



Continuous Health Reform Optimizer and Management Environment



City of Manhattan Beach HealthCare Reform Analyzer Results

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City of Manhattan Beach

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Wells Fargo Insurance Services

Together we'll go far



Agenda

- Introductions
- Review Health Care Reform Analyzer Results
- Questions
- Action Items

Current Situation (What the Data Reveals)

- ▶ City of Manhattan Beach has approximately 263 employees working 30+ hours per week.
- ▶ There are currently 227 employees that are participating in the 4 plans offered, 21 that are waiving coverage and 15 who are currently ineligible for medical coverage.

Current Cost (Not tax adjusted)

Total
\$2,864,877

ER Total
\$2,681,669

EE Total
\$183,208

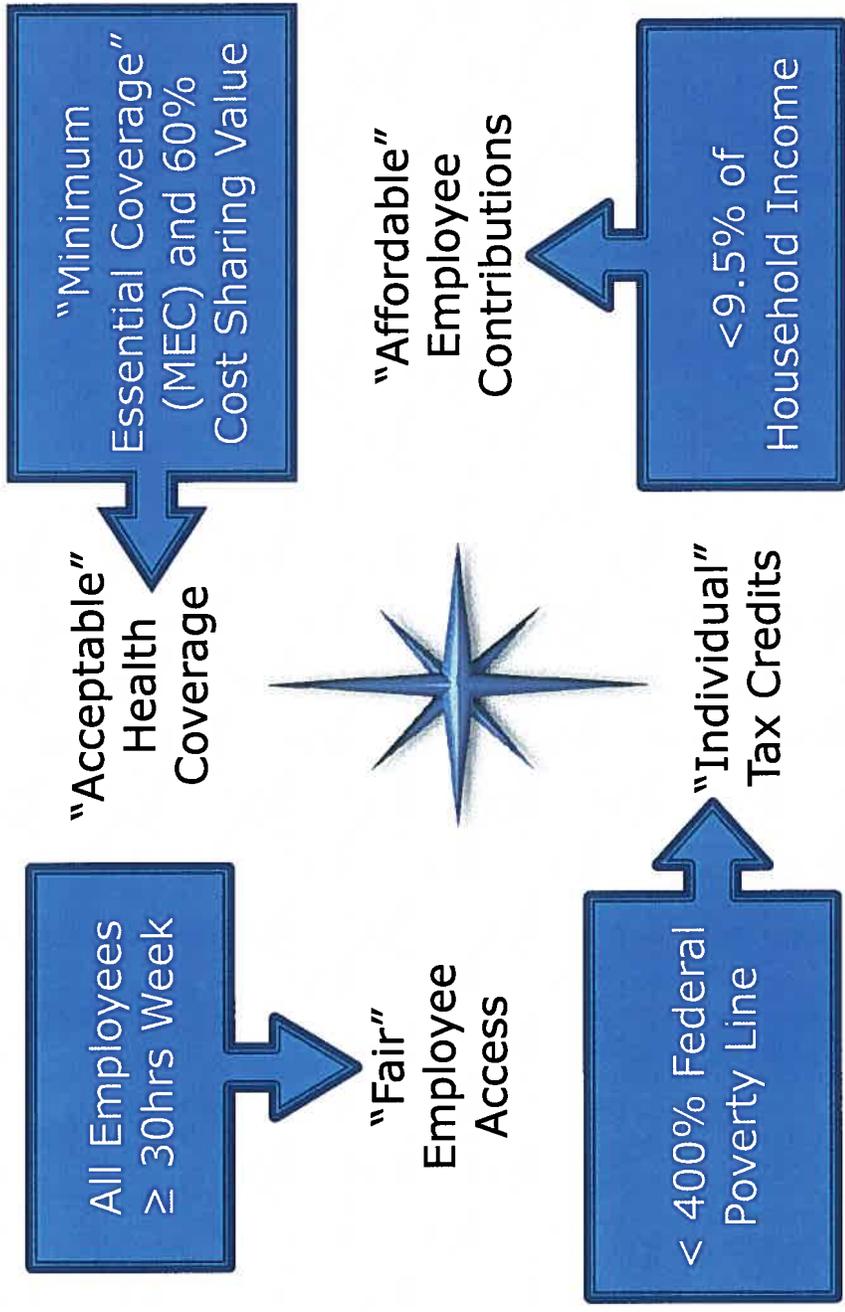
Plan	Grandfathered?	Self-insured?	Enrollment	Estimated Actuarial Value	% Enrolled
Blue Shield Advantage	No	No	69	96%	30%
Kaiser	No	No	56	99%	25%
PERS Choice	No	Yes	75	85%	33%
PORAC	No	No	27	86%	12%

New benchmarks and new options

▶ Historically, employers had little guidance when establishing the parameters of their benefit plans

▶ Health Care Reform has established new “benchmarks” for employer-sponsored health insurance.

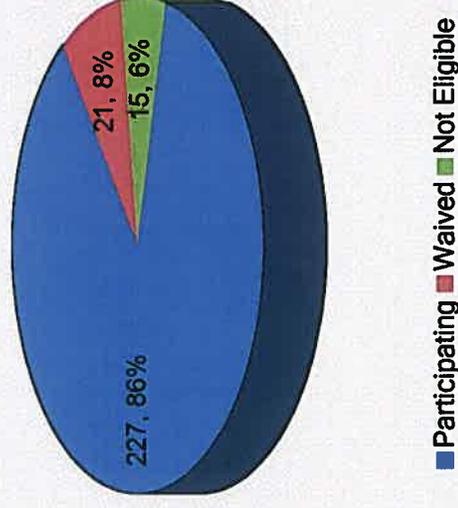
▶ Leading employers are considering these new benchmarks and new options as they establish long-range plans for their benefit programs.



“Fair” Employee Access

- **Key Considerations:**
 - In 2014, Employers with greater than 50 Full Time Equivalents must offer Minimum Essential Coverage (MEC) to all employees who work an average of 30 or more hours per week (HCR Eligible) within a given month or pay a penalty in the amount of the total number of full time equivalents x \$2,000 per year (monthly).
- **Implications:**
 - HCR restricts an employer’s ability to offer different benefits to different populations without paying significant penalties
- **Compass Heading:**
 - It is likely that some percentage of currently waived or ineligible full time employees will enroll in employer sponsored coverage due to individual mandates and differences among employers narrowing (starting in 2014) and to auto-enrollment (likely starting in 2015).
 - Once the designated percentage of the Medicaid eligible population has been moved to Medicaid, 65% of the waived population is assumed to continue waiving and 30% of the ineligible population is assumed to waive future coverage options.

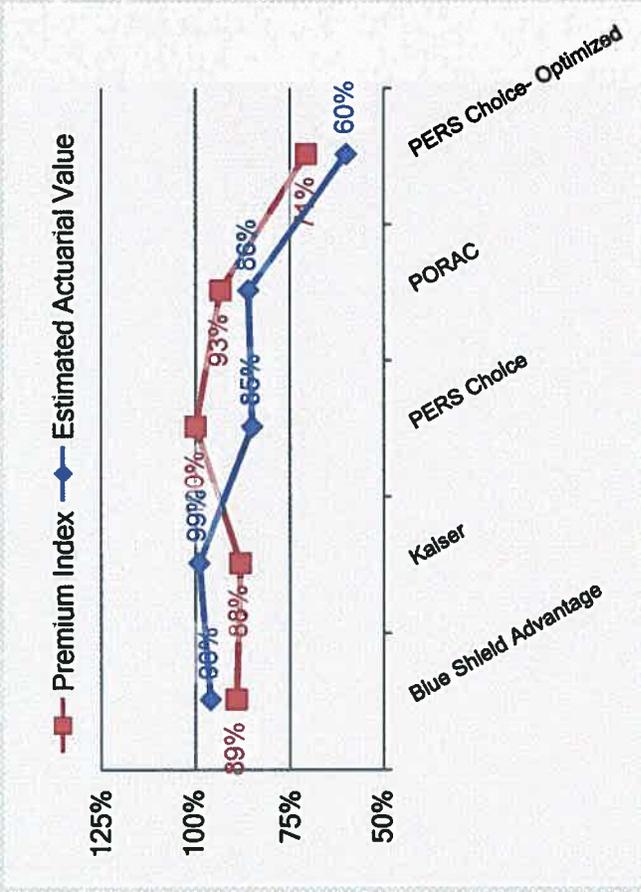
“Fair” Access Index



“Acceptable” Health Coverage

- **Key Considerations:**
 - HCR will increase mandated coverages and establish limits on cost sharing for employees. Minimum Essential Coverage (MEC) must be provided to avoid penalties. Standards for Medical Loss Ratio (MLR) will be established for fully-insured plans.
 - In order to be considered “Acceptable Coverage”, an employer sponsored plan must pay (on average) 60% of the costs of benefits provided. This is referred to as a plan’s actuarial value.
 - Employers should consider the value of any plan’s offered to optimize cost and risk. When evaluating “pay or play scenarios” employers should consider the value of the plans offered in the scenario and use this information to adjust the forecasted costs accordingly.
- **Compass Heading**
 - The PERS Choice plan is estimated to have an actuarial value of 85%. The estimated equivalent premium for an “Acceptable Plan” using the new benchmark of 60% AV would be approximately 70.6% of today’s costs (before including the cost of compliance with healthcare reform’s other provisions).

Health Coverage Comparison



Actuarial value plan sampling

Sample Plan #1	Platinum Plan (90% AV)
Deductible	\$250
Coins.	0%
OOP Max	\$0
PCP Co-pay	\$30
Rx	\$15/\$30/\$55

Sample Plan #2	Gold Plan (80% AV)
Deductible	\$500
Coins.	20%
OOP Max	\$1,000
PCP Co-pay	\$25
Rx	\$15/\$35/\$60

Sample Plan #3	Silver Plan (70% AV)
Deductible	\$1,000
Coins.	20%
OOP Max	\$2,000
PCP Co-pay	\$40
Rx	\$20/\$35/\$60

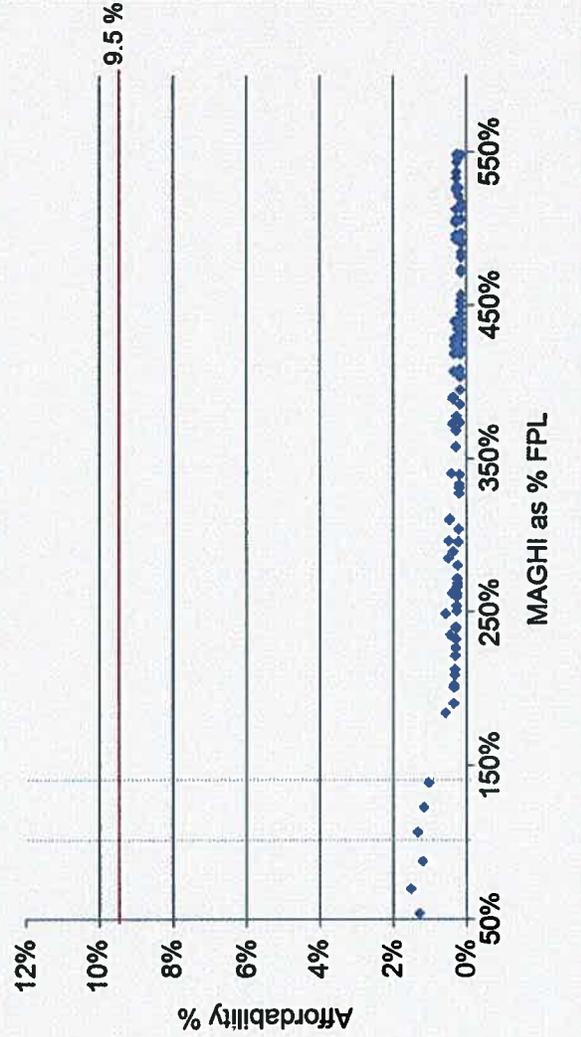
Sample Plan #4	Bronze Plan (60% AV)
Deductible	\$250
Coins.	35%
OOP Max	\$5,000
PCP Co-pay	\$20
Rx	\$15/50%/50% after \$250 Rx Ded (for Tiers 2 and 3)

- ▶ Actuarial value is a measure that indicates the percent of covered medical expenditures that a plan is likely to pay, based on the cost sharing provisions. For example, an actuarial value of 60% means that a health plan is estimated to pay 60% of covered medical expenses for a standard population.
- ▶ **Compass Heading:**
 - ▶ The table above shows some sample cost-sharing provisions that would correspond to each of the proposed AV standards, although many other plan designs would also be allowed.

Employee Affordability

- **Key Considerations:**
 - Employees will have access to subsidies in the Public Health Insurance Exchange (PHIE) even if their employer offers MEC if their required contribution for that plan exceeds 9.5% of their modified adjusted gross household income (MAGHI).
- **Implications:**
 - If employees enroll in the PHIE (and receive a subsidy), a "Large" employer will pay a penalty of \$3,000 per employee up to a max of \$2,000 times all employees.
- **Compass Heading:**
 - This slide shows where employees currently are in relation to the 9.5% affordability scale.
 - Note that "affordability" is measured based on the current plan with at least a 60% AV with the lowest employee contribution rate for single coverage, and coverage tiers are used as a proxy for family size (since FPL increases per family size).
 - Currently waived and ineligible employees are placed in coverage tiers according to average national household composition data.

Current Plan "Affordability"



2013 Federal Poverty Guidelines

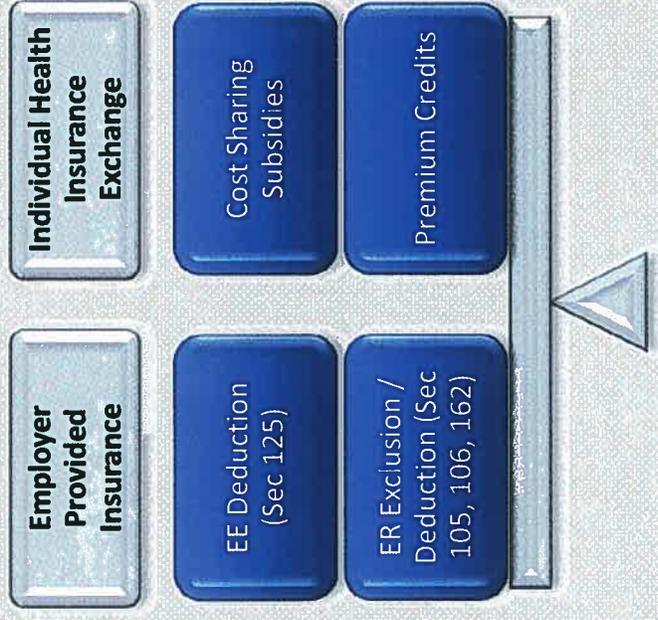
- Key Considerations:**
 - The Federal Poverty Guidelines are issued in January each year by the Department of Health and Human Services. They are used for administrative purposes, such as determining eligibility for government assistance programs.
- Implications:**
 - The Federal Poverty Line (FPL) increases with each additional household member.
- Compass Heading:**
 - Health Care Reform has established 9.5% of MAGI as an “affordable” employee contribution.
 - According to the 2012 Employer Health Benefits Survey published by the Kaiser Family Foundation, the average employee contribution ranges from \$62 to \$93 for single coverage and \$310 to \$381 for family coverage.
 - On average, current employee contributions toward single coverage are considered “affordable” even for expanded Medicaid eligible individuals.

Persons in Family	100%	138%	9.5% of 138% (monthly)	400%
1	\$11,490	\$15,856	\$126	\$45,960
2	\$15,510	\$21,404	\$169	\$62,040
3	\$19,530	\$26,951	\$213	\$78,120
4	\$23,550	\$32,499	\$257	\$94,200
Each additional household member	\$4,020	\$5,548		\$16,080

“Individual” Tax Credits

- **Key Considerations:**
 - Today, the government provides subsidies for health insurance in the form of pre-tax treatment for employer sponsored benefits.
 - In 2014, some employees who make less than 400% of the Federal Poverty Line will be able to access government subsidies through the Public Health Insurance Exchange.
- **Implications:**
 - Employers need to consider how employees access government subsidies as a part of their overall strategy for offering benefits.
- **Compass Heading:**
 - Generally, most lower paid employees will be better off on tax subsidized individual coverage while most higher paid employees will be better off staying on employer group coverage.

Federal Tax Credits



Public Health Insurance Exchanges

- **Key Considerations:**
 - In the exchange, some individuals will be able to access Premium Credits and Out of Pocket Subsidies that will reduce their overall cost of healthcare
 - Employees >100% and <400% of the FPL will have access to varying levels of subsidies .
 - Employees <138% of the FPL will potentially be eligible for Medicaid, if their state chooses to expand Medicaid eligibility.
 - In states that do not expand eligibility, employees >100% of the FPL will have access to subsidies and employees <100% of the FPL may or may not have access to coverage other than group.
- **Implications:**
 - Employers need to consider how employees access government subsidies as a part of their overall strategy for offering benefits.
- **Compass Heading:**
 - Many employees will be able to access coverage that is better than the current group plan if they are eligible for individual tax credits and cost sharing subsidies.

Tax Credit Guidelines

Federal Poverty Level	Max Premium as % of AGHI	Estimated Plan Actuarial Value
<100%	0%	100%
100% - 138%	2%	100%
139% - 150%	3.0% - 4.0%	94%
151% - 200%	4.0% - 6.3%	87%
201% - 250%	6.3% - 8.05%	73%
251% - 300%	8.05% - 9.5%	70%
301% - 400%	9.5%	70%
>400%	unlimited	60%

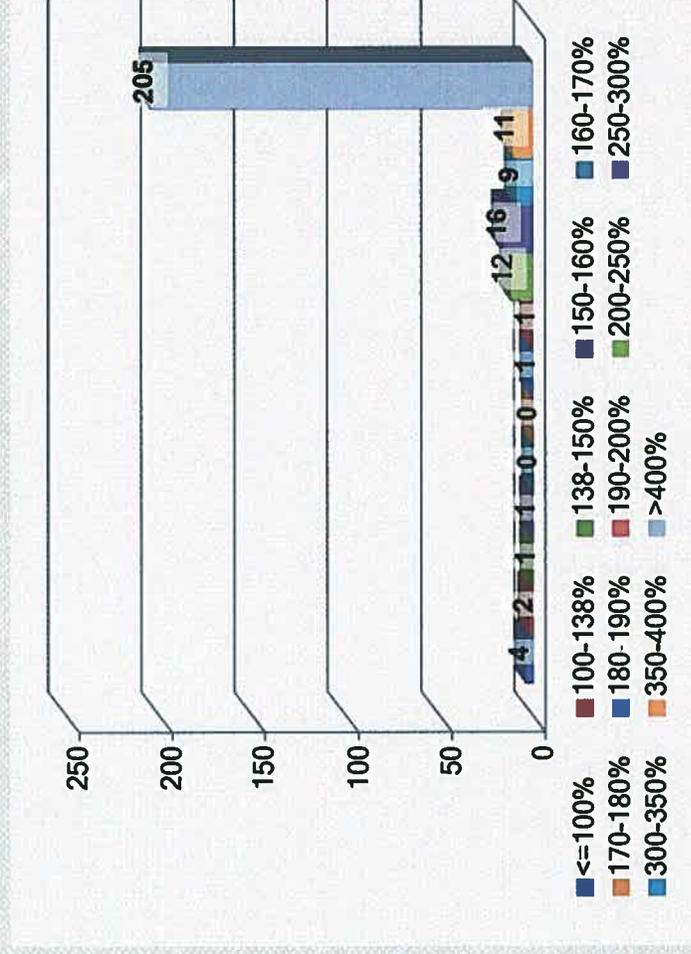
Employee Modified Adjusted Gross Household Income Distribution

- **Key Considerations:**
 - Employees >100% and <400% of the FPL will have access to varying levels of subsidies .
 - Employees <138% of the FPL will potentially be eligible for Medicaid, if their state chooses to expand Medicaid eligibility.
 - In states that do not expand eligibility, employees >100% of the FPL will have access to subsidies and employees <100% of the FPL may or may not have access to coverage other than group.
- **Implications:**
 - If an employee receives a subsidy, a “Large” employer will pay a penalty of \$3,000 per employee up to a max of \$2,000 times all employees.
 - There is no penalty for the employer if the employee is eligible for Medicaid.

- **Compass Heading:**

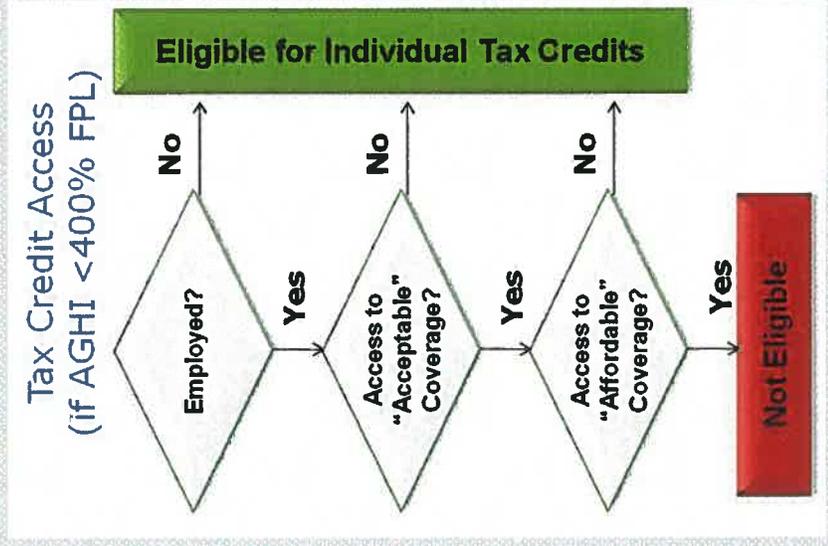
- This slide shows where employees’ anticipated AGHI currently fall in relation to the FPL.

AGHI Distribution by FPL



Individual Tax Credit/Cost Sharing Subsidy Eligibility

- **Key Considerations:**
 - Individual access to the Exchange will be based upon a combination of factors.
 - Employed individuals who have access to affordable coverage that meets minimum requirements will not be able to receive subsidies on the Exchange regardless of their income level.
- **Implications:**
 - Should an employer offer a plan that meets MEC, low employee contributions may preclude employees from accessing subsidies on the Exchange.
- **Compass Heading:**
 - What the employer offers, and how they price it, has everything to do with whether or not employees will be able to access the tax credits and cost sharing subsidies through the exchange.



Subsidy Eligible Employee Example

- **Key Considerations:**
 - Premium Credits will have the effect of capping an individual's expenditure on health insurance.
 - Subsidies will have the effect of decreasing the out-of-pocket expenditures for employees (and their families).
- **Implications:**
 - Employees (if they are eligible for subsidies) will need to evaluate their coverage options in terms of their projected use of healthcare.
- **Compass Heading:**
 - In the example to the right, the employee receives 9% less of their average health expenditures covered for \$2,330 more premium per year.

Employee Profile	
Age	30
Salary	\$45,990
Current Coverage Level	Family
Projected Coverage Level	Family
Est. AGHI	\$45,990
% Est. AGHI to FPL	190.52%

Employee View	Gross Premium	Net Premium	Est. AV
Group (as of 2014)	\$462	\$366	96%
Exchange	\$14,004	\$2,696	87%
Comparison	\$13,542	\$2,330	-9%

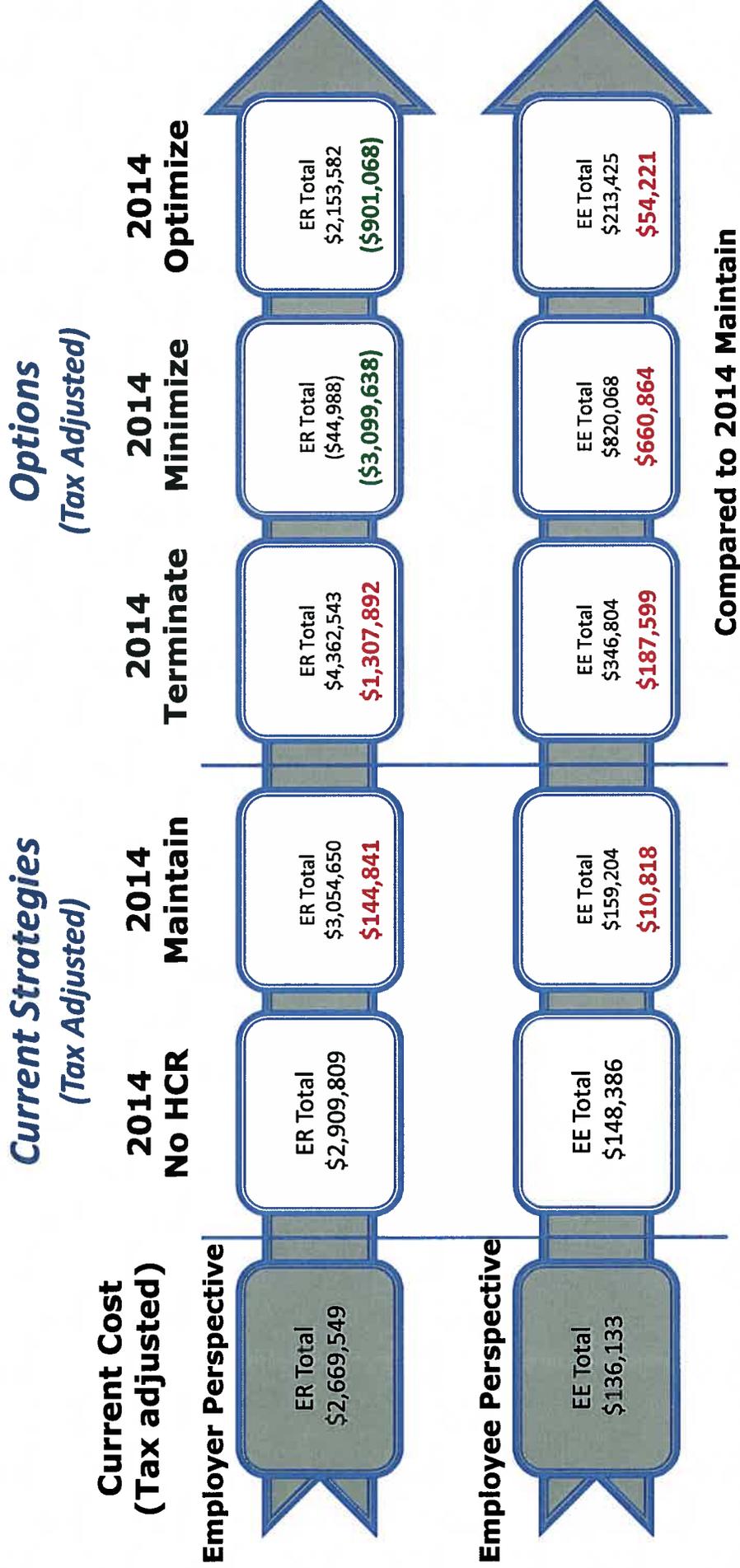
Non-Subsidy Eligible Employee Example

- **Key Considerations:**
 - Employees not eligible for Premium Credits or Subsidies will be forced to buy relatively expensive Exchange coverage with after tax dollars.
- **Implications:**
 - Many higher wage earners will be far better off on employer-sponsored coverage.
- **Compass Heading:**
 - In the example to the right, the employee receives 26% less of their average health expenditures covered for \$21,922 more per year.

Employee Profile	
Age	51
Salary	\$95,974
Current Coverage Level	Family
Projected Coverage Level	Family
Est. AGHI	\$152,599
% Est. AGHI to FPL	632.18%

Employee View	Gross Premium	Net Premium	Est. AV
Group (as of 2014)	\$1,476	\$1,089	96%
Exchange	\$23,011	\$23,011	70%
Comparison	\$21,535	\$21,922	(26)%

The Bottom Line



Action plan – “Fair” employee access

Strategies	City of Manhattan Beach	Considerations	Actions Required
Waiting periods designed to balance risk, recruiting, and compliance objectives		HCR will limit waiting period to 90 calendar days in 2014	
Conduct full documentation verification for dependents		5-12% of dependents enrolled in group coverage don't meet eligibility criteria	
Medical plan eligibility limited by average number of hours		HCR will mandate eligibility for all employees at or above 30 hour weekly average	
Active employee eligibility management integrated with vendors		3-5% of carrier eligibility is incorrect in manual environment	Many of today's eligibility management systems will not be sufficient to handle the compliance reporting needed in 2014. Consider conducting a system audit
Include special provisions concerning coverage for spouses with other coverage available		13% of all employers have this type of provision with 3-5% planning to add in 2012	Consider implementing a spousal surcharge to avoid adverse selection if spouse has access to other group coverage

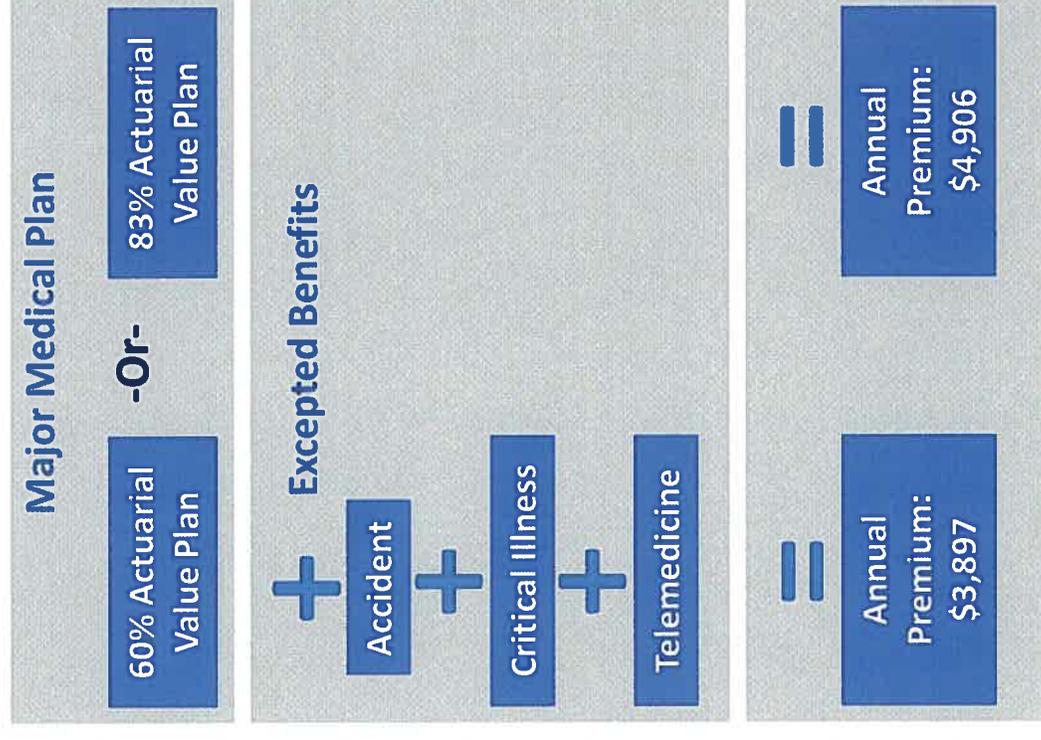
Action plan – “Acceptable” health coverage

Strategies	City of Manhattan Beach	Considerations	Actions Required
Gradually adjust actuarial value of the plan closer to 60% by 2014		Having plans above exchange standards may contribute to adverse selection	Consider reducing plan choice. Determine plan design “destinations” and customize plan to achieve these objectives
Explore discount medical card options for improved access to primary care physicians	Not yet offered	Health Care Reform will bring about a shortage of primary care physicians	Consider new programs for telemedicine and additional benefits in “non insurance” form
Offer “excepted” benefits as a way to enhance overall compensation value given decrease in emphasis on major medical plan. Integrate excepted benefits into employee communication and enrollment strategy		Voluntary benefits will play a major role in enhancing the adjusted group plan actuarial values as they are not subject to the provisions of health care reform	Consider adding voluntary benefits that are subsidized with employer savings to enhance the adjusted actuarial value of the group medical plan. Perform product value analysis based upon employee segments and enhance offerings in stages which mirror adjustments to major medical plan. Review integration of excepted benefits into current enrollment platform. Evaluate CHROME Navigator
Offer wellness incentives as a way to enhance overall compensation value for employees		Wellness incentives have been proven to increase employee productivity and lower overall cost	Consider offering reduced premiums for reaching wellness goals or implementing smoker/nonsmoker rates

What is the real effect of lowering plan actuarial value and adding Excepted Benefits?

- **What if the employee gets cancer?**
Total out-of-pocket cost for employee on the 60% plan is a savings of \$10,521 vs. \$8,576 on the 83% plan.
- **What if the employee has a major accident?**
Total out-of-pocket cost for employee on the 60% plan is \$6,025 vs. \$8,226 on the 83% plan.
- **What if the employee has an ongoing condition that requires a few prescriptions and goes to the doctor a few times a year?**
Total out-of-pocket cost for employee on the 60% plan is \$7,309 vs. \$7,697 on the 83% plan.
- **What if the employee is in good health and just uses preventative services?**
Total out-of-pocket cost for employee on the 60% plan is \$3,897 vs. \$4,906 on the 83% plan.

All plan scenarios were based on a 35 year old male smoker. 0% employer contributions are assumed. Excepted benefits assume the full premium is paid by the employee on an after-tax basis.

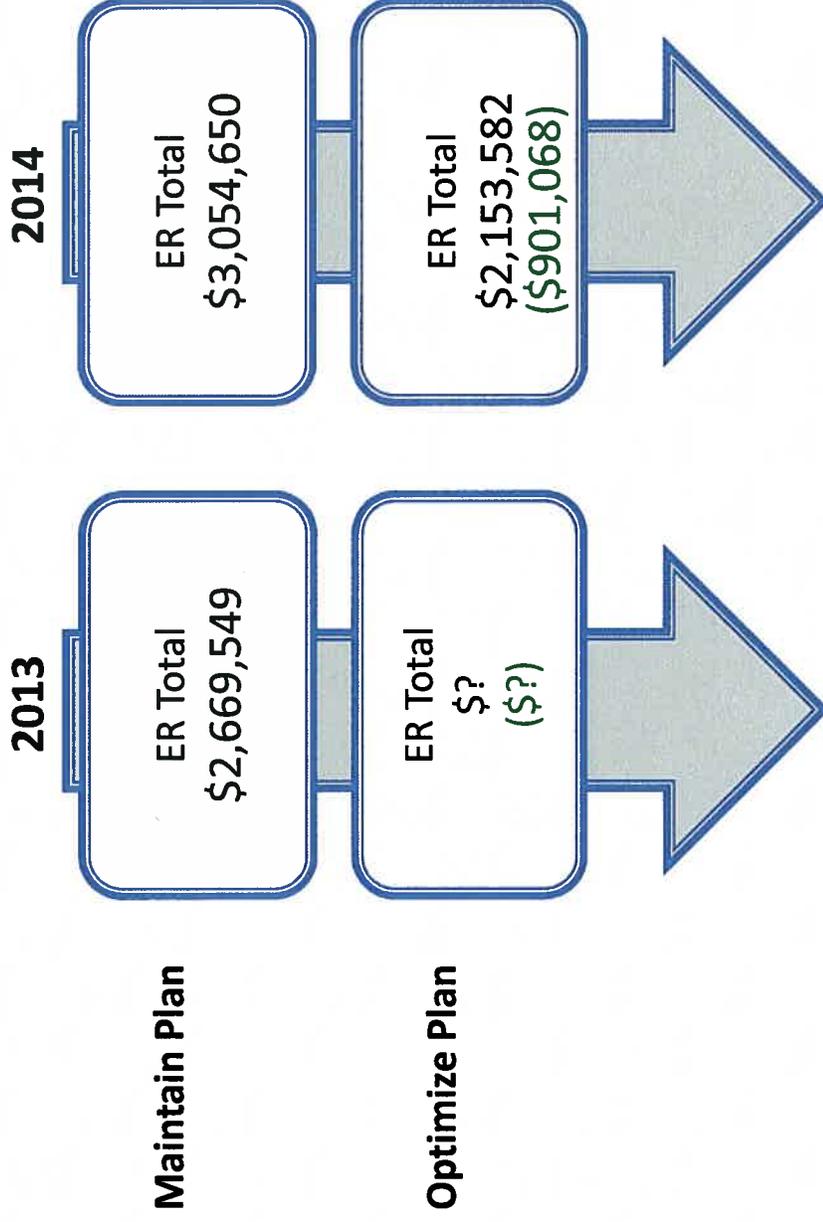


Action plan – “Affordable” contributions

Strategies	City of Manhattan Beach	Considerations	Actions Required
Gradually adjust employee contributions to optimize exchange eligibility		Most leading edge employers will increase single coverage premiums to allow optimum exchange access	Customize plan to achieve optimized contribution

Current Plan	2013	Optimize Plan 2014	2014 Delta
EE Only	\$ 48.21	\$ 37.09	\$ (11.12)
EE + 1	\$ 105.69	\$ 81.31	\$ (24.38)
EE + Family	\$ 152.80	\$ 117.57	\$ (35.23)

The Action Plan – Financial Perspective



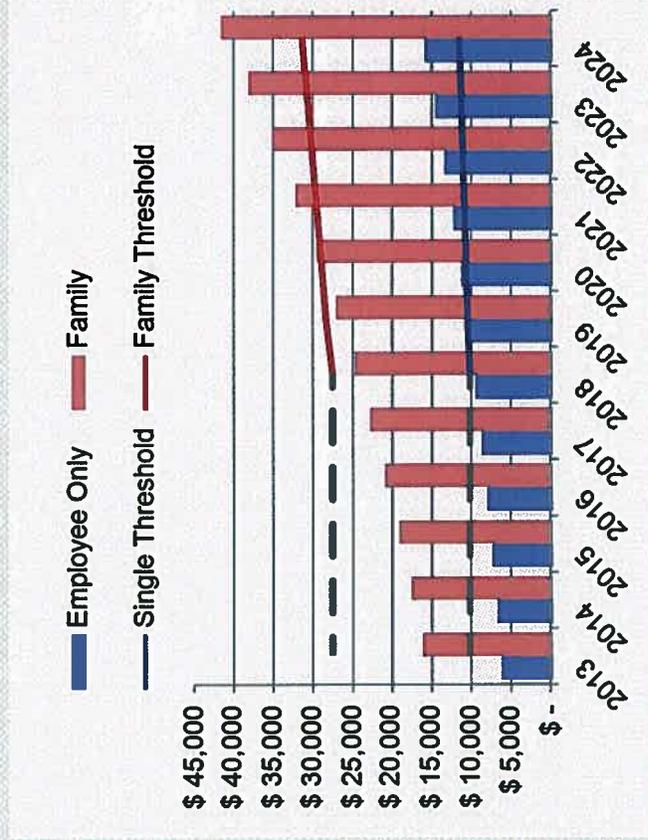
For City of Manhattan Beach, CHROME Compass points to an employer-specific plan that potentially reduces the employee benefit budget.

Cadillac Plan Excise Tax

Blue Shield Advantage

- **Key Considerations:**
 - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., \$10,200 for single and \$27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
 - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
- **Implications:**
 - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
 - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
 - If current plan design is maintained, it is anticipated that in 2018 single coverage will be less than thresholds by \$725 and family coverage will be less than thresholds by \$2,722.

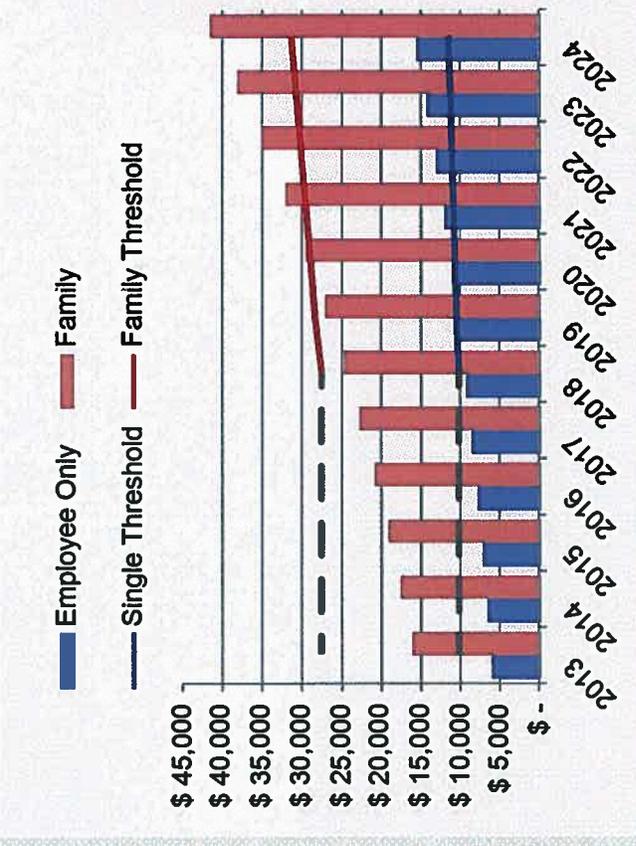
Cadillac Plan Threshold



Cadillac Plan Excise Tax - Kaiser

- **Key Considerations:**
 - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., \$10,200 for single and \$27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
 - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
- **Implications:**
 - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
 - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
 - If current plan design is maintained, it is anticipated that in 2018 single coverage will be less than thresholds by \$923 and family coverage will be less than thresholds by \$2,735.

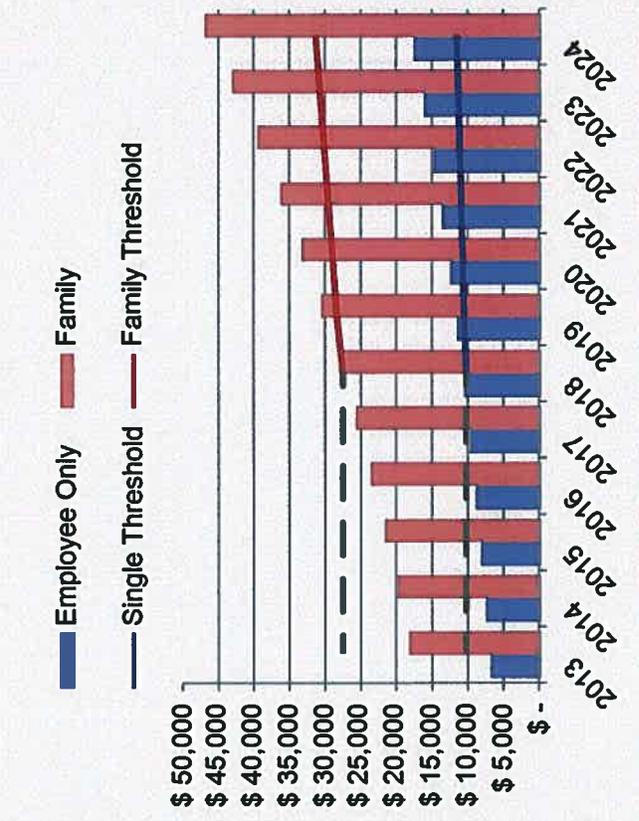
Cadillac Plan Threshold



Cadillac Plan Excise Tax - PERS Choice

- **Key Considerations:**
 - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., \$10,200 for single and \$27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
 - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
- **Implications:**
 - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
 - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
 - If current plan design is maintained, it is anticipated that in 2018 single coverage will exceed thresholds by \$284 and family coverage will exceed thresholds by \$465.

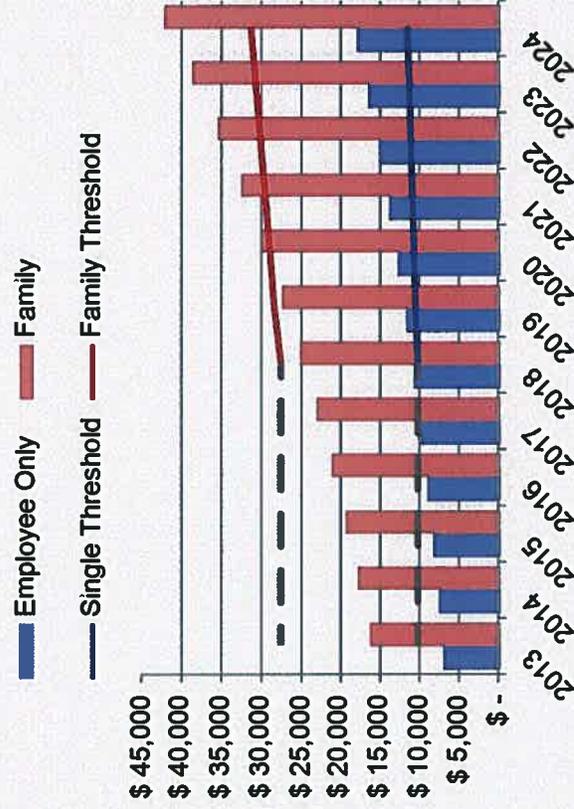
Cadillac Plan Threshold



Cadillac Plan Excise Tax - PORAC

- **Key Considerations:**
 - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., \$10,200 for single and \$27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
 - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
- **Implications:**
 - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
 - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
 - If current plan design is maintained, it is anticipated that in 2018 single coverage will exceed thresholds by \$527 and family coverage will be less than thresholds by \$2,401.

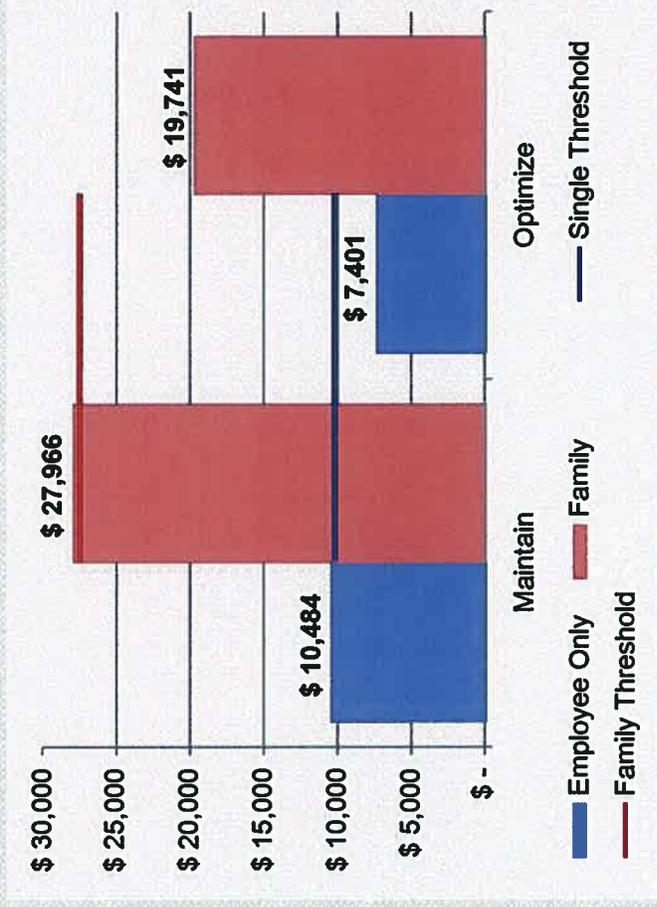
Cadillac Plan Threshold



Cadillac Plan Excise Tax

- **Key Considerations:**
 - Excise tax indirectly reduces the value of employer tax deduction and the additional cost is likely to be passed back to employers and their employees as higher premiums.
- **Implications:**
 - Employers need to carefully consider benefit plan design (richness and coverage tiers) for major medical in concert with overall benefit package offerings.
- **Compass Heading:**
 - By utilizing an optimized plan design, it is anticipated that the Cadillac plan excise tax will not apply to any employees in 2018.

Cadillac Plan - 2018 Scenario Comparison



Optimize plan sampling

Sample Plan #1	60% Actuarial Value
Deductible	\$250
Coins.	35%
OOP Max	\$5,000
PCP Co-pay	\$20
Rx	\$15/50%/50% after \$250 Rx ded (for Tiers 2 and 3)

Sample Plan #2	60% Actuarial Value
Deductible	\$500
Coins.	30%
OOP Max	\$5,000
PCP Co-pay	20% after ded.
Rx	\$15/50%/50% after \$250 Rx ded (for Tiers 2 and 3)

Sample Plan #3	60% Actuarial Value
Deductible	\$2,000
Coins.	10%
OOP Max	\$5,000
PCP Co-pay	\$30
Rx	\$10/\$20/\$30 after \$250 Rx ded (for Tiers 2 and 3)

- ▶ There are many ways to design an “Acceptable Coverage Plan” that will be the new benchmark in 2014.
- ▶ **Compass Heading:**
- ▶ Above are 3 examples of a 60% Actuarial Value Plan.



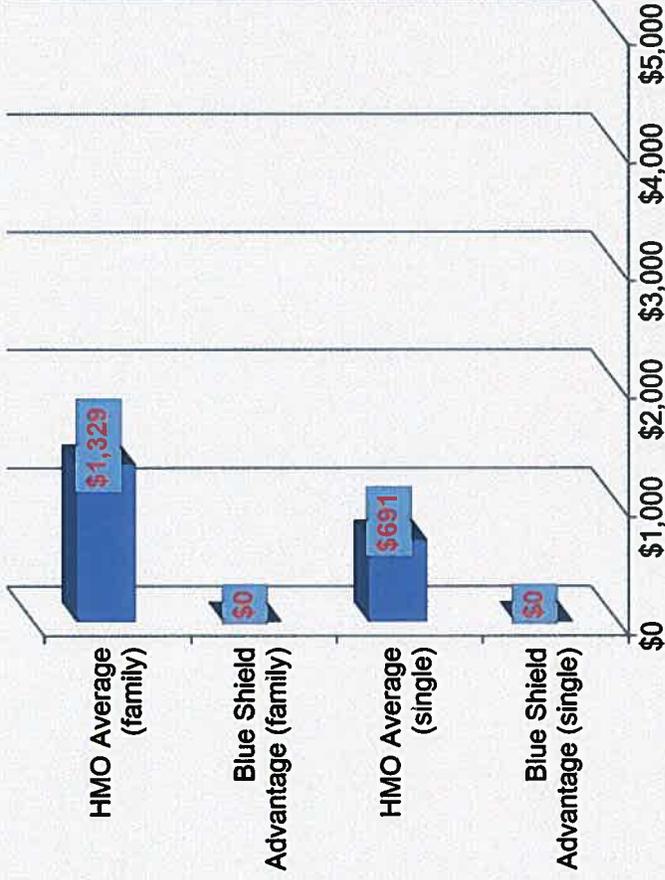
Additional Slides

Current Plan Design

Blue Shield Advantage

- **Plan Highlights**
 - Blue Cross Blue Shield
- **Deductible**
 - \$0.00 Single/\$0.00 Family Deductible
- **Out of Pocket Maximum**
 - \$1,500.00 Single/\$3,000.00 Family OOP
- **Copays/Coinsurance**
 - 0% coinsurance
 - \$15.00 Routine Office Visit
 - \$30.00 Specialist Visit
 - \$5.00 Tier 1 Prescription
 - \$20.00 Tier 2 Prescription
 - \$50.00 Tier 3 Prescription

Deductible Benchmarking



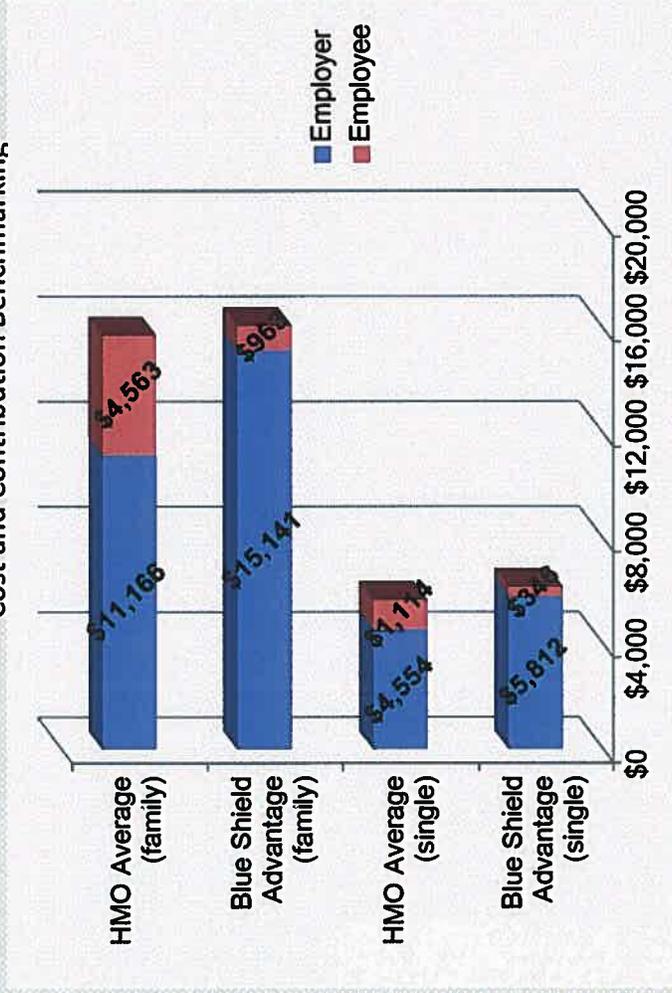
* Kaiser Family Foundation, 2012

Current Cost and Contribution Structure

Blue Shield Advantage

- **Key Considerations**
 - **Employees Covered**
 - 69 (30.4% of covered employees)
 - **Total Cost**
 - Single = 108.65% of Benchmark
 - Family = 102.38% of Benchmark
 - **Employee Contributions**
 - Single = 31.03% of Benchmark
 - Family = 21.1% of Benchmark

Cost and Contribution Benchmarking



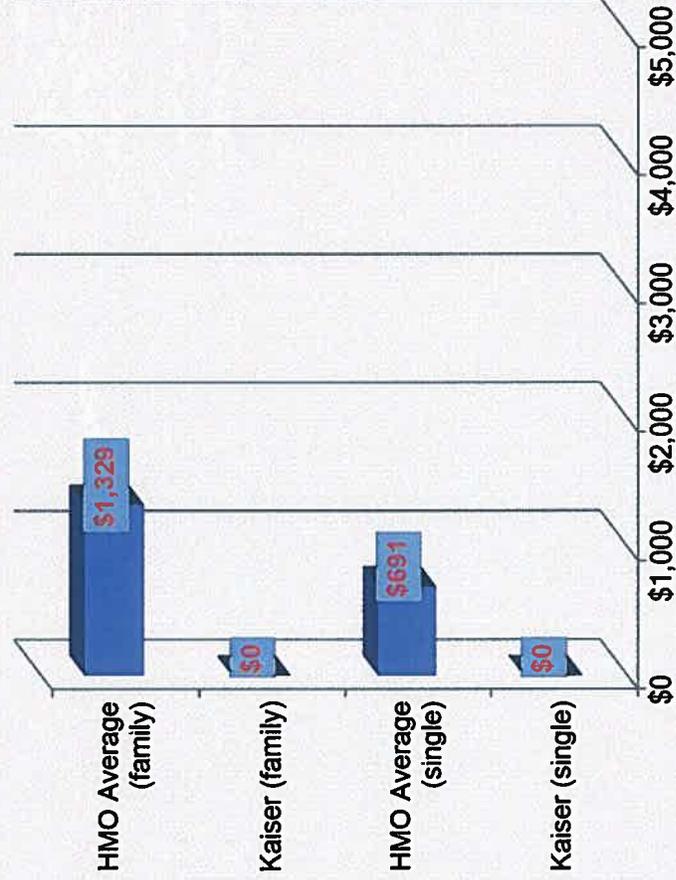
* Kaiser Family Foundation, 2012

Current Plan Design

Kaiser

- **Plan Highlights**
 - Kaiser Permanente
- **Deductible**
 - \$0.00 Single/\$0.00 Family Deductible
- **Out of Pocket Maximum**
 - \$0.00 Single/\$0.00 Family OOP
- **Copays/Coinsurance**
 - 0% coinsurance
 - \$15.00 Routine Office Visit
 - \$15.00 Specialist Visit
 - \$5.00 Tier 1 Prescription
 - \$20.00 Tier 2 Prescription
 - \$50.00 Tier 3 Prescription

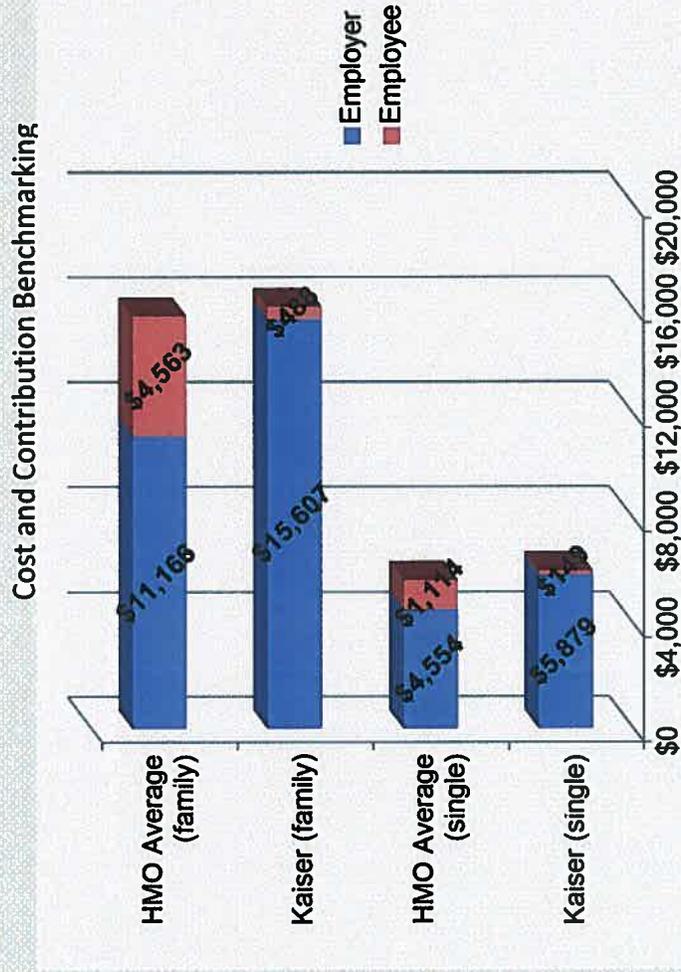
Deductible Benchmarking



* Kaiser Family Foundation, 2012

Current Cost and Contribution Structure (Kaiser)

- **Key Considerations**
 - **Employees Covered**
 - 56 (24.67% of covered employees)
 - **Total Cost**
 - Single = 106.37% of Benchmark
 - Family = 102.33% of Benchmark
 - **Employee Contributions**
 - Single = 13.41% of Benchmark
 - Family = 10.7% of Benchmark

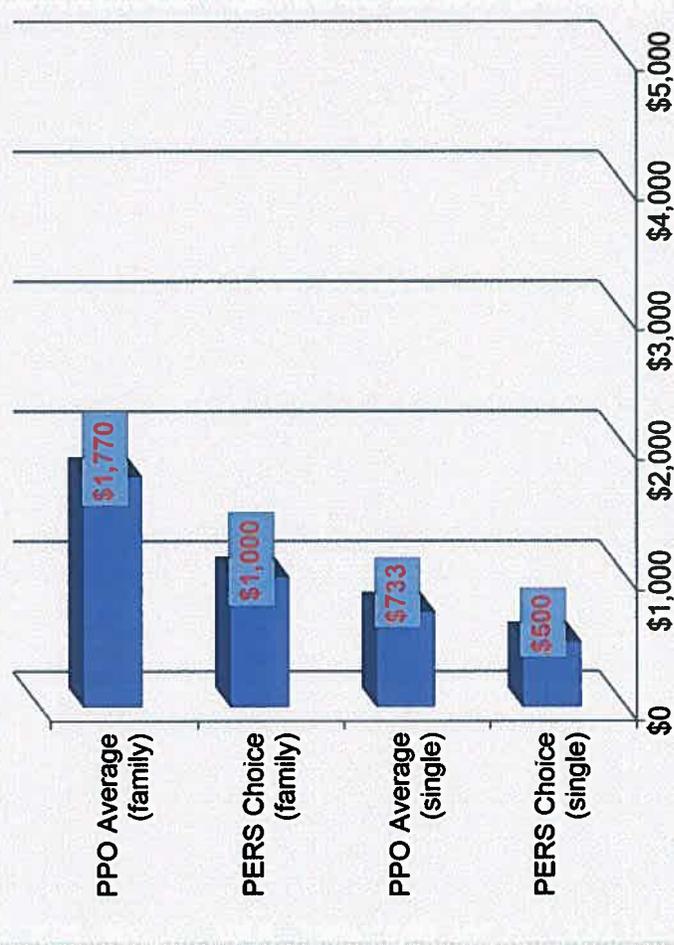


* Kaiser Family Foundation, 2012

Current Plan Design (PERS Choice)

- **Plan Highlights**
 - Anthem
- **Deductible**
 - \$500.00 Single/\$1,000.00 Family Deductible
- **Out of Pocket Maximum**
 - \$3,000.00 Single/\$6,000.00 Family OOP
- **Copays/Coinsurance**
 - 20% coinsurance
 - \$20.00 Routine Office Visit
 - \$20.00 Specialist Visit
 - \$5.00 Tier 1 Prescription
 - \$20.00 Tier 2 Prescription
 - \$50.00 Tier 3 Prescription

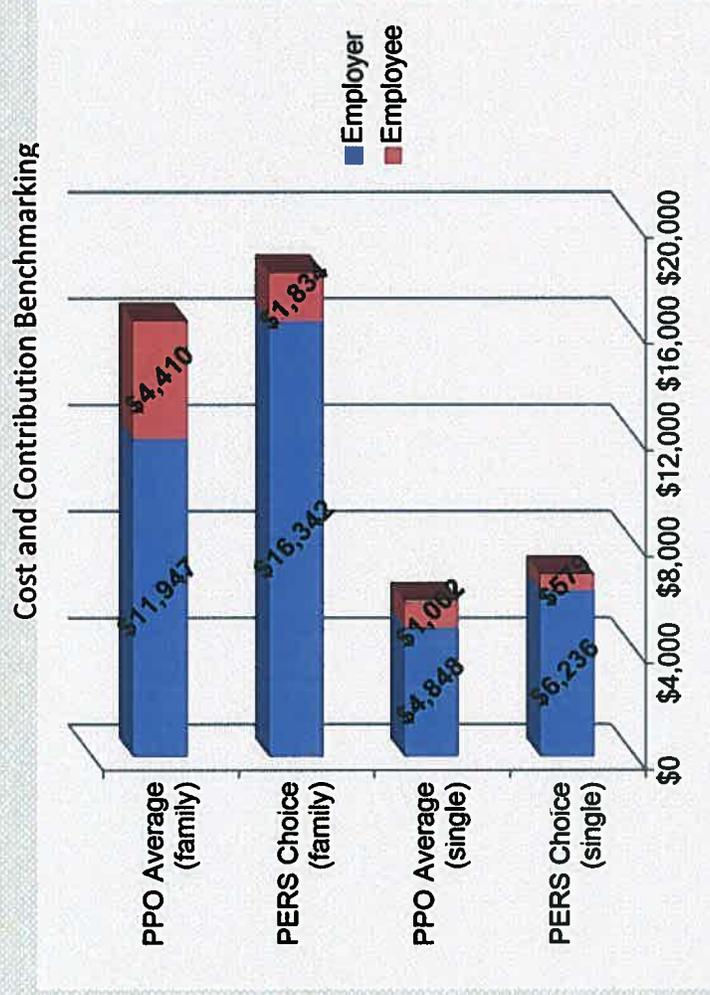
Deductible Benchmarking



* Kaiser Family Foundation, 2012

Current Cost and Contribution Structure (PERS Choice)

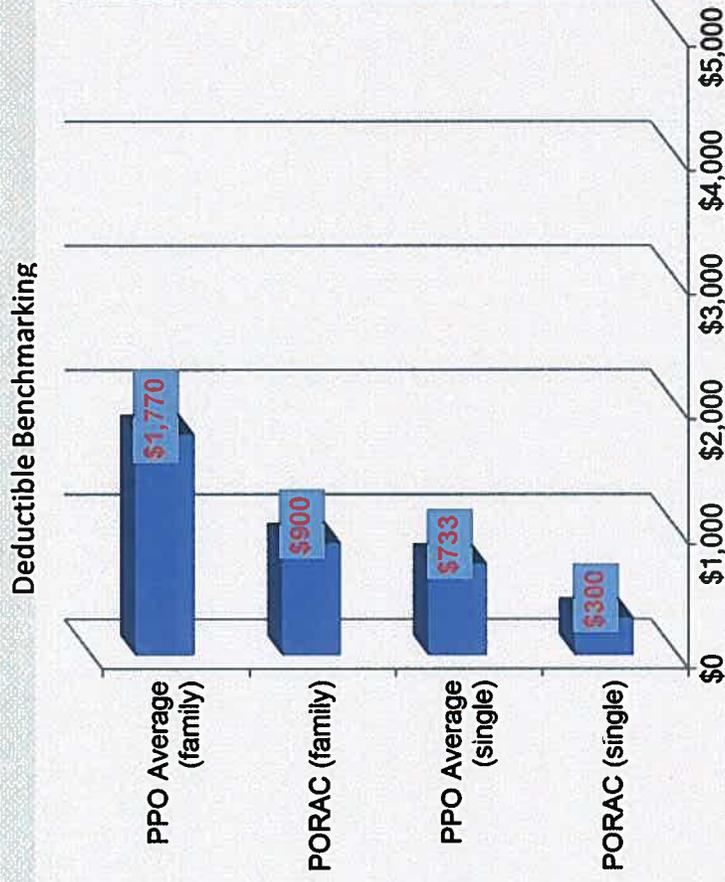
- **Key Considerations**
 - **Employees Covered**
 - 75 (33.04% of covered employees)
 - **Total Cost**
 - Single = 116.48% of Benchmark
 - Family = 111.12% of Benchmark
 - **Employee Contributions**
 - Single = 57.74% of Benchmark
 - Family = 41.58% of Benchmark



* Kaiser Family Foundation, 2012

Current Plan Design (PORAC)

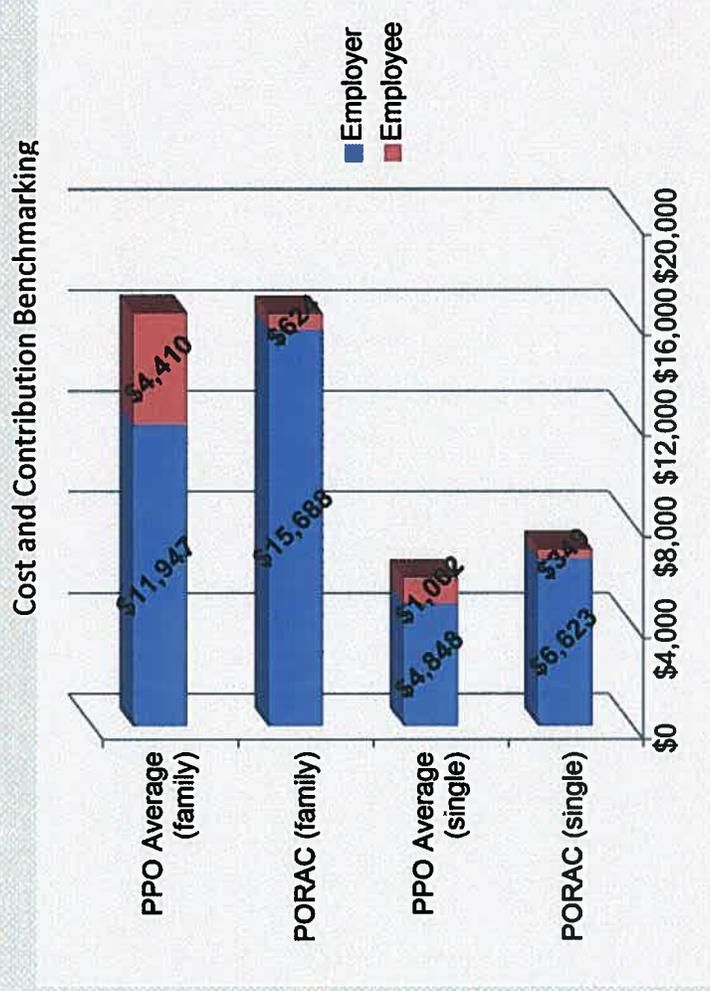
- **Plan Highlights**
 - Anthem
- **Deductible**
 - \$300.00 Single/\$900.00 Family Deductible
- **Out of Pocket Maximum**
 - \$3,000.00 Single/\$6,000.00 Family OOP
- **Copays/Coinsurance**
 - 10% coinsurance
 - \$20.00 Routine Office Visit
 - \$20.00 Specialist Visit
 - \$10.00 Tier 1 Prescription
 - \$25.00 Tier 2 Prescription
 - \$45.00 Tier 3 Prescription



* Kaiser Family Foundation, 2012

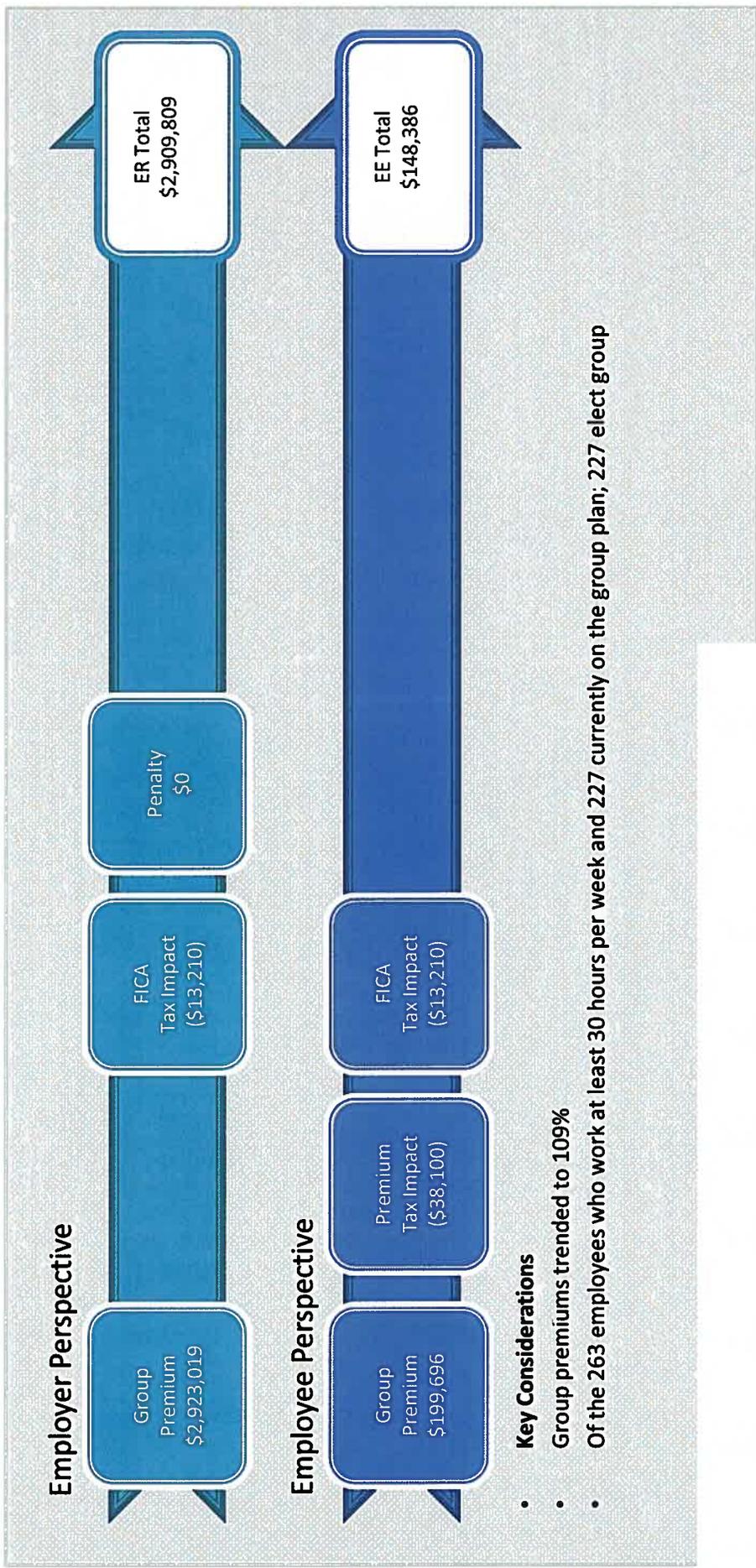
Current Cost and Contribution Structure (PORAC)

- **Key Considerations**
 - **Employees Covered**
 - 27 (11.89% of covered employees)
 - **Total Cost**
 - Single = 119.18% of Benchmark
 - Family = 99.73% of Benchmark
 - **Employee Contributions**
 - Single = 34.79% of Benchmark
 - Family = 14.16% of Benchmark



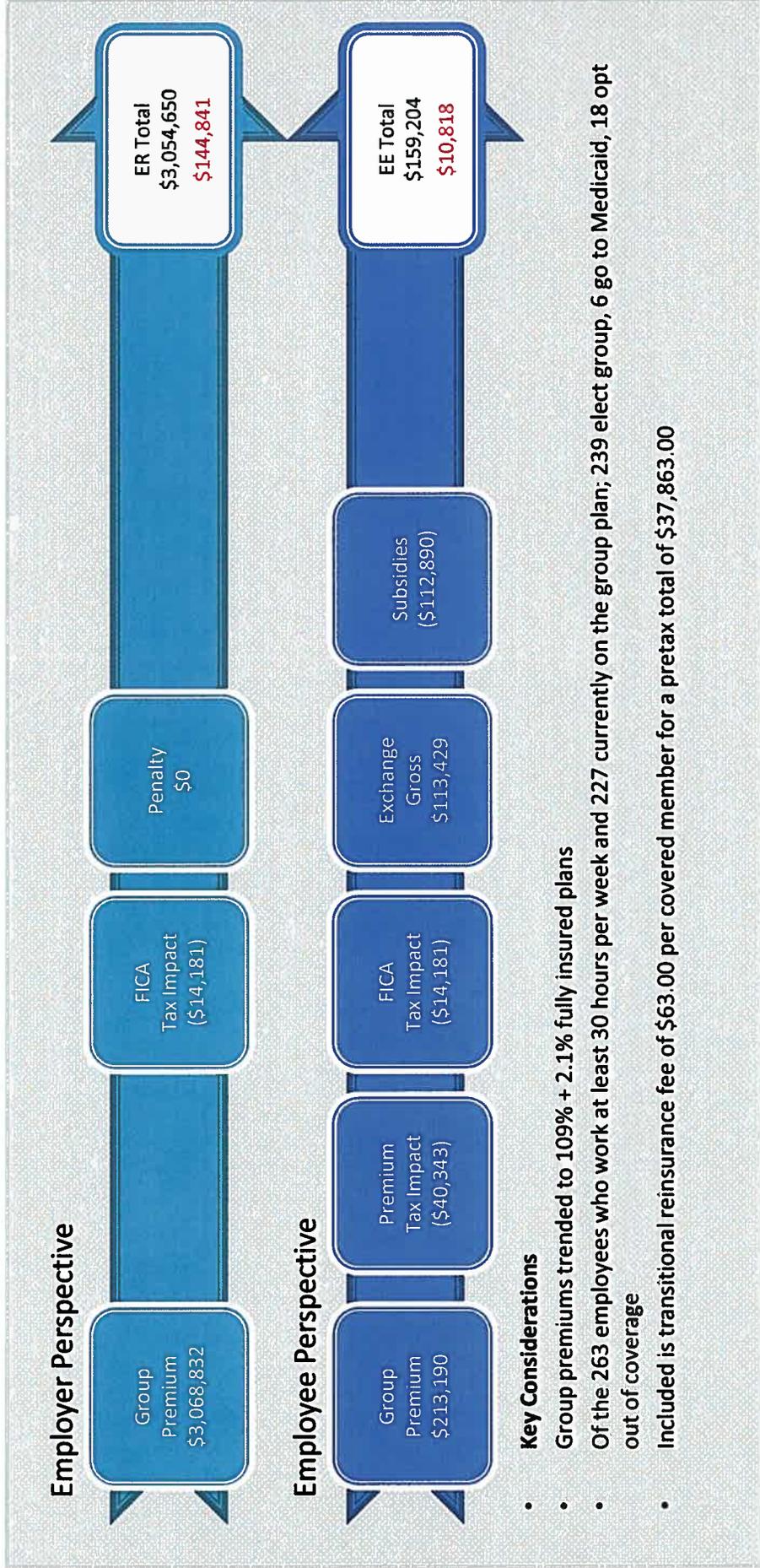
* Kaiser Family Foundation, 2012

Impact Analysis - Current Plan (As of 12/31/2013)



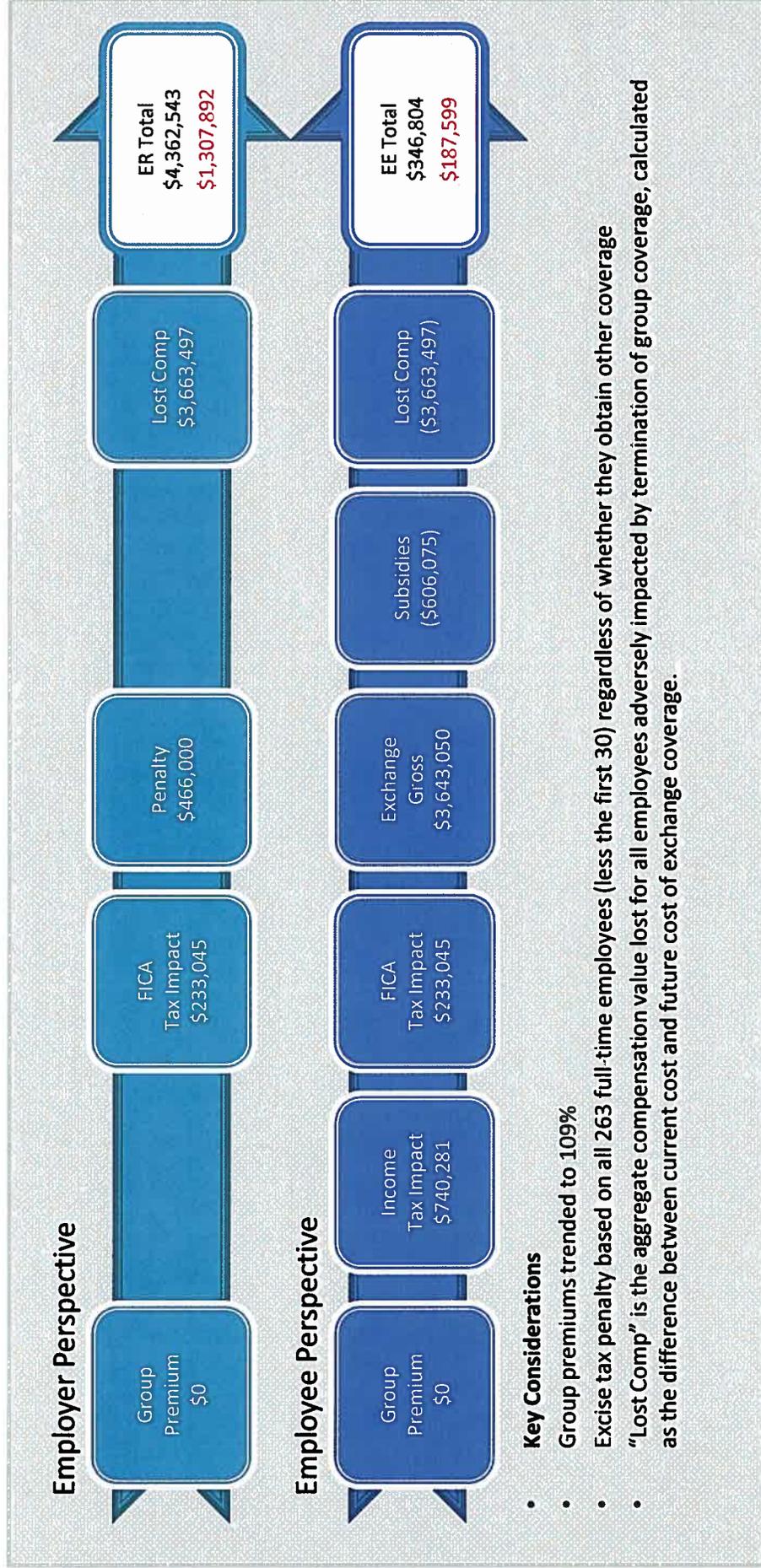
- **Key Considerations**
- Group premiums trended to 109%
- Of the 263 employees who work at least 30 hours per week and 227 currently on the group plan; 227 elect group

Impact Analysis - Maintain Plan (Projected to 2014)

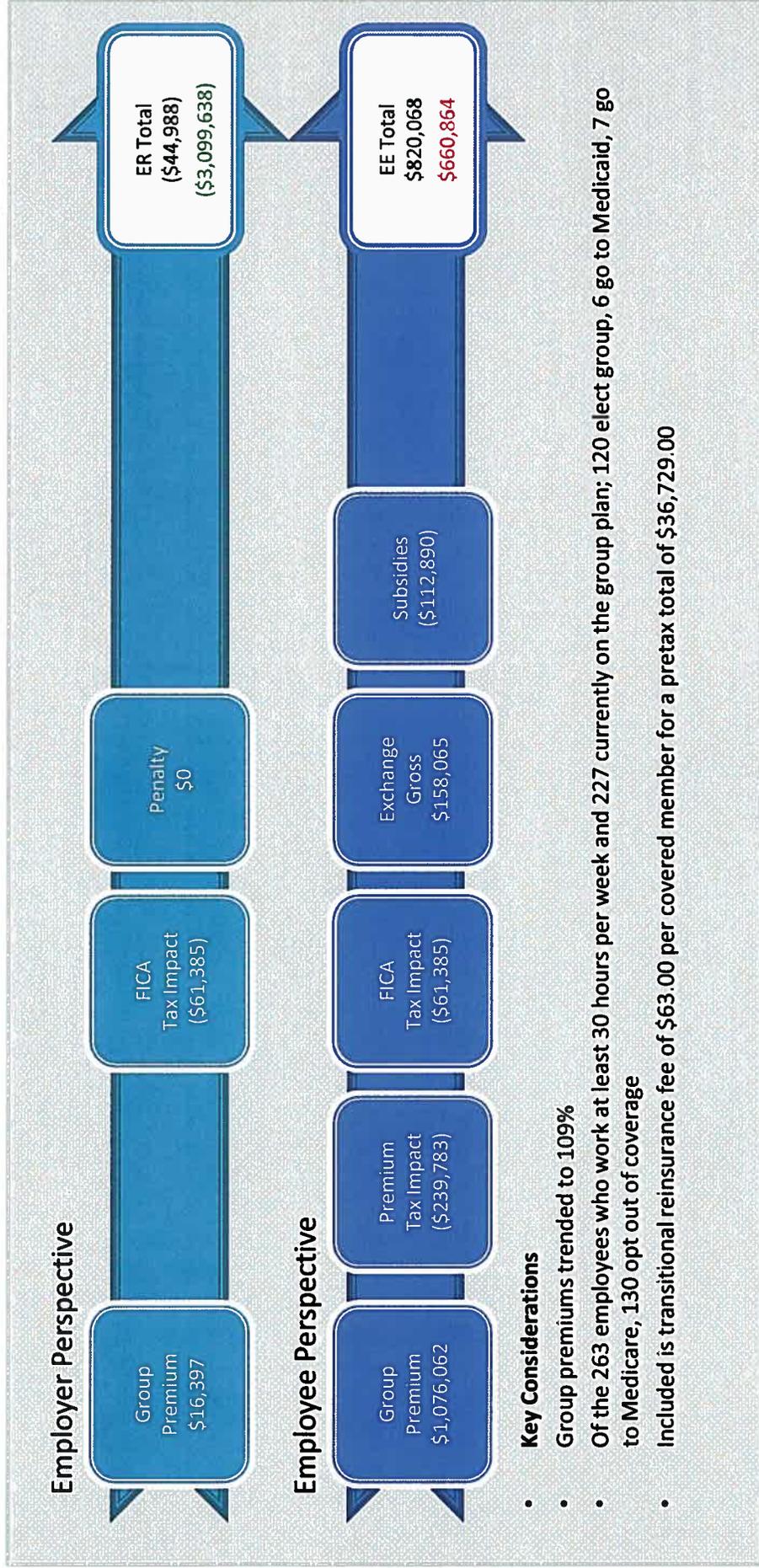


- **Key Considerations**
- Group premiums trended to 109% + 2.1% fully insured plans
- Of the 263 employees who work at least 30 hours per week and 227 currently on the group plan; 239 elect group, 6 go to Medicaid, 18 opt out of coverage
- Included is transitional reinsurance fee of \$63.00 per covered member for a pretax total of \$37,863.00

Impact Analysis - Terminate Plan (Projected to 2014)

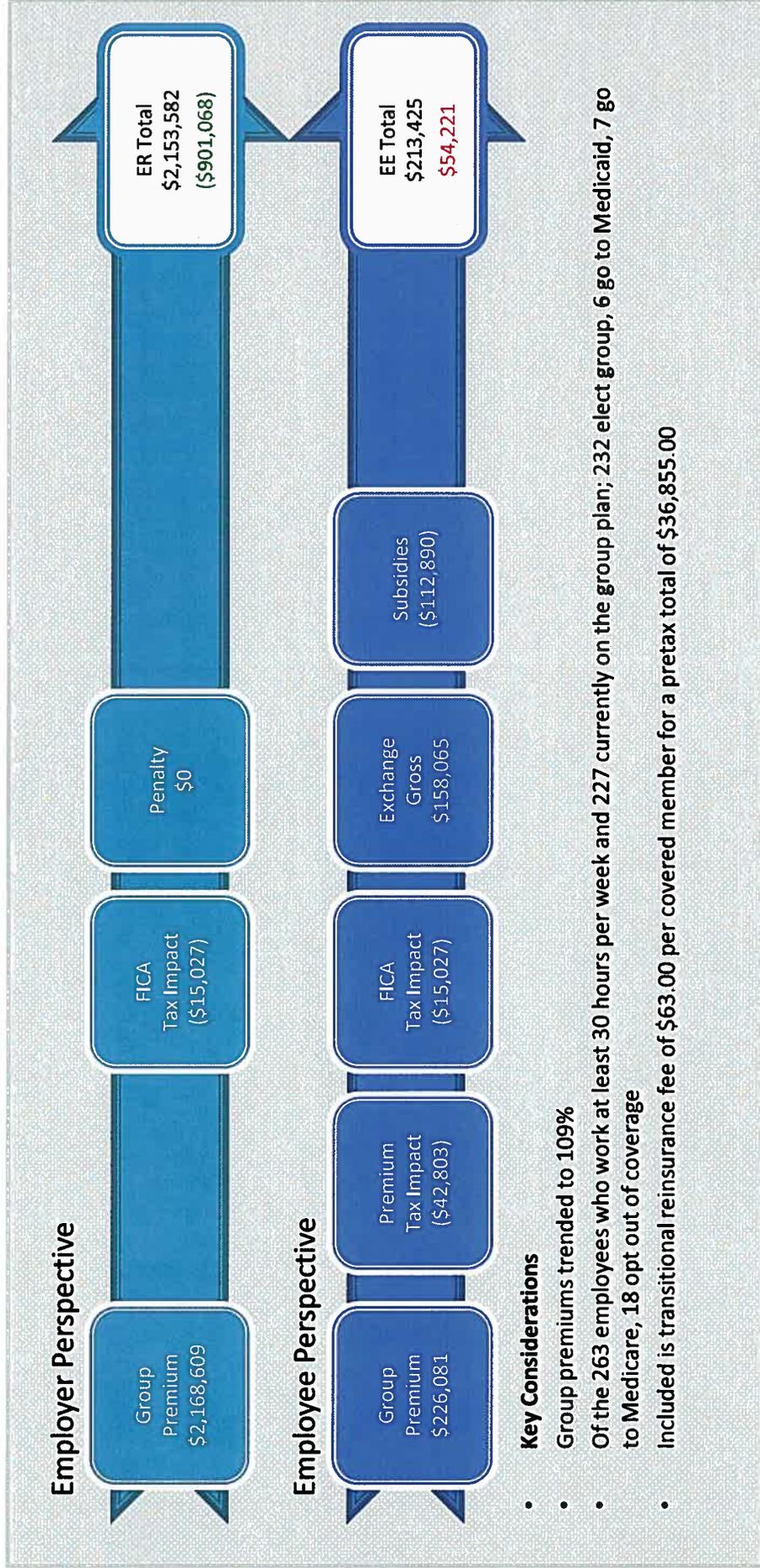


Impact Analysis - Minimize Plan (Projected to 2014)



- **Key Considerations**
- Group premiums trended to 109%
- Of the 263 employees who work at least 30 hours per week and 227 currently on the group plan; 120 elect group, 6 go to Medicaid, 7 go to Medicare, 130 opt out of coverage
- Included is transitional reinsurance fee of \$63.00 per covered member for a pretax total of \$36,729.00

Impact Analysis - Optimize Plan (Projected to 2014)



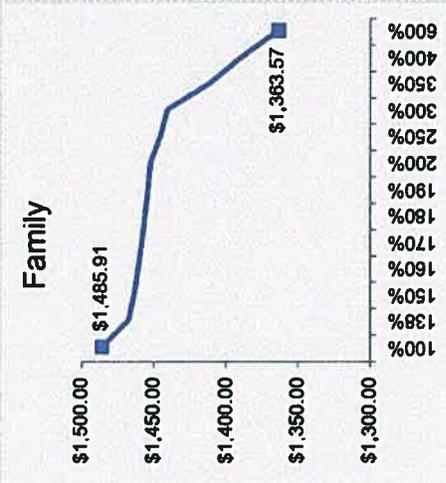
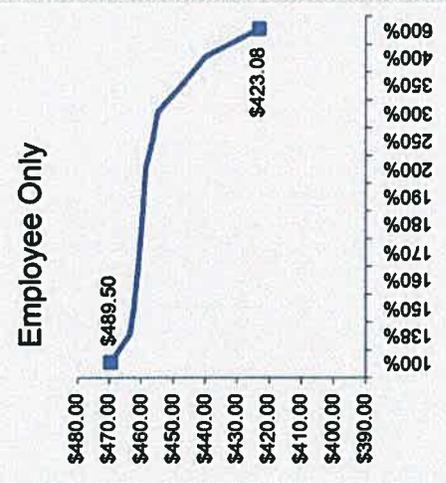
Appendix: Scenario Variables

- ▶ Scenario
 - Scenario Name: **Optimized**
 - Benefit Class:
 - Marginal Tax Rate: **0%**
 - Waived Opt Out Percentage: **65%**
 - Ineligible Opt Out Percentage: **30%**
 - Max Contribution Threshold: **8%**
 - Optimize Plan: **PERS Choice- Optimized**
 - Maintain Plan: **PERS Choice**
 - Lowest Cost Current Plan: **Kaiser**
 - Minimize Plan: **Minimized**
 - Exclude Employees <30 hours/wk: **No**
 - Employer offers acceptable coverage: **Yes**
- ▶ System Default Adjustments
 - Plan Termination Penalty: **\$2,000.00**
 - Subsidy Eligible Penalty: **\$3,000.00**
 - Subsidy Eligible Minimum: **9.5%**
 - EE Only Tier as Qualifier: **Yes**
 - Transitional Reinsurance Fee: **\$63.00**
 - Transitional Reinsurance Fee Tax Treatment: **Pretax**
- ▶ FPL/AGHI Adjustments
 - Tier Distribution enabled: **Yes**
- ▶ Cadillac Tax
 - Cadillac Tax enabled: **No**
- ▶ FICA Adjustments
 - Not Subject to FICA enabled: **No**
 - Medicare Only enabled: **No**
- ▶ Trending
 - Budget Adjustment Factor: **100%**
 - Future Salary Adjustment: **100%**
 - Future Exchange Plan Cost Adjustment: **100%**
 - Future Group Plan Cost Adjustment: **109%**
 - Future FPL Adjustment: **102.5%**
 - Age (as of date): **1/1/2014 12:00:00 AM**
- ▶ Plan Choice
 - Use Multiple Optimize Plans: **No**
 - Econometric Plan Model enabled: **Yes**
 - Medicaid Opt Out: **Use plan choice modeling**
 - Medicare Opt Out: **Use plan choice modeling**

Benefit of pre-tax deductions

- **Key Considerations:**
 - Individual tax rates are progressive, with the highest income individuals being taxed at a higher rate than the lowest.
- **Implications:**
 - Higher net worth individuals pay less for their coverage on an after-tax basis.
- **Compass Heading:**
 - At 600% FPL the tax benefit is \$46.41 greater than at 100% FPL for employee only coverage.
 - At 600% FPL the tax benefit is \$122.33 greater than at 100% FPL for family coverage.

Net cost of coverage along FPL



What is the real effect of lowering plan actuarial value and adding excepted benefits?

- **Key Considerations:**
 - Voluntary (excepted) benefits will play a major role in enhancing adjusted group plan actuarial values as they are not subject to the provisions of health care reform
- **Implications:**
 - Leading employers adjusting to a “one size fits all” major medical plan can choose how much to subsidize excepted benefits for different classes of employees
- **Compass Heading:**
 - In the example to the right, having a 60% Major Medical plan with Accident, Critical Illness and Telemedicine is a better value in all scenarios projected than an 83% Major Medical plan

Scenario	Plans	Employee Paycheck	Employee OOP	Employee Net Cost
Family Scenarios				
Catastrophic-whole Family	60% actuarial value major medical plan with Critical Illness/Accident/Telemedicine	\$10,213.80	\$(11,124.00)	\$(41,977.20)
	83% actuarial value major medical plan	\$13,310.76	\$7,385.00	\$20,695.76
Catastrophic- 1 person in family	60% actuarial value major medical plan with Critical Illness/Accident/Telemedicine	\$10,213.80	\$(11,124.00)	\$(910.20)
	83% actuarial value major medical plan	\$13,310.76	\$7,104.00	\$20,414.76
Average utilization	60% actuarial value major medical plan with Critical Illness/Accident/Telemedicine	\$10,213.80	\$4,380.00	\$14,593.80
	83% actuarial value major medical plan	\$13,310.76	\$3,640.00	\$16,950.76
Single Scenarios				
Catastrophic	60% actuarial value major medical plan with Critical Illness/Accident/Telemedicine	\$3,897.36	\$(15,690.00)	\$(11,792.64)
	83% actuarial value major medical plan	\$4,906.08	\$3,079.00	\$7,985.08
Average utilization	60% actuarial value major medical plan with Critical Illness/Accident/Telemedicine	\$3,897.36	\$2,660.00	\$6,557.36
	83% actuarial value major medical plan	\$4,906.08	\$1,931.00	\$6,837.08

All plan scenarios were based on a 35 year old male smoker with smoker spouse and 2 children. Excepted benefits assume the full premium is paid by the employee on an after-tax basis. The catastrophic utilization scenario reflects a major car accident and cancer

The Bottom Line

Current Strategies (Tax Adjusted)

Options (Tax Adjusted)

**Current Cost
(Tax adjusted)**

**2014
No HCR**

**2014
Maintain**

**2014
Terminate**

**2014
Optimize**

Employer Perspective

ER Total
\$2,669,549

ER Total
\$2,909,809

ER Total
\$3,054,650
\$144,841

ER Total
\$4,362,543
\$1,307,892

ER Total
\$2,153,582
(\$901,068)

Employee Perspective

EE Total
\$136,133

EE Total
\$148,386

EE Total
\$159,204
\$10,818

EE Total
\$346,804
\$187,599

EE Total
\$213,425
\$54,221

Compared to 2014 Maintain