC Proposed	Aetna	BCBS	CVS/Care mark
Network stores:	60,000	60,000	41,269	60,000	64,000+
Retail Drugs:					
Brand	AWP - 12.6%	AWP - 13.7%	AWP - 13.21%	AWP - 13.4%	AWP - 14.89%
Generic (MAC/non-MAC)	AWP - 62%	AWP - 70%	AWP - 63.35%	AWP - 71.8%	AWP - 71%
Generic (non-MAC)				AWP - 22.6%	AWP - 14.89%
Dispensing Fee/Script					
Brand	\$1.25	\$1.50	\$1.53	\$1.56	\$1.40
Generic	\$1.25	\$1.50	\$1.63	\$1.64	\$1.40
Administration Fee/Script					
Point of Sale/Electronic	\$0.00	\$0.00	\$0.00	\$1.32 PEPM	\$0.00
Paper	\$0.00	\$0.00	\$3.15	\$1.32 PEPM	\$1.50
Rebate per retail script		Yr 1 / Yr 2 / Yr 3			
		n/a	n/a	n/a	n/a
Rebate per retail brand script		n/a	n/a	n/a	\$13.79
Rebate per employee		\$9.49/\$8.59/\$7.89	n/a	n/a	n/a
Rebate per formulary claim		n/a	n/a	n/a	n/a
Rebate per rebatable claim		n/a	n/a	n/a	n/a
Mail Order Drugs:					
Brand	AWP - 20.9%	AWP - 21.7%	AWP - 18%	AWP - 23.18%	AWP - 24.21%
Generic (MAC/non-MAC)	AWP - 57%	AWP - 72%	AWP - 64%	AWP - 74%	AWP - 73%
Generic (non-MAC)				AWP - 22.6%	
Dispensing Fee/Script					
Brand	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Generic	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Administration Fee/Script	\$0.65 PEPM	n/a	\$0.00	\$1.32 PEPM	\$0.00
Rebate per mail script		Yr 1 / Yr 2 / Yr 3			
		n/a	n/a	n/a	n/a
Rebate per employee		\$9.49/\$8.59/\$7.89	n/a	n/a	n/a
Rebate per mail brand script		n/a	n/a	n/a	\$50.37
Rebate per formulary claim		n/a	n/a	n/a	n/a
Rebate per rebatable claim		n/a	n/a	n/a	n/a
Specialty Drugs					AWP - 14.27%
% of Rebates returned to Client		80%	100%	100%	95%
Performance Guarantees:	100% Pass-Through with minimum rebates above guaranteed	100% Pass-Through with minimum rebates above guaranteed	Total amount at risk of \$100,000	18% of administrative charge	Total amount at risk of \$250,000 Implementation credit of \$5.00 per member
CY 2011 NET PLAN COST estimated using Buck Rx Calculator SAVINGS OVER CURRENT	\$11,237,000	\$8,515,000 24.2%	\$11,053,000 1.6%	\$10,030,000 10.7%	\$8,156,000 27.4%

RFI Results - Pharmacy

	Catalyst Rx	Cigna	Express Scripts	Humana	Walgreens
Network stores:	62,000+	60,000+	62,236	61,000+	61,000
Retail Drugs:	Yr 1/Yr 2/Yr 3				
Brand	AWP - 17.5%	AWP - 15.27%	AWP - 15.93%	AWP - 14.81%	AWP - 15.6%
Generic (MAC/non-MAC)	AWP - 67%	AWP - 74%	AWP - 69%	AWP - 75.6%	AWP - 71%
Generic (non-MAC)				AWP - 31.35%	
Dispensing Fee/Script					
Brand	\$1.40	\$1.40	\$0.90	\$1.29	\$1.50
Generic	\$1.40	\$1.40	\$1.00	\$1.59	\$1.50
Administration Fee/Script					
Point of Sale/Electronic	\$0.00	\$0.00	\$0.00	\$4.75 PEPM	\$0.00
Paper	\$1.50	\$0.00	\$2.50	\$4.75 PEPM	\$2.00
	Yr 1 / Yr 2 / Yr 3				
Rebate per retail script	\$15.25	n/a	n/a	n/a	n/a
Rebate per retail brand script	n/a	n/a	n/a	n/a	\$12.00
Rebate per employee	n/a	n/a	n/a	n/a	n/a
Rebate per formulary claim	n/a	n/a	n/a	n/a	n/a
Rebate per rebatable claim	n/a	n/a	n/a	\$17.50	n/a
Mail Order Drugs:					
Brand	AWP - 25%	AWP - 23%	AWP - 25.4%	AWP - 20.67%	AWP - 23.1%
Generic (MAC/non-MAC)	AWP - 63%	AWP - 75%	AWP - 74%	AWP - 77.72%	AWP - 76%
Generic (non-MAC)				AWP - 55%	
Dispensing Fee/Script					
Brand	\$0.00	\$0.00	\$0.90	\$0.00	\$0.00
Generic	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00
Administration Fee/Script					
	\$0.00	\$0.00	\$0.00	\$4.75 PEPM	\$0.00
	Yr 1 / Yr 2 / Yr 3				
Rebate per mail script	\$39.85	n/a	n/a	n/a	n/a
Rebate per employee	n/a	n/a	n/a	n/a	n/a
Rebate per mail brand script	n/a	n/a	n/a	n/a	\$37.00
Rebate per formulary script	n/a	n/a	n/a	n/a	n/a
Rebate per rebatable claim	n/a	n/a	n/a	\$61.25	n/a
Specialty Drugs	AWP - 17% Brand AWP - 40% Generic	AWP - 10.5% Retail AWP - 13% Mail			
% of Rebates returned to Client	87%	90%	100%	90%	93% Retail / 95.1% Mail
Performance Guarantees:	Total amount at risk of \$400,000 Implementation credit of \$5.00 per employee	Total amount at risk of \$100,000	Implementation amount at risk of \$290,000. Other performance standards at risk annually of \$5.00 per member per year.	\$7.48 per employee at risk	To be determined
CY 2011 NET PLAN COST estimated using Buck Rx Calculator SAVINGS OVER CURRENT	\$8,420,000 25.1%	\$9,282,000 17.4%	\$9,566,000 14.9%	\$7,366,000 34.4%	\$8,317,000 26.0%

RFP Timeline



Proposed Health Plan RFP Timeline

Date	Activity
Nov. 1, 2010	Submit Specs to buyer
Nov. 12, 2010	Buyer completes spec review
Dec. 6, 2010	HR receives changes
Dec. 13, 2010	Final specs and exhibits prepared
Jan 3, 2011	RFP ready to advertise
Jan 13 & 20, 2011	Advertisement of RFP
Jan 26, 2011	Pre-proposal Conference
Feb. 9, 2011	Vendors submit complete responses
Feb. 14, 2011	HR receive copies of results
Feb. 21, 2011	Presentations from Vendors
Feb. 28, 2011	Evaluations received from Committee
March 7, 2011	Numbers submitted to Buck Consultants
March 21, 2011	Buck's evaluation complete
March 28, 2011	Purchasing makes recommendation to HR
April 11, 2011	Final recommendation from HR to the buyer
June 2011	Item goes to Council for approval

Rate Tables



Post-65 Retiree Rate Tables

Self Insured Plans	Employee Only	Employee + Spouse	Employee + Children	Employee + Family
HRA Plan	Not available to Post-65 Retirees			
Current Retiree Rate With City Subsidy 70/30/3k PPO Plan	\$289	\$871	\$515	\$1,090
Proposed Retiree Rate Without City Subsidy Effective July 1, 2011 70/30/3k PPO Plan	\$542	\$1,124	\$768	\$1,342

City of Dallas 2010 Medical Plan Rates Post 65 Retirees	2009 Enrollment	City Contribution	Retiree Contribution	Current Monthly Plan Cost	City Percentage	Retiree Percentage
Current Post-65 AARP Medicare Plans						
AARP Plan C						
Retiree Only	42	\$99	\$99	\$198	50%	50%
Retiree + Spouse	0	\$99	\$297	\$396	25%	75%
Spouse Only	4	\$0	\$198	\$198	0%	100%
AARP Plan F						
Retiree Only	1,412	\$99	\$99	\$198	50%	50%
Retiree + Spouse	552	\$99	\$298	\$397	25%	75%
Spouse Only	140	\$0	\$199	\$199	0%	100%
AARP Plan K						
Retiree Only	15	\$49	\$49	\$98	50%	50%
Retiree + Spouse	5	\$49	\$147	\$196	25%	75%
Spouse Only	1	\$0	\$98	\$98	0%	100%
HMO LOW						
Retiree Only	11	\$75	\$75	\$150	50%	50%
Retiree + Spouse	2	\$75	\$225	\$300	25%	75%
Spouse Only	0	\$0	\$150	\$150	0%	100%
HMO HIGH						
Retiree Only	7	\$115	\$115	\$230	50%	50%
Retiree + Spouse	0	\$115	\$345	\$460	25%	75%
Spouse Only	3	\$0	\$230	\$230	0%	100%

City of Dallas 2010 Medical Plan Rates Post 65 Retirees		2009 Enrollment	City Contribution	Retiree Contribution	Current Monthly Plan Cost
Proposed Post-65 AARP Medicare Plans					
AARP Plan C					
Retiree Only		42	\$49	\$149	\$198
Retiree + Spouse		0	\$49	\$347	\$396
Spouse Only		4	\$0	\$198	\$198
AARP Plan F					
Retiree Only		1,412	\$49	\$149	\$198
Retiree + Spouse		552	\$49	\$347	\$397
Spouse Only		140	\$0	\$199	\$199
AARP Plan K					
Retiree Only		15	\$49	\$49	\$98
Retiree + Spouse		5	\$49	\$147	\$196
Spouse Only		1	\$0	\$98	\$98
HMO HIGH					
Retiree Only		7	\$49	\$165	\$230
Retiree + Spouse		0	\$49	\$395	\$460
Spouse Only		3	\$0	\$230	\$230
HMO LOW					
Retiree Only		11	\$49	\$125	\$150
Retiree + Spouse		2	\$49	\$275	\$300
Spouse Only		0	\$0	\$150	\$150

Pre-65 Rate Table with \$25 Increase

Monthly Pre-65 PPO Retiree Contributions

	Retiree <u>Only</u>	Retiree <u>+Spouse</u>	Retiree <u>+Children</u>	Retiree <u>+Family</u>
<u>Current</u>				
Pre-65 HRA	\$ 383.00	\$ 1,000.00	\$ 668.00	\$ 1,257.00
Pre-65 70/30/3k	\$ 289.00	\$ 871.00	\$ 515.00	\$ 1,090.00
<u>Revised with \$25</u>				
Pre-65 HRA	\$ 408.00	\$ 1,025.00	\$ 693.00	\$ 1,282.00
Pre-65 70/30/3k	\$ 314.00	\$ 896.00	\$ 540.00	\$ 1,115.00