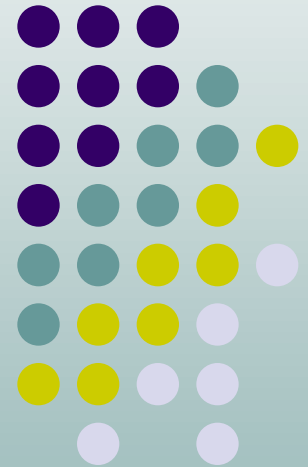


City of Phoenix Retiree Medical Coverage Overview

COPRA Meeting
May 20, 2010



Your Guests Today



- **MARY KYLE**, Deputy Human Resources Director
- **LESLIE DEWAR**, Human Resources Supervisor
- Representatives from **CVS/Caremark**, **CIGNA**, **BlueCross/BlueShield** and **Buck Benefits Consulting**



Today's Topics



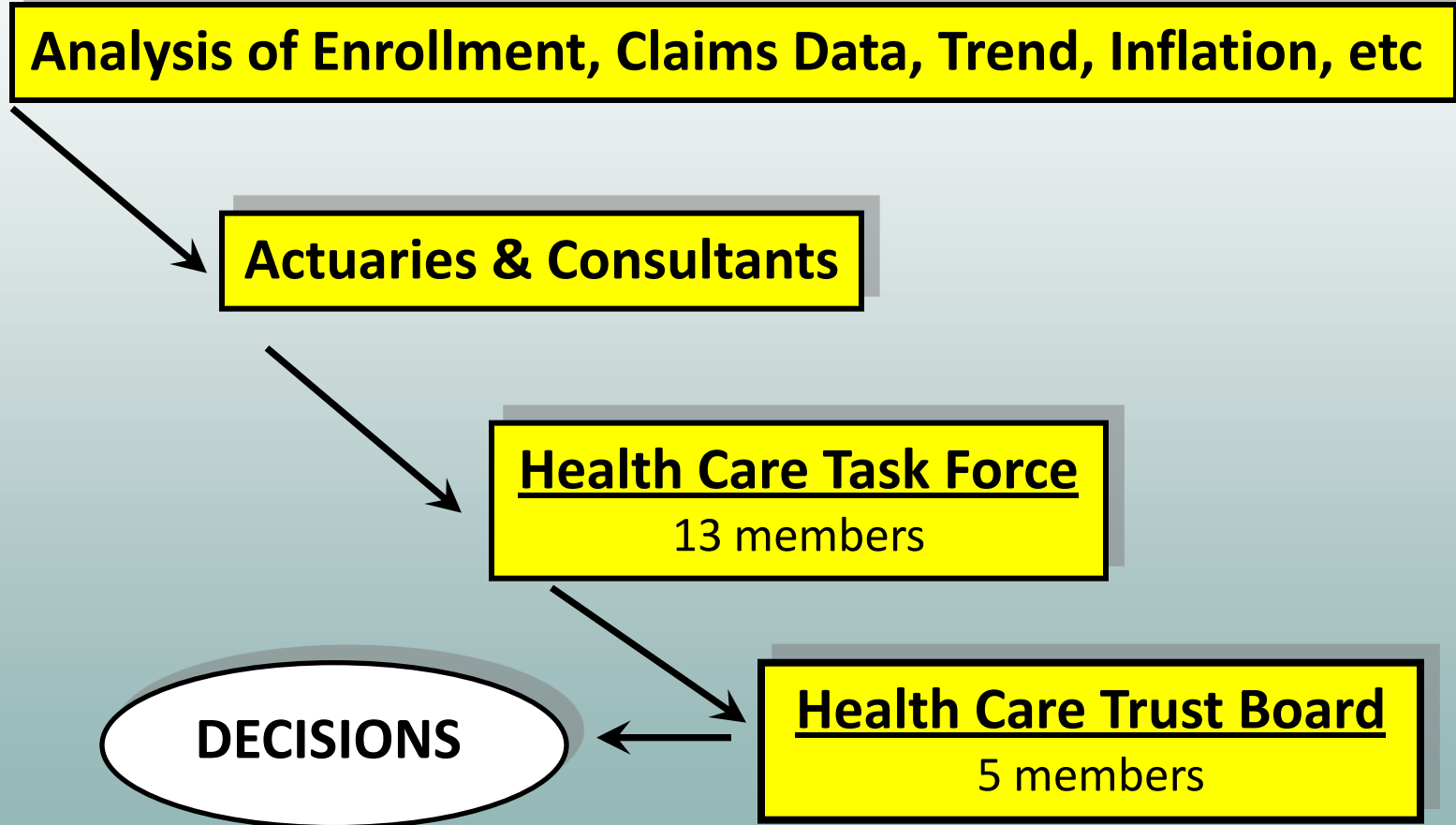
- **Self-Funded vs. Fully Insured**
- **How Premium Rates are Set**
- **Changes for Plan Year 2010-11**
- **Health Care Reform Update**

The City is Self-Funded



- **Medical and pharmacy claims are paid out of the City of Phoenix Health Care Benefits Trust Fund**
- **The City assumes the financial risk for claims**
 - **Claims experience**
 - **Future risk**
 - **Health care inflation and trend**
 - **Trust reserves**
 - **No premiums are paid to an insurance carrier**

Decision Making Process



2010-11 Premiums



Overall
16.4%
Increase

With Premium
Holiday in
May 2010
Overall
6.7%
Increase

**Remember, each group is
rated independently**

2010-11 Retiree Premiums



Effective August 1, 2010

CIGNA HMO	+20.6%
BCBS HMO	+16.6%
BCBS PPO	+9.3%
Overall	+16.4
With Premium Holiday	6.7%

2010-11 Monthly Premium Rates



Retiree and Dependent Status	Code	Full Premium (Before the City Qualified Contribution is Applied)	City Qualified Contribution Amount (Deduct this from the Full Premium ← for the reduced premium →)	2010-2011 Reduced Monthly Retiree Medical Premiums		
				CIGNA HMO	BCBS HMO	BCBS PPO
Single – Retiree or survivor not on Medicare	A	CIGNA: \$745.87 BCBS HMO: \$667.04 BCBS PPO: \$631.42	\$105	\$640.87	\$562.04	\$526.42
Family – Retiree and 1 or more dependents not on Medicare	B	CIGNA: \$2,149.61 BCBS HMO: \$1,922.42 BCBS PPO: \$1,819.73	\$375	\$1,774.61	\$1,547.42	\$1,444.73
Family – Retiree not on Medicare, all dependents on Medicare	C	CIGNA: \$1,447.07 BCBS HMO: \$1,294.13 BCBS PPO: \$1,224.97	\$260	\$1,187.07	\$1,034.13	\$964.97
Single – Retiree or survivor on Medicare	D	CIGNA: \$637.76 BCBS HMO: \$570.35 BCBS PPO: \$539.92	\$90	\$547.76	\$480.35	\$449.92
Family – Retiree with Medicare, any dependent not on Medicare	E	CIGNA: \$1,316.41 BCBS HMO: \$1,177.27 BCBS PPO: \$1,114.23	\$245	\$1,071.41	\$932.27	\$869.23
Family – Retiree and all dependents on Medicare	F	CIGNA: \$1,275.54 BCBS HMO: \$1,140.70 BCBS PPO: \$1,079.78	\$235	\$1,040.54	\$905.72	\$844.78

This ↑

minus this ↑



↑

equals this

↑

Retirees by Medical Plan



 <p>CIGNA</p>	 <p>BlueCross BlueShield of Arizona</p> <p>An Independent Licensee of the Blue Cross and Blue Shield Association</p>	
<p>HMO</p>	<p>HMO</p>	<p>PPO</p>
<p>2,160</p>	<p>450</p>	<p>1,287</p>
<p>Total: 3,897</p>		

Medical Costs



2009-10 Plan Year		
Monthly Cost per Member	Employee	Retiree
CIGNA HMO	\$258	\$613
BCBS HMO	\$211	\$479
BCBS PPO	\$266	\$468

Prescription Drug Costs



Annually		
	Employee	Retiree
Total Cost	\$30 Million	\$14 Million
City Cost Share	84.6%	83.2%
Covered Members	35,539	5,776
Per Member per Year Cost	\$848	\$2633

Top 10 Retiree Drug Types



1. Cholesterol
2. Diabetes
3. Ulcer
4. Blood Pressure
5. Asthma/COPD
6. Antidepressants
7. Neurological
8. Anti-Inflammatory
9. Anticonvulsants
10. Neurological

These Top 10 Drugs make up **57.7% of gross spend for retirees**

- Use generics where available to save yourself and the plan money!
- Mail order gives you three months of medication for a two-month co-pay



Retiree Dental Choice

- Fully insured dental plan for city of Phoenix retirees
 - Retiree, +1, Family
 - Monthly premium deducted from pension check
- Two options: Dental HMO, Dental PPO
- Not the same coverage as employee dental
- Minimum 12 month enrollment required



Monthly Dental Premiums

Dental HMO

- Retiree Only \$18.36
- Retiree +1 \$33.17
- Family \$58.46

Dental PPO

- Retiree Only \$34.08
- Retiree +1 \$75.72
- Family \$110.75



Retiree Dental HMO

- Must have a network dentist of record.
- No out of network coverage.
- Fee schedule applies to services.
- No deductible.
- Fee schedule is online, copies here also.
- No maximum benefit on most procedures.



Retiree Dental PPO

- Large network of dentists
- \$50 per calendar year deductible
- \$2,000 annual maximum coverage
- \$1,500 lifetime orthodontia coverage
- 80% or 50% coverage
- Tier 3 has a 12 month waiting period
- Out of network coverage at a **higher** out of pocket cost



Dental PPO Coverage

Tier 1	Tier 2	Tier 3	Tier 4
Exams, cleanings, x-rays	Fillings, extractions	Crowns, bridges, dentures, root canals	Orthodontia
80% Coverage	80% Coverage	50% Coverage	50% Coverage
\$2,000 per calendar year benefit			\$1,500 lifetime benefit
\$0 deductible	\$50 deductible per calendar year		
		* 12 month waiting period	

2010 Open Enrollment



JUNE 2010						
SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Open Enrollment begins on June 7 and ends at 5:00 p.m. on June 25

Making Changes During Open Enrollment



Use e-CHRIS

- The e-CHRIS link is on the COPRA website
- Instructions are in the Open Enrollment booklet and you can call Benefits for help

- OR -

Call the Benefits Office 602-262-4777

- Make changes by phone
- Confirmation will be mailed to you

Open Enrollment

City of Phoenix 2010-2011

For Retirees



SELECTCARE[®]

**Look for this
in the mail**



Health Care Reform Update



- **Health Care Reform legislation is lengthy and complex with changes taking effect from 2010 to 2018**
- **Guidance will be drafted by the Federal government**
- **It is difficult to predict what changes will be required in the future to comply with the law**
- **This is a high level overview with limited detail; we will continue to monitor guidance as it is provided and keep employees and retirees updated**

Scope of Health Care Reform



- **Employer Group Health Plans**
- **Individual Health Plans**
- **Medicare**



Employer Changes



2011

- **August 1, 2011: Coverage of adult children to age 26**
 - Not required to be a dependent for tax purposes
 - Not required to reside with the employee/retiree
 - Eligible if they do not have access to other group coverage
- Limited annual and lifetime maximums
- Appeals process subject to regulatory guidance

Employer Changes



2011

- **Retiree Reinsurance Program begins**
 - Designed for “early” retirees ages 55-64
 - Reimburses the plan 80% for claims between \$15,000 and \$90,000
 - \$5 billion funding
 - Begins 2011 and ends January 1, 2014 or when funding is exhausted

Employer Changes



2012

- **Quality of care reports**
 - Reporting requirements to Health and Human Services for tracking required measurements
- **Uniform Explanation of Coverage Mandate**
 - “four pages, annual distribution, 12-point font, culturally/linguistically appropriate”
- **Comparative Effectiveness Fee**
 - \$1 per member 1st year, \$2 thereafter

Employer Changes



2013

- **Mandatory notices to employees about exchanges**
- **Plan actuarial value determination**

Employer Changes



2014

- Health Care Exchanges begin operating
- Affordability threshold
- Auto Enrollment
- No pre-existing condition exclusions
- No waiting periods over 90 days
- No annual dollar limits

2017

- Large employers may be allowed into exchanges

Health Care Exchanges



- A state clearinghouse that facilitates the purchase of health insurance coverage for individuals and small employers either through co-ops or private insurers
- Premium and cost-sharing subsidies available to individuals whose household income is up to 400% of the poverty level:
 - \$88,000 for a family of four
 - \$43,000 for one person
- Employees are eligible if their employer's coverage is unaffordable or the employer plan does not have at least a 60% actuarial value

Summary



- **Changes will occur over the next eight years**
- **Clarification and guidance is needed for compliance requirements**
- **Cost management strategies are key**
 - **Wellness programming**
 - **Disease management**
 - **Communication and Education**

QUESTIONS

