

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: CEO-Risk Management Division

BOARD AGENDA # B-7

Urgent

Routine

AGENDA DATE 05/14/2013

CEO Concurs with Recommendation **YES** **NO**
(Information Attached)

4/5 Vote Required **YES** **NO**

SUBJECT:

Acceptance of a Report on the Performance of the County's Medical Self-Insurance Program for Calendar Year 2012

STAFF RECOMMENDATIONS:

Accept a report on the performance of the County's Medical Self-Insurance Program for calendar year 2012.

FISCAL IMPACT:

Effective January 1, 2012, the County implemented a new financial and program strategy for providing employee medical benefits for all participants enrolled in County sponsored health plans. This new strategy included moving the County's medical benefits program from a fully-insured program to a partially self-insured program, and the implementation of a new non-profit health plan alternative developed for the County.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2013-239

On motion of Supervisor Withrow, Seconded by Supervisor O'Brien
and approved by the following vote,

Ayes: Supervisors: O'Brien, Withrow, Monteith, De Martini and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT: (Continued)

Increases in County insurance premiums averaged 11.5% each year between 2005 and 2011, and were projected to increase an additional 12% overall for the fully-insured program in 2012. This represented approximately \$5.9 million in additional costs that would have been charged to County departments and plan participants based on the insurance rates that would have been charged for the medical plan to remain fully-insured in 2012. With the implementation of a new self-insured financial strategy starting January 1, 2012, the County began to pay for employee medical expenses on a fee-for-service basis, similar to the funding program the County has historically used for employee dental and vision benefit programs.

The total cost and financial analysis of the new self-insured medical program is dependent upon the number of individuals covered on the plan throughout the year, and the health plan selections each individual participant elected during the year. Based on the actual number of participants enrolled in the program and their individual health plan selections in 2012, the County generated \$43,047,247 in revenue to support the program in 2012. Total projected costs for program administration, medical claims and stop-loss insurance in 2012 totaled \$45,439,685, for a projected net funding deficit of \$2,392,438. In order for the program to have obtained a balanced fiscal position at the end of the 2012 plan year, premiums charged in the program should have been set 5.56% higher than those actually charged for all plans during 2012.

One of the strategic goals for the new program in 2012 was to begin to establish a surplus reserve in the program to stabilize future funding rates. Based on the initial financial goals of the program and actual 2012 revenues of \$43,047,247, the medical self-insurance program was expected to have generated total costs of \$41,237,779, resulting in a net surplus of \$1,809,468. While the program was not successful in generating a funding surplus in its initial year of implementation, the program was successful in substantially reducing the overall cost of medical insurance when comparing actual 2012 costs of \$45,439,685 with the total projected premium cost of \$52,040,750 that would have been charged if the County were to have stayed in the prior fully-insured program in 2012.

The majority of funding for the medical insurance program is provided by County departments and employees. The County negotiates one health insurance agreement collectively with all County labor groups to establish the level of cost-share departments and employees are charged for medical premiums. The County's current labor agreement provides for employees to pay 20% of the lowest cost Exclusive Provider Organization (EPO) plan option (similar to an HMO) with departments paying 80% of the premium. Employees may also select the option of paying 5% of the premium for the lowest cost High Deductible Health Plan (HDHP), with departments paying 95% of the premium cost. Employees selecting a higher cost plan will also pay the cost difference between the lowest cost plan option and the plan they have selected. In plan year 2012, approximately 58% of County employees selected lower cost HDHP plan alternatives which also included an individual Health Savings Account (HSA) partially funded by the County. Early retirees, COBRA and special district plan participants pay 100% of their individual premium costs for participation in the County sponsored medical insurance program.

Medical insurance premiums were increased 3.75% effective January 2013 and will be adjusted again in January 2014 to address any deficit in program funding. Medical insurance rate increases for departments and employees were partially offset by premium reductions obtained through the self-insured dental and vision programs effective January 2013. The increase in medical premiums and the decrease in dental and vision premiums had the net effect of increasing overall department charges for all related health insurance costs by approximately 2% county-wide. Departments were originally instructed to assume cost increases of 5 - 7.5% effective January 2013, resulting in significant savings in departmental budgets in the current fiscal year.

DISCUSSION:

Background

Stanislaus County has experienced a history of significant increases in employee medical insurance costs well above normal inflationary indexes in our overall economy. Prior to 2012, the County funded employee medical insurance programs each year through a process of seeking proposals and purchasing fully-insured medical plans for employees on an annual basis. This process resulted in the County offering a number of health insurance options over a short period of time with plan selection based on which insurance carrier may provide better pricing in any given year. The County also worked with labor groups to reduce plan benefits and raise employee co-pays in order to control annual cost increases. While this strategy was useful in developing short-term funding solutions to provide a variety of low cost health care options for employees, this short-term strategy did not support an environment of understanding and managing the underlying costs which drive total medical expenditures and premium inflation. This strategy also proved more challenging as fewer insurance carriers were available to offer fully-insured health programs throughout California and in the local community.

Stanislaus County's fully-insured health insurance premium rates increased on average 11.5% annually between 2005 and 2011, and were projected to increase 12% for the overall employee population in 2012. Actual healthcare claims paid by County health plans had increased cumulatively by more than 45% over the three year period leading up to 2011 for the average County employee. This growth in claims cost represented a significant factor in the ongoing inflation in the County's insurance premiums. While costs continued to grow, the fully-insured medical plans did not allow the County to fully evaluate those costs through an analysis of changes in unit cost for medical services or increases in employee utilization.

Consultant Engagement and Recommendations

In the spring of 2010, staff from the Chief Executive Office initiated a thorough assessment of the efficiency and effectiveness of the County's existing health insurance program. It was determined a detailed analysis needed to occur to support the County in making strategic decisions in regard to its employee health insurance plan. Sidles Duncan & Associates

Acceptance of a Report on the Performance of the County's Medical Self-Insurance Program
for Calendar Year 2012

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(SDA), a management consulting firm, was engaged as a consultant to implement a multi-phase analysis and construction of a health benefit program for the County. The consulting analysis yielded critically important information for the County which was used in developing the health insurance strategy for the 2012 plan year and beyond. The project work with SDA resulted in the following recommendations and findings reported to the Board of Supervisors in November 2011:

- *The inherent lack of transparency in a fully insured arrangement significantly limits the County's ability to assess the effectiveness of its health plan vendors and insurers and to measure the cost/value relationship between what the County pays and what it receives in return.*
- *Bidding for fully-insured contracts among multiple insurers or managed care organizations requires underwriters to price for uncertain risk which manifests itself in higher margin, risk charges and premium rates.*
- *The duplication of services and inherent lack of competition in regards to pricing in the local community results in higher costs for health care benefit plan sponsors throughout Stanislaus County.*
- *The County should self-fund its health plan.*
 - *Provide for a common plan design for all employee medical plans*
 - *Reduce the administrative cost of managing the plans*
 - *Capture savings associated with elimination of risk based capitation charges*
 - *Establish full transparency to better understand the value proposition inherent in the plan options offered to County employees, and measure the financial and clinical performance of the plans*
- *The County should combine its health benefit plan offerings into a single risk pool.*
 - *Reduce insurance charges for large claims*
 - *Improve marketability of stop loss insurance program*
 - *Establish greater predictability through creation of a larger single risk pool*
- *County should introduce and foster the development of a competitive health care choice model in the local community to support a long-term strategy for providing quality employee healthcare.*
- *The County should own and maintain independent control over financial and utilization data across all plans*
 - *Maintain independent control over underwriting and rate determination annually through the use of independent actuarial analysis*
 - *Independently evaluate plans offered based upon their financial and clinical performance in meeting the needs of their covered populations, not on the premium rates assigned to the populations they cover*
 - *Maintain control over ability to change plans and strategies over time with the benefit of comprehensive utilization and financial data*

- *All County health plans should support common goals for quality and performance, including:*
 - *Maintaining a high degree of hospital-physician integration and alignment*
 - *Demonstrated clinical quality and systemic adherence to evidence based clinical guidelines*
 - *Competitive financial arrangements*

In follow-up to these recommendations, County staff worked closely with SDA through multiple meetings with health plan administrative officers and representatives in the local community to communicate the County's desire to develop a long-term strategy and new business partnerships for improving employee health care programs. These meetings resulted in an improved understanding of the local medical provider community and the availability and interest of the key health systems to engage in developing a new locally based health plan option in alignment with County goals.

In conjunction with the development and analysis of a new locally based health plan option, SDA representatives worked with the County's existing health insurance providers to evaluate potential options for continuing the County's current fully-insured health plans or converting those health plans to a new self-insured model. Proposals were evaluated from the County's existing health insurance partners (Anthem Blue Cross and Kaiser Permanente), as well as potential new partnerships with additional insurance providers and key health systems in the community.

Based on the financial and clinical modeling conducted in the first two phases of work completed by SDA, County staff initiated a strategy to transition the County's existing health plans (Anthem Blue Cross and Kaiser Permanente) to a new self-insured funding strategy and to add a new medical plan option to the existing medical plans offered with Anthem Blue Cross and Kaiser.

Development of Stanislaus County Partners in Health

SDA staff designed a new health plan option, Stanislaus County Partners in Health (SCPH) to support the County's goal of creating a long-term employee health care strategy. SCPH is a non-profit health care program focused on providing access to high quality medical services in the local community. SDA staff and their partners have developed numerous agreements throughout the community to provide employees access to a large network of local hospitals, primary care and specialty physicians under the new SCPH medical plan. Employees enrolling in SCPH may also access care outside of the local community through access to a national network of over 590,000 health care professionals and 4,200 hospitals. The SCPH plan design also provides flexibility for employees through access to dedicated Nurse Care Advocates, available to assist employees by phone or email with their immediate health care needs or to help obtain appointments with specialists and coordinate referrals with Regional and National Centers of Excellence programs. SCPH has established multi-year agreements with key local health providers throughout the community, including Tenet Health Systems

providing access to Doctors Medical Center. Through multi-year agreements, SCPH has developed a sustainable financial model intended to provide modest rate increases in comparison to the County's prior experience of significant inflation in employee health insurance programs.

Self-Insured Funding Strategy

Consistent with the recommendations and conclusions developed throughout the health insurance program evaluation, the Board of Supervisors approved the County's transition to a partially self-insured medical funding strategy effective January 1, 2012. Three self-insured plan options were made available in the initial 2012 plan year: Anthem Blue Cross, Kaiser and the new Stanislaus County Partners in Health plan option. Each plan offered an Exclusive Provider Organization (EPO) option with benefits consistent with the County's prior HMO plans, and a High Deductible Health Plan (HDHP) option with a Health Savings Account. Consistent with the self-insured financial strategy, employees selecting the Anthem Blue Cross and Kaiser medical plans were charged increased medical premiums to reflect the higher base cost of services in those medical plan options.

The program is considered partially self-insured as the County continues to purchase stop-loss insurance with an insurance company to pay for any individual claim costs exceeding \$225,000 in the plan year. For the 2012 plan year, the County paid approximately \$3.3 million for stop-loss insurance coverage. To date, the stop-loss insurance provider has reimbursed the County nearly \$2.4 million in medical claims costs for 16 individual claims which exceeded the \$225,000 stop-loss retention level in 2012. Stop-loss reimbursements for the 2012 plan year may continue to develop as additional information and claims are processed through the claims system in the coming months. Stop-loss insurance coverage remains an important component of protecting the overall financial exposure of the program and remains in place for the 2013 plan year.

2012 Program Census

The County's medical benefits program includes participation from current County employees, retirees from the StanCERA retirement system (up to age 65), local special district employees and non-active or former employees electing coverage under COBRA. This report summarizes the financial performance of the total medical insurance program, which includes all categories of plan enrollees. The following is a summary of the average plan enrollment in place during the 2012 plan year:

| | # Enrolled | % Enrolled |
|----------------------------------|-------------------|-------------------|
| Current Active County Employees | 3,007 | 87% |
| StanCERA Retirees (up to age 65) | 385 | 11% |
| Special District Employees | 43 | 1% |
| COBRA Employees | 28 | 1% |
| Total | 3,463 | 100% |

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for Calendar Year 2012

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In addition to the 3,463 enrolled participants above, the County's medical insurance program also includes coverage for approximately 5,162 dependents enrolled in the program, for a total of approximately 8,625 covered lives receiving benefits. The County currently blends the experience and risk of all covered populations to set premium rates so they are consistent among all plan participants.

2012 Financial Performance

Evaluating the financial performance of the program is dependent upon how many members are enrolled in the plan during the entire plan year and what health plan options they have selected. The following is a summary of the medical self-insurance program's total financial performance for 2012 based on the actual enrollment and plan selection the County experienced in 2012:

| | 2012 Actual | Expected Outcome |
|-----------------------|--------------------|-------------------------|
| Program Revenues | \$43,047,247 | \$43,047,247 |
| Program Expenditures | \$45,439,685 | \$41,237,779 |
| Net Surplus/(Deficit) | (\$2,392,438) | \$1,809,468 |

The Expected Outcome above is based on the original underwriting used to develop the health plan premiums charged for the initial 2012 plan year. The County's health insurance consultants have identified deficits in the projected performance of the Anthem Blue Cross and Kaiser plans in 2012. These deficits were partially offset by a surplus experienced in the new Stanislaus County Partners in Health plan. The total overall deficit is a result of the premium rates being set too low for Anthem Blue Cross and Kaiser in the 2012 plan year.

Initial premium rates for the 2012 plan year were based off of limited health plan information provided by Kaiser and Anthem Blue Cross in early 2011 during the development of the self-insured program option. While both programs were previously operating in a fully-insured environment, the County did not have access to detailed claim data in order to project future claims costs in a self-insured environment. Although the original plan underwriting utilized all clinical and financial data available from both health plans, the final outcome at the conclusion of 2012 demonstrates the negative fiscal impact the County may experience as a result of not having the transparency in claims data necessary to project claim expenses with a higher degree of certainty. The County's health insurance consultants did have all of the information necessary to project plan expenses in the Stanislaus County Partners in Health plan, and the plan's financial performance demonstrates the underwriting for that program exceeded expected outcomes.

The following chart demonstrates the underwriting variances experienced for each of the County's three health plans, and the premium rate adjustments necessary to balance the fiscal funding for the program in the 2012 plan year:

| | Anthem | Kaiser | SCPH | Total |
|---|---------------|---------------|---------------|--------------|
| Pricing Variance Based on Paid Charges | \$2,289,535 | \$359,172 | (\$1,287,926) | \$1,360,781 |
| Trend Variance Based on Paid Charges | \$1,265,720 | \$243,892 | (\$477,986) | \$1,031,626 |
| Total Variance | \$3,555,255 | \$603,064 | (\$1,765,912) | \$2,392,407 |
| Rate Adjustment Required to Achieve Equilibrium Funding for 2012 (including Claim and Expense Reserves) | 40.45% | 9.01% | (6.41%) | 5.56% |

The County will be working closely with its health insurance consultants and each of its health plan partners to evaluate potential program changes to be implemented in 2013 and 2014 in order to address the initial deficit position generated with the program in 2012. Premium rates will be adjusted individually for each plan effective January 2014 in order to capture the appropriate plan revenue for each of the health plans and to fund any deficit remaining in the program at the end of calendar year 2013.

Data Evaluation and Clinical Outcomes

As part of the new self-funding strategy, the County contracted with Ascendant HealthCare to provide a clinical data warehouse of County claims information across all three health plan platforms (Anthem Blue Cross, Kaiser, and Stanislaus County Partners in Health). With the conclusion of the 2012 plan year, Ascendant HealthCare has evaluated the County's claim data through the use of Verisk Health. The Verisk Health Medical Intelligence Platform was developed with Massachusetts Institute of Technology and Harvard School of Medicine and includes over 10 million lives. It is used by the Federal Government, Centers for Medicare and Medicaid Services, commercial insurance carriers, disease management vendors, and Accountable Care Organizations. It combines transaction and encounter health data from health plans to measure population health, health plan performance and to identify cost drivers across multiple health plans. It now includes data from all three Stanislaus County plans since January 1, 2012. This system allows the County to measure the performance of its health plans, both clinically and financially, and understand health plan cost drivers. It also allows the County to compare its results against a normative population. Although the County has contracted for data warehousing and analysis services, County staff are not privy to the specific health data of individual members in its health plans, nor do County staff participate in the direction or management of clinical health care decisions.

Using the Verisk Health system, Ascendant is able to produce meaningful charts and reports that allow the County to evaluate the effectiveness of each of the County's health plans, and to assess the value provided to the County and individual health plan participants. Some utilization charts are included in this report for informational purposes.

The following chart shows the changes in key utilization metrics for Stanislaus County health plans from calendar year 2010 to calendar year 2012:

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| Metric | Calendar Year 2010 | Calendar Year 2012 | Change |
|----------------------------------|--------------------|--------------------|----------|
| Inpatient Admissions per 1,000 | 58 | 51 | -12% |
| Inpatient Days per 1,000 | 225 | 203 | -10% |
| Inpatient Average Length of Stay | 3.9 | 4.0 | +0.1 Day |
| Inpatient Cost per Day | \$7,797 | \$7,595 | -3% |
| Cost per Script | \$64 | \$56 | -12% |
| Prescription Drug Cost PMPM | \$49 | \$45 | -8% |
| Generic Utilization | 80% | 79% | -1% |

In addition, the following chart lists the diseases that are most prevalent among the members enrolled in Stanislaus County's health plans and account for approximately 75% of total paid claims. This is compared to the "norm," which represents two million lives covered in the Western United States also participating in the Verisk Health system.

| Diseases | # of Members | Members per 1000 | | % of Total Paid | Cumulative Total Paid |
|--|--------------|------------------|-------|-----------------|-----------------------|
| | Total | Actual | Norm | | |
| Back Pain | 668 | 148.5 | 121.3 | 11% | 11% |
| Hypertension | 392 | 87.1 | 73.4 | 10% | 21% |
| Cancer | 147 | 32.7 | 31.2 | 9% | 30% |
| Diabetes | 360 | 80.0 | 50.9 | 9% | 39% |
| Hyperlipidemia | 280 | 62.2 | 54.0 | 7% | 46% |
| Osteoarthritis | 164 | 36.5 | 31.4 | 6% | 52% |
| Neck Pain | 326 | 72.5 | 53.4 | 4% | 57% |
| Coronary Artery Disease (incl. MI) | 68 | 15.1 | 15.7 | 4% | 61% |
| Headache | 147 | 32.7 | 22.7 | 4% | 64% |
| Congestive Heart Failure | 17 | 3.8 | 4.5 | 3% | 67% |
| Acute/Episodic Liver and Biliary Disease | 55 | 12.2 | 7.0 | 3% | 70% |
| Chronic Renal Failure | 34 | 7.6 | 5.5 | 3% | 73% |
| Major Depression | 150 | 33.3 | 16.1 | 2% | 75% |

Future Challenges and Opportunities

Although the first year of the Medical Self-Insurance Plan is projected to end the year in a fiscal deficit, the transition to self-insurance from the fully-insured model reduced the overall cost of medical benefits paid by all participants in the plan by a projected \$6.6 million in 2012. Going forward, premium rates will need to be adjusted in January 2014 to address any ongoing deficit in the program and the underlying cost of each of the County's three individual health plans.

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for Calendar Year 2012

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The County's clinical data warehouse will provide new opportunities to evaluate the financial and clinical performance of all health plans on an ongoing basis. Data reporting will support future contract negotiations with health plan partners and the identification of opportunities to improve health plan participation in support of employee wellness programs.

Staff from the Chief Executive Office are working closely with departments to evaluate the impact of the Patient Protection and Affordable Care Act (PPACA), otherwise known as health care reform. Starting January 1, 2014, PPACA regulations will expand health insurance coverage to all employees working 30 hours or more per week for any employer (including the County) with a minimum of 50 employees. These new regulations have potential significant impacts to departments utilizing Extra-Help and Personal Services Contract employees. Program options are being developed to address these new regulatory requirements and further information and recommendations will be shared with the Board of Supervisors in the coming months.

POLICY ISSUE:

Acceptance of this report on the County's ongoing strategies for providing employee medical insurance supports the Board's priorities of A Healthy Community, Efficient Delivery of Public Services and Effective Partnerships.

STAFFING IMPACT:

There is no staffing impact associated with the receipt of this report. Staff from the Chief Executive Office – Risk Management Division continues to work closely with contracted health insurance consultants and associated vendors to provide ongoing management and oversight of the medical insurance program.

CONTACT PERSON:

Jody Hayes, Deputy Executive Officer. Telephone: (209) 525-5714



Medical Self-Insurance Program

2012 Program Update

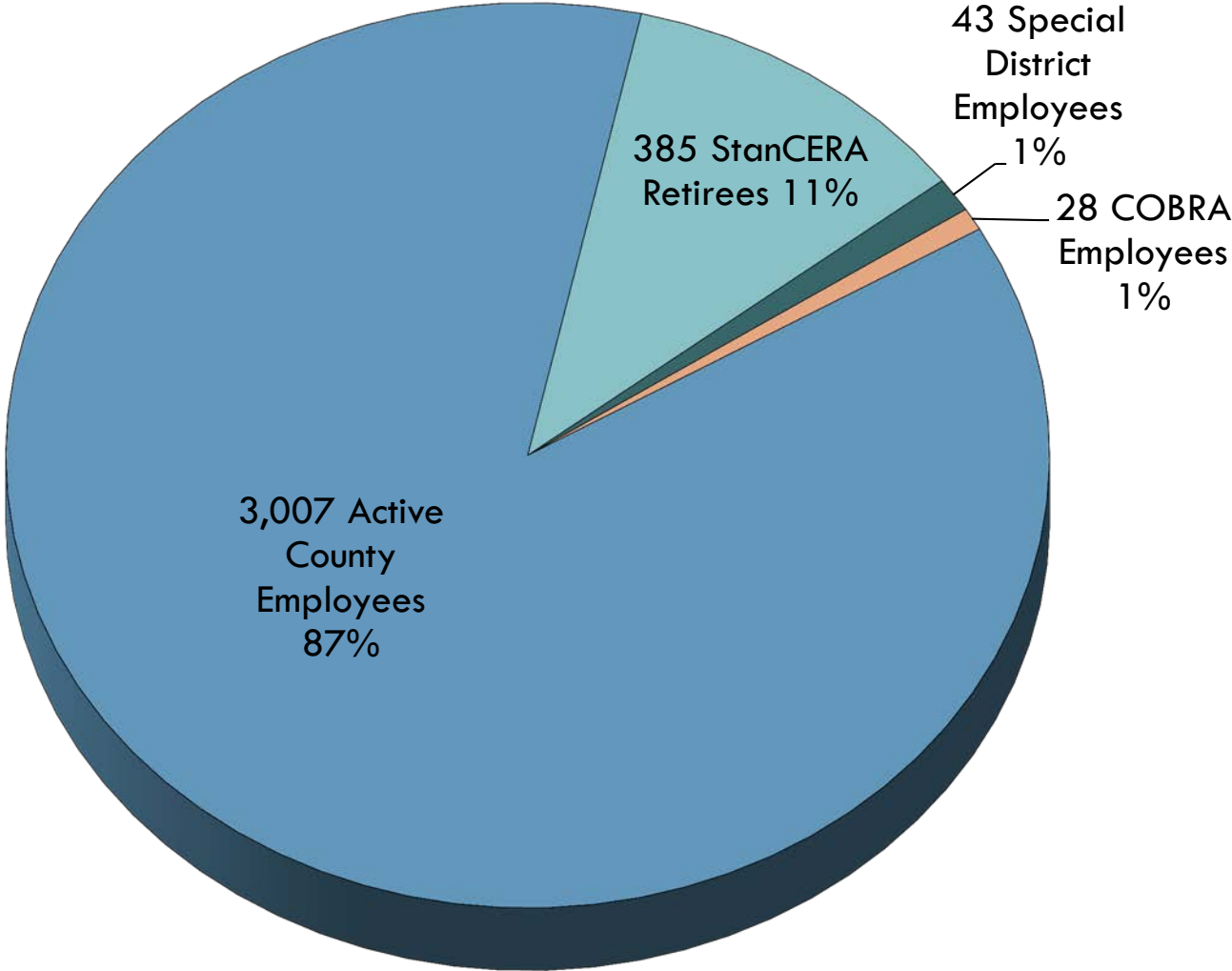
May 14, 2013

Stanislaus County Medical Insurance Program

Average Participation
Totalled 3,463 Enrolled
Members in 2012

5,162 dependents
also covered

Total lives = 8,625



Medical Insurance Background

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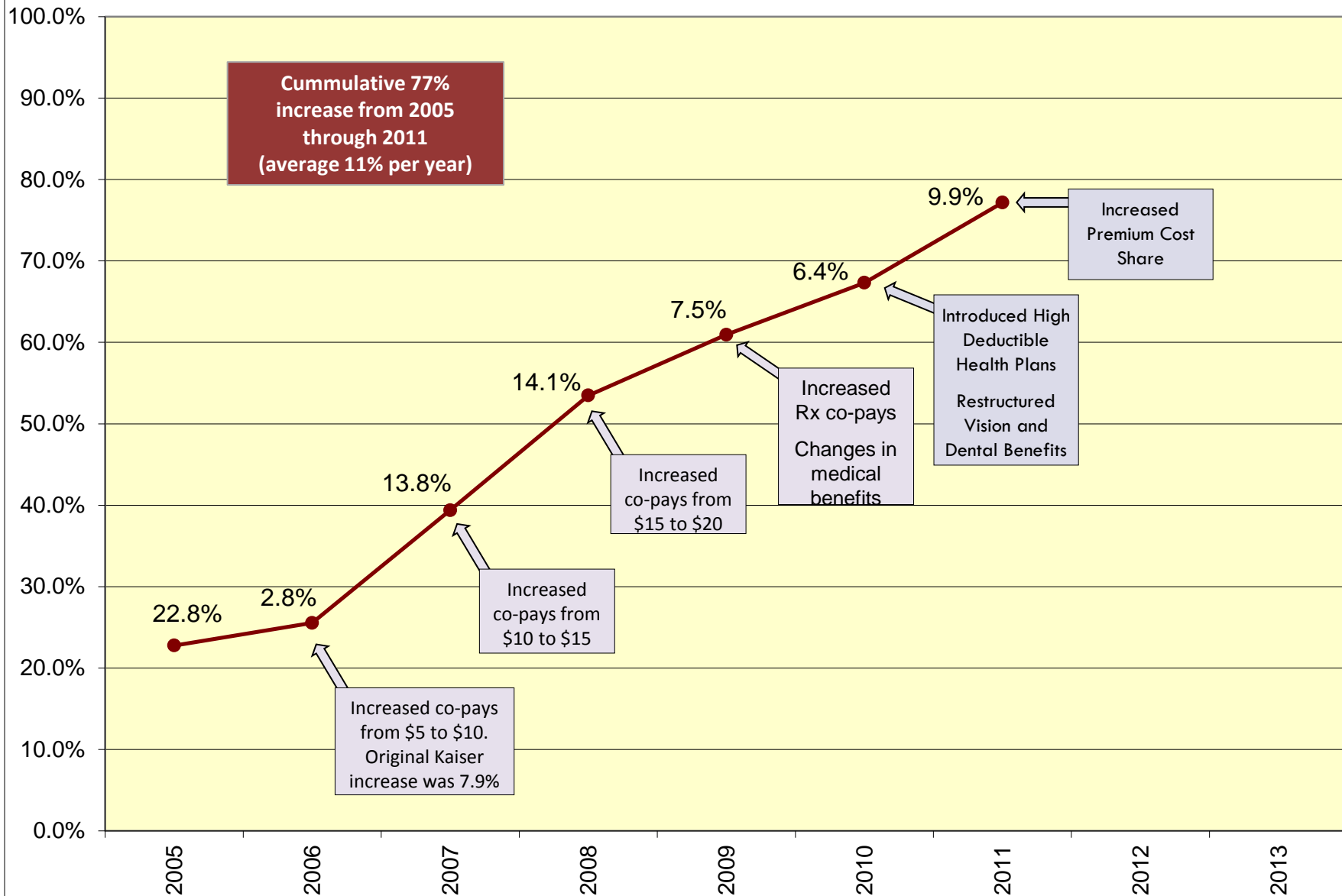
- County participated in large purchasing consortium (Pacific Business Group on Health) to purchase fully-insured medical benefits from 1999 to 2009
- County utilized health insurance consultants to negotiate fully-insured medical benefits in 2010 & 2011

Medical Insurance Background

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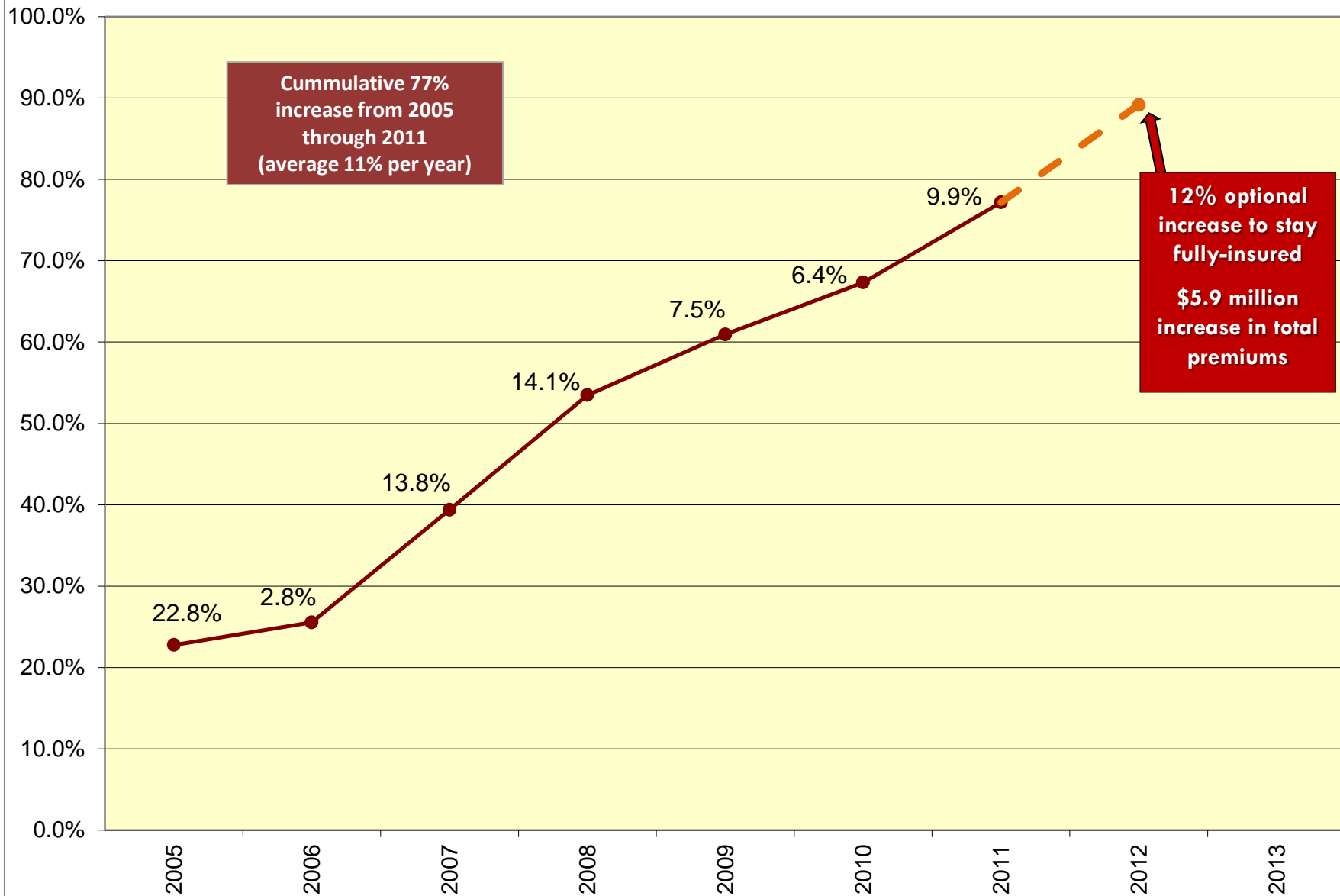
- Medical insurance premiums continued to grow, averaging 11% per year from 2005 to 2011; Kaiser and Anthem provided quotes for a projected 12% increase in 2012 under the prior fully-insured plans
- County worked with employee groups to reduce or minimize County costs each year through changes in medical plan benefits and increases in premium cost share for employees

Cummulative Annual Health Insurance Rate Inflation 2005 to 2013



Rate inflation based on HMO/EPO plan rates; adjusted for enrollment size in each plan

Cummulative Annual Health Insurance Rate Inflation 2005 to 2013



Rate inflation based on HMO/EPO plan rates; adjusted for enrollment size in each plan

Medical Insurance Background

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- Initiated consulting services with Sidles Duncan and Associates
 - Phase I – Current Program Assessment
 - Phase II – Strategic Analysis and Recommendations
 - Phase III – Program Development and Implementation

Medical Insurance Background

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- County staff evaluated the results of Phase I and Phase II and directed Sidles Duncan to proceed with two specific strategies for implementation starting January 2012
 - Develop an Exclusive Provider Organization (EPO) plan option focused on access to high quality care with greater long-term financial stability
 - Prepare a self-insurance model to combine risk pools and long-term financial management for each of the County's medical plans

Health Plan Strategy

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Stanislaus County

County New Health Plan Objectives

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- ❑ Reduce plan cost
- ❑ Improve quality of healthcare
- ❑ Build a sustainable model
- ❑ Create a transparent environment

County Health Plan Purchasing Objectives

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- Introduce competition between County health plans
- Capture full financial and clinical data from all health plans to measure and manage plan performance
 - Such data was not available under the County's previous fully insured plans

County Health Plan Purchasing Objectives

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- ❑ Establish data warehouse of health plan data
 - Ensures continuity of information regardless of health plan vendor(s) or funding mechanisms in the future
- ❑ Data warehouse provides the County a new capability to identify cost drivers and to direct management strategies
 - Previously the County was limited to changing vendors, reducing benefits or increasing contributions as plan management strategies

Stanislaus County Partners in Health

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- ❑ Non-profit California Mutual Benefit Corporation
- ❑ Local, robust provider network
- ❑ National comprehensive provider network
- ❑ Nurse care advocates

Stanislaus County Partners in Health

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- ❑ Regional and national *Centers of Excellence*
- ❑ Over 80 local pharmacies
 - 60,000 pharmacies nationally
- ❑ Competitive, multi-year provider agreements
- ❑ Evidence-based clinical care model

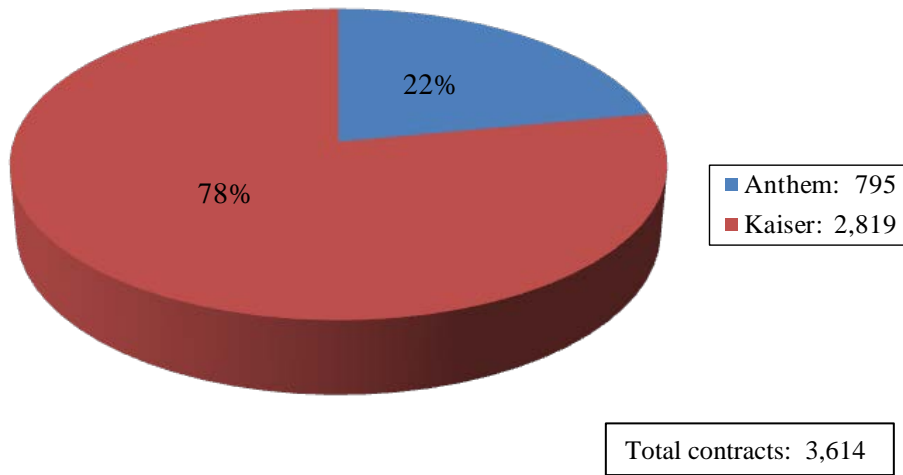
Phase III – Development of EPO Provider Network

| | Kaiser | Anthem | SCPH |
|--|---------------------------------------|--|--|
| Key Modesto Hospital(s) | Kaiser | Memorial and Doctors Modesto | Doctors Modesto |
| Other Stanislaus County & Regional Hospitals | Stanislaus Surgical Kaiser Manteca | Doctors Manteca, Emanuel Turlock Oak Valley Oakdale Stanislaus Surgical | Doctors Manteca Emanuel Turlock Oak Valley Oakdale |
| Modesto Regional Physician PCPs ¹ | 104 | 225 | 228 |
| California Regional Referral Hospitals | Sacramento (2) San Francisco (1) | Sacramento (1) San Francisco (9) | Sacramento (3) San Francisco (10) |
| National Network | Kaiser | Anthem BCBS | PHCS Multi-Plan |

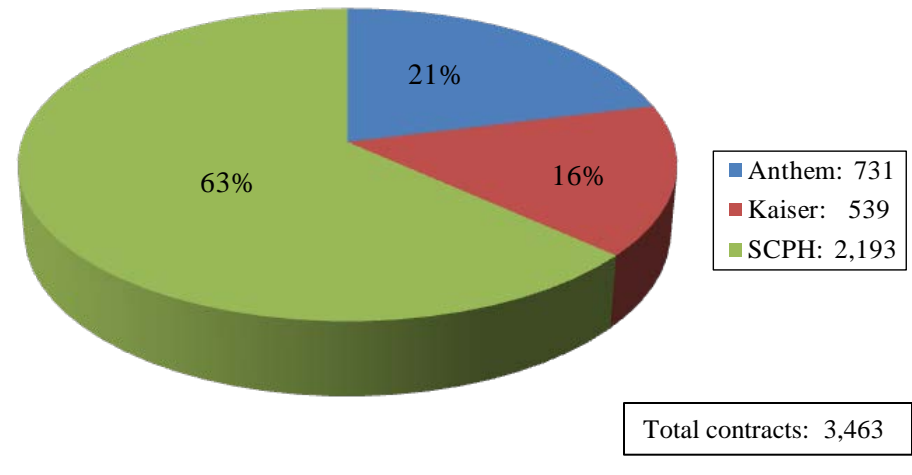
¹ includes Internal Medicine/Family Practice, OB-GYN, and Pediatrics

Stanislaus County 2012 Plan Year

**Stanislaus County Health Benefit Plan
Distribution of Contracts - All Classes
2011**

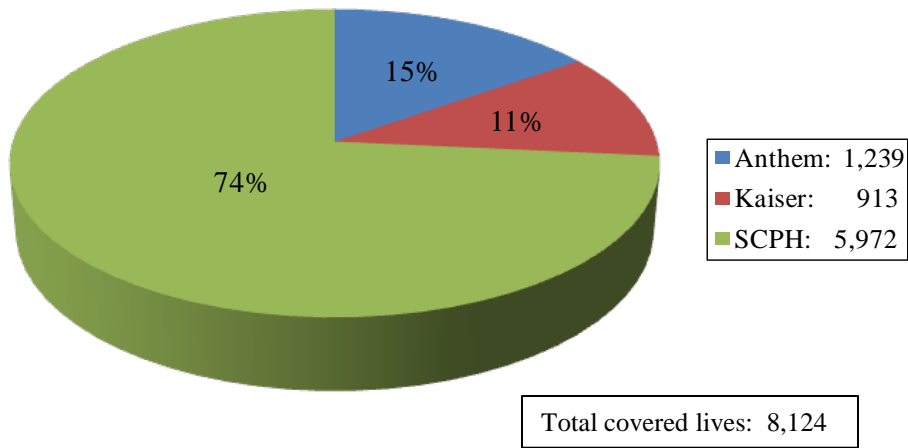


**Stanislaus County Health Benefit Plan
Distribution of Contracts - All Classes
2012**

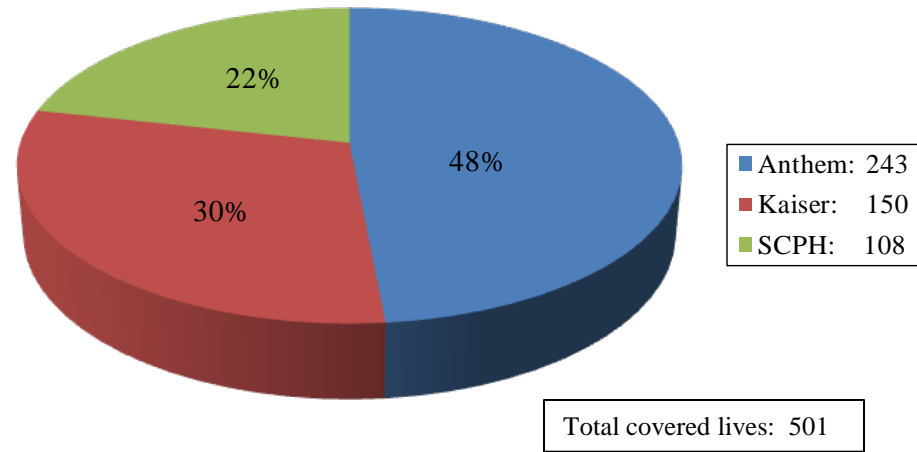


Stanislaus County 2012 Plan Year

**Stanislaus County Health Benefit Plan
Distribution of Covered Lives - Active & COBRA
2012**

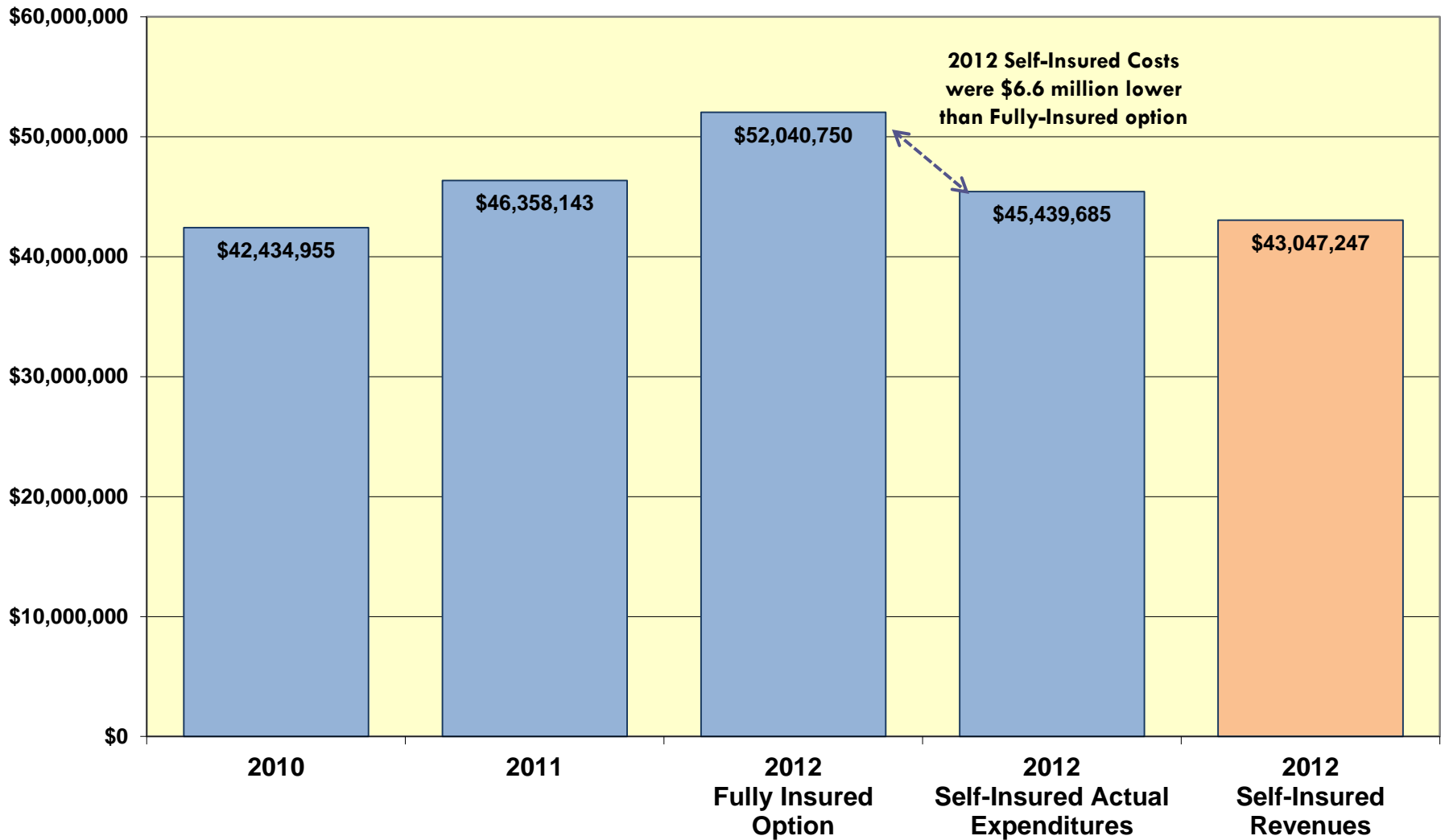


**Stanislaus County Health Benefit Plan
Distribution of Covered Lives - Retirees
2012**



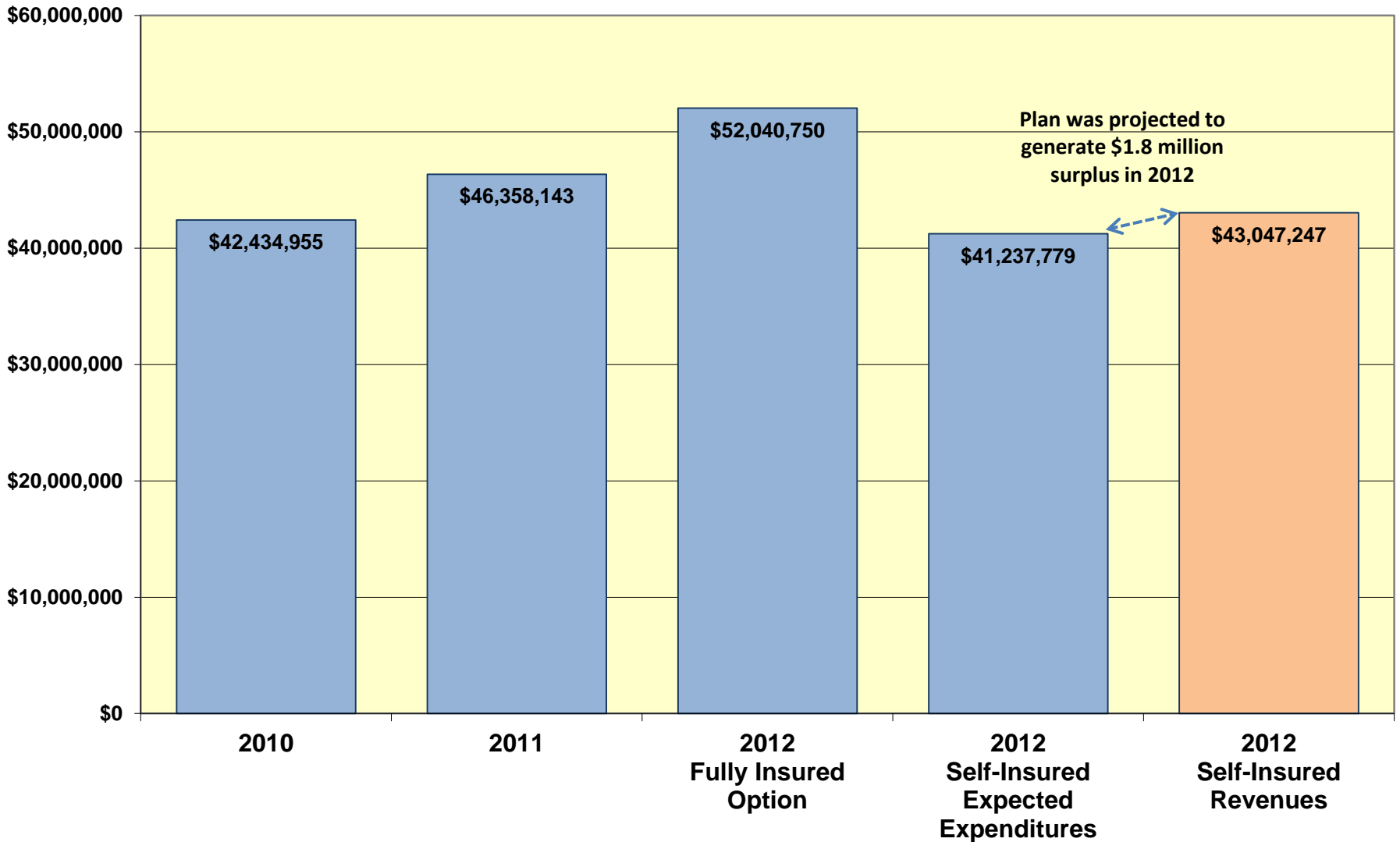
Program Cost and Budget Performance

Annual Medical Insurance Program Cost Summary 2010-2012



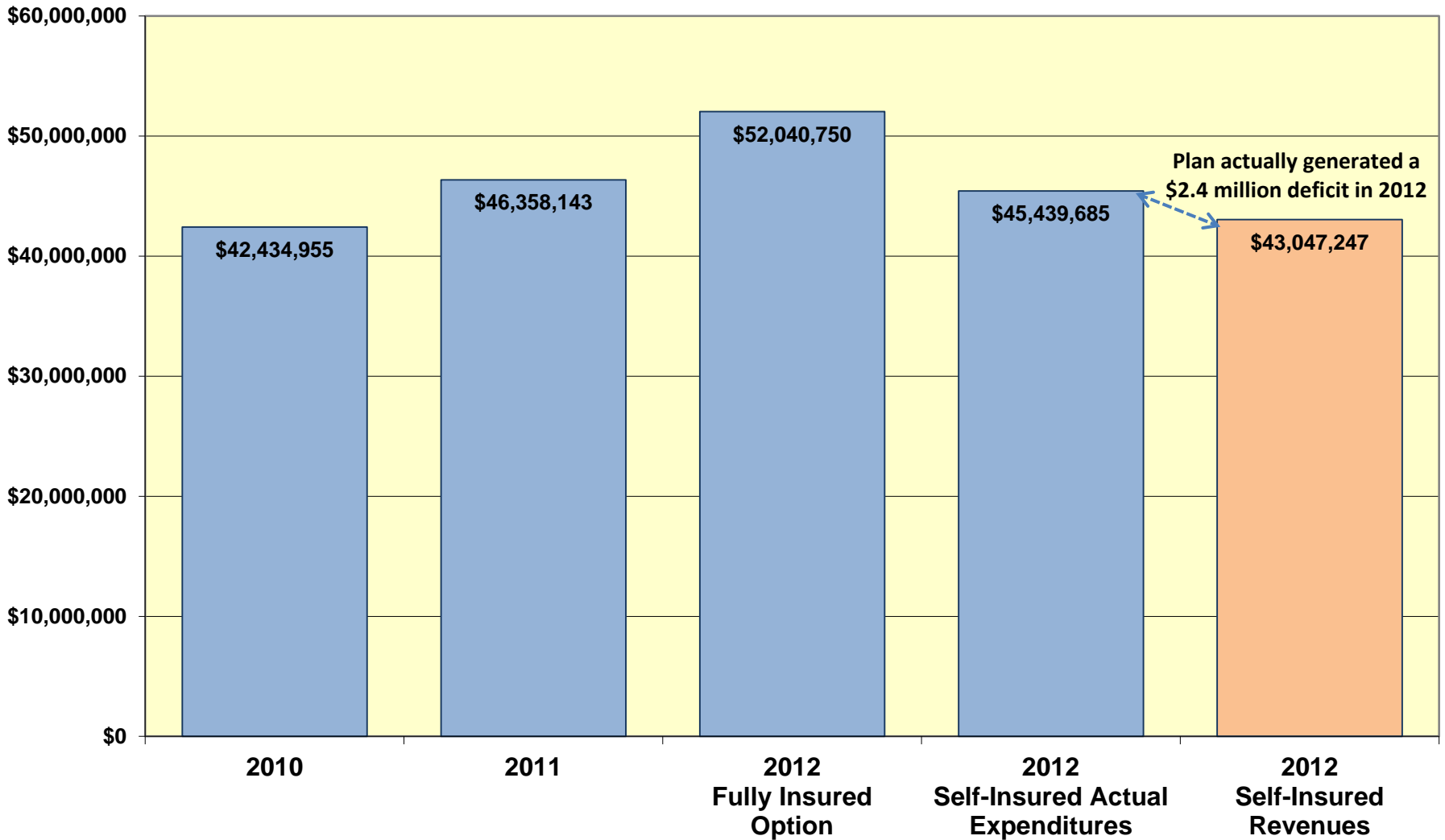
- Cost projection for 2012 Self-Insured program based on consultant report as of April 25, 2013
- Total program costs include all categories of plan participants (County employees, early retirees & special districts)
- Cost projections for 2010, 2011 and 2012 Fully-Insured Option based on common enrollment census taken July 2011 adjusted downward by 3.6% to reflect total average enrollment in 2012 self-insured program

Annual Medical Insurance Program Cost Summary 2010-2012



- Cost projection for 2012 Self-Insured program based on consultant report as of April 25, 2013
- Total program costs include all categories of plan participants (County employees, early retirees & special districts)
- Cost projections for 2010, 2011 and 2012 Fully-Insured Option based on common enrollment census taken July 2011 adjusted downward by 3.6% to reflect total average enrollment in 2012 self-insured program

Annual Medical Insurance Program Cost Summary 2010-2012



- Cost projection for 2012 Self-Insured program based on consultant report as of April 25, 2013
- Total program costs include all categories of plan participants (County employees, early retirees & special districts)
- Cost projections for 2010, 2011 and 2012 Fully-Insured Option based on common enrollment census taken July 2011 adjusted downward by 3.6% to reflect total average enrollment in 2012 self-insured program

Stanislaus County 2012 Plan Year

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□ Sources of Budget/Underwriting Variance

- Budget was established in mid-2011 for 2012 Plan year
- 2012 plan year budget was based upon fully insured data and assumptions derived from prior years health plan data from Kaiser (2009-2010) and Anthem Blue Cross (2010)
- Variance developed in 2012 Plan Year was based on variance in plan performance under the Kaiser and Anthem Blue Cross plans relative to projections

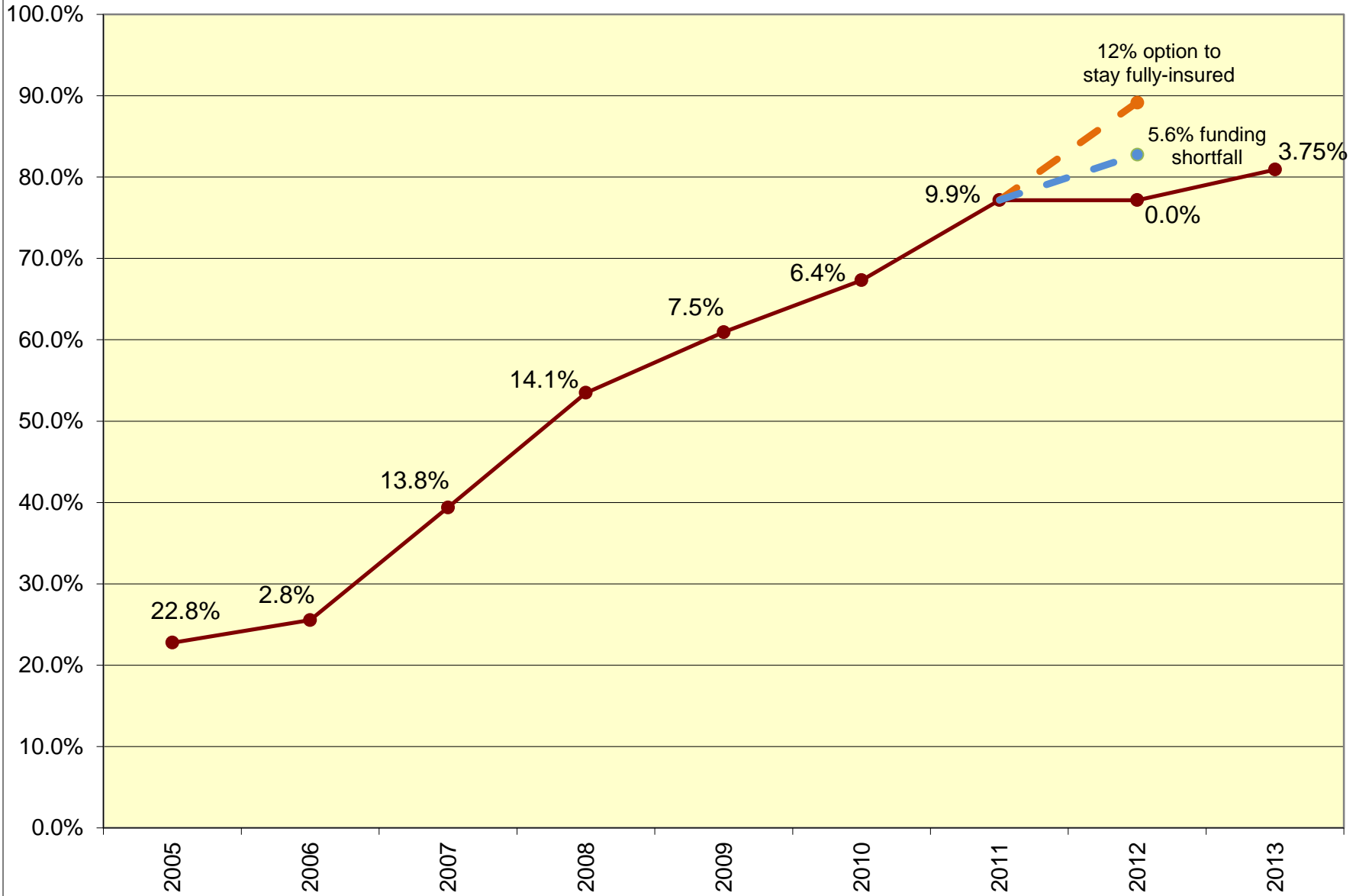
Stanislaus County 2012 Plan Year

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Stanislaus County 2012 Underwriting and Trend Variance

| | Anthem | Kaiser | SCPH | Total |
|---|-------------|-----------|---------------|-------------|
| Total Price and Trend Variance | \$3,555,255 | \$603,064 | (\$1,765,912) | \$2,392,407 |
| Rate Adjustment Required to Achieve Equilibrium Funding | 40.45% | 9.01% | -6.41% | 5.56% |

Cummulative Annual Health Insurance Rate Inflation 2005 to 2013



Rate inflation based on HMO/EPO plan rates; adjusted for enrollment size in each plan



Financial and Utilization Analysis

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Stanislaus County

Stanislaus County 2012 Plan Year

- Comparing the cost performance of different health plans takes into account two primary factors:
 - The efficiency of the health plan in delivering care (i.e. price, utilization of services)
 - The characteristics of the population covered under the plan (i.e. age, gender, health status)
- The County utilizes tools developed by Verisk Health to facilitate such comparisons

Stanislaus County 2012 Plan Year

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- Verisk Health
 - Nation's largest health analytics company
 - Located in Boston, Massachusetts

- Verisk Health Medical Intelligence Platform
 - Developed with Massachusetts Institute of Technology and Harvard School of Medicine
 - Used by Federal Government, Centers for Medicare and Medicaid Services, commercial insurance carriers, disease management vendors, and Accountable Care Organizations

Health Plan Data Warehouse

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Stanislaus County 2012 Plan Year

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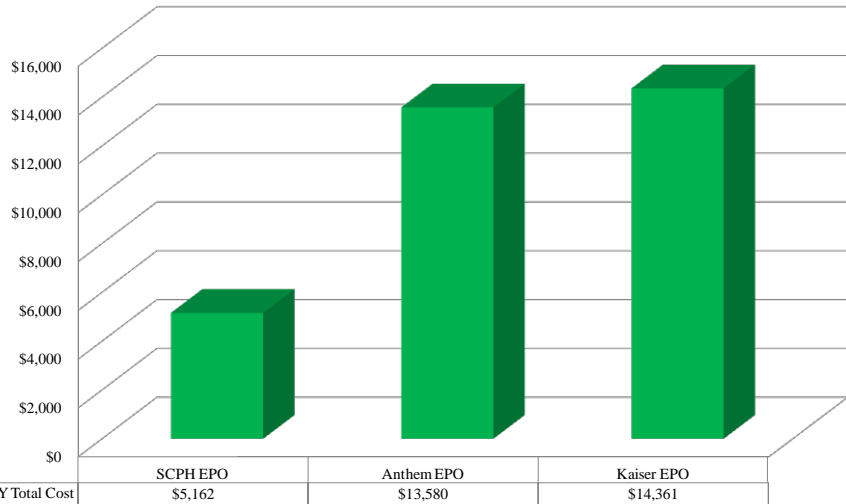
Stanislaus County Change in Key Utilization Metrics

| Metric | Calendar Year 2010 | Calendar Year 2012 | Change |
|--------------------------------|--------------------|--------------------|----------|
| Inpatient Admissions per 1,000 | 58 | 51 | -12% |
| Inpatient Days per 1,000 | 225 | 203 | -10% |
| Inpatient ALOS | 3.9 | 4.0 | +0.1 Day |
| Inpatient Cost per Day | \$7,797 | \$7,595 | -3% |
| Cost per Script | \$64 | \$56 | -12% |
| Prescription Drug Cost PMPM | \$49 | \$45 | -8% |
| Generic Utilization | 80% | 79% | -1% |

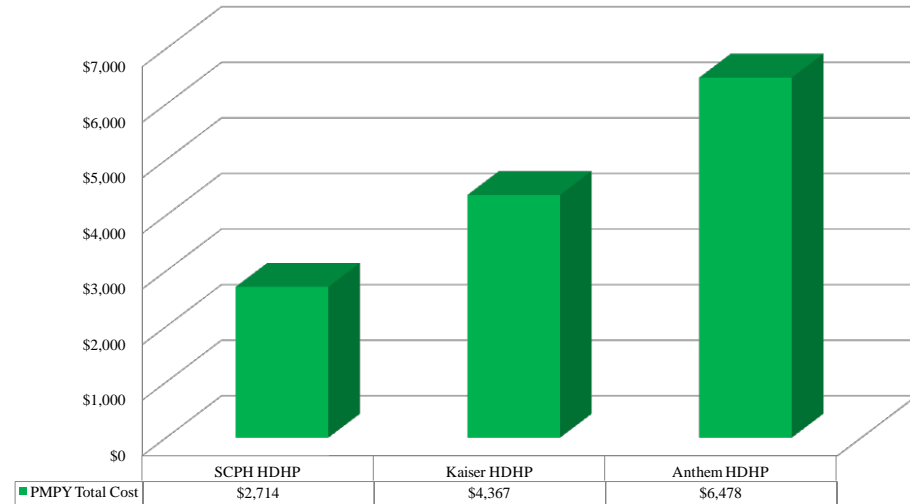
Stanislaus County 2012 Plan Year

Total Plan Cost Per Member Per Year

Stanislaus County
PMPY Total Cost of EPO Plans



Stanislaus County
PMPY Total Cost of HDHP Plans



Stanislaus County 2012 Plan Year

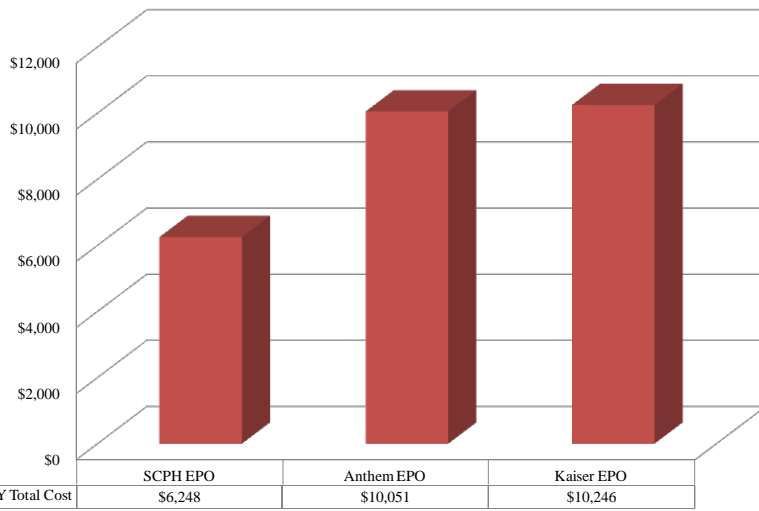
31

- Verisk Analytics: Relative Risk Scoring (RRS)
 - Combines population age, gender, and health status information to assign a numeric Relative Risk Score to each covered population
 - Provides for normalized analysis of health plan financial and clinical performance

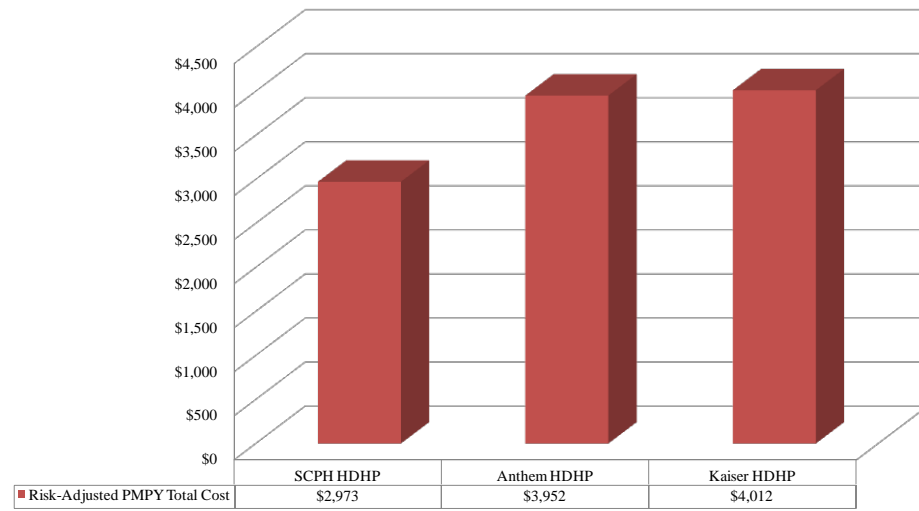
Stanislaus County 2012 Plan Year

Risk Adjusted Total Plan Cost Per Member Per Year¹

Stanislaus County
Risk-Adjusted PMPY Total Cost of EPO Plans



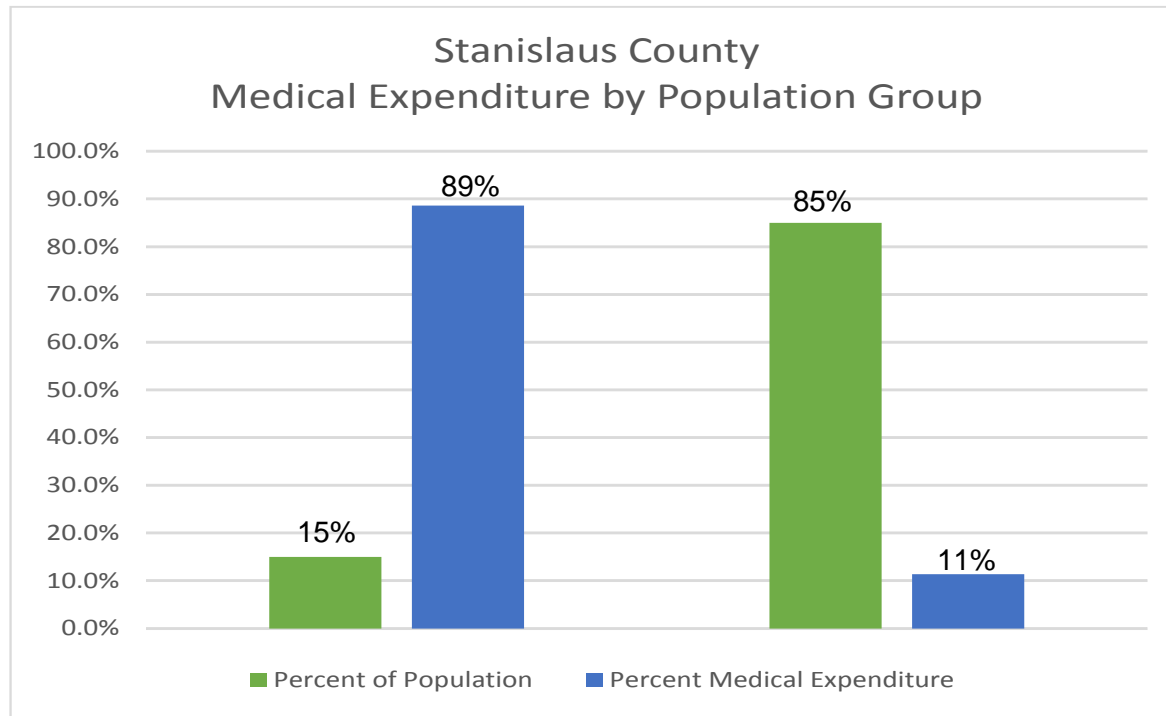
Stanislaus County
Risk-Adjusted PMPY Total Cost of HDHP Plans



¹ also excludes stop loss claims

Stanislaus County 2012 Plan Year

Medical Intelligence Expense Distribution



Stanislaus County 2012 Plan Year

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Medical Intelligence (CD016) Disease Registry

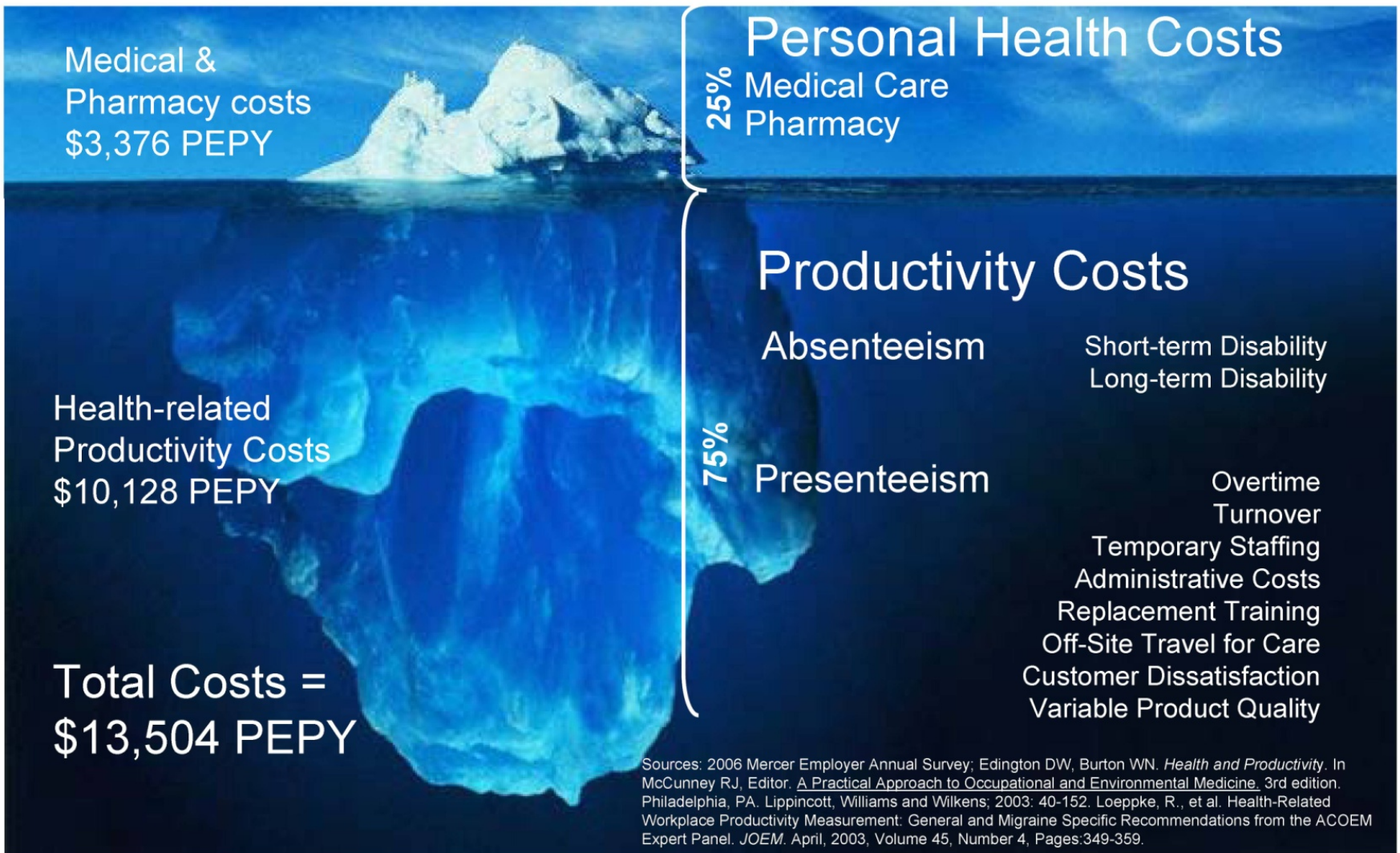
| Diseases | # of Members | Members per 1000 | | % of Total Paid | Cumulative Total Paid |
|--|--------------|------------------|-------------------|-----------------|-----------------------|
| | Total | Actual | Norm ⁺ | | |
| Back Pain | 668 | 148.5 | 121.3 | 11% | 11% |
| *Hypertension | 392 | 87.1 | 73.4 | 10% | 21% |
| Cancer | 147 | 32.7 | 31.2 | 9% | 30% |
| *Diabetes | 360 | 80.0 | 50.9 | 9% | 39% |
| Hyperlipidemia | 280 | 62.2 | 54.0 | 7% | 46% |
| Osteoarthritis | 164 | 36.5 | 31.4 | 6% | 52% |
| Neck Pain | 326 | 72.5 | 53.4 | 4% | 57% |
| Coronary Artery Disease (incl. MI) | 68 | 15.1 | 15.7 | 4% | 61% |
| Headache | 147 | 32.7 | 22.7 | 4% | 64% |
| Congestive Heart Failure | 17 | 3.8 | 4.5 | 3% | 67% |
| Acute/Episodic Liver and Biliary Disease | 55 | 12.2 | 7.0 | 3% | 70% |
| Chronic Renal Failure | 34 | 7.6 | 5.5 | 3% | 73% |
| Major Depression | 150 | 33.3 | 16.1 | 2% | 75% |

⁺Western United States

Looking Forward

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Stanislaus County



The Cost of Poor Health

Stanislaus County 2012 Plan Year

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□ Clinical/Utilization/Management Strategies

| Strategy | |
|----------------------|----------------------------------|
| Wellness Programming | Identification of emergent risks |
| | Screening, detection, education |
| | Wellness behavior targets |
| | Population engagement strategies |
| | Positive lifestyle reinforcement |

Stanislaus County 2012 Plan Year

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□ Clinical/Utilization/Management Strategies

| Strategy | |
|-------------------------|---|
| Cardiac Care Management | Represents 21% of program costs |
| | Hypertension, Hyperlipidemia, Coronary Artery Disease |
| | Patient outreach and education |
| | Medication compliance (overuse/underuse) |
| Cancer Care Management | 65% of claims > \$25,000 |
| | Cost/Quality/Condition evaluation |
| | Early detection /screening |
| | Best practices consultation |

Stanislaus County 2012 Plan Year

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□ Clinical/Utilization/Management Strategies

| Strategy | |
|------------------------|--------------------------------------|
| Cancer Care Management | Injectible therapy management |
| | Centers of Excellence evaluation |
| Pain Management | 19% of total medical spend |
| | Back pain, Neck pain, Headache |
| | Clinical/utilization analysis |
| | Multi-disciplinary clinical strategy |
| | Best Practice evaluation |

Stanislaus County 2012 Plan Year

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□ Clinical/Utilization/Management Strategies

| Strategy | |
|------------------------------|--|
| Clinical Care Partnership(s) | Integrated/ On-Site program evaluation |
| | Patient outreach / education |
| | Health screenings |
| | Extended hours coverage |
| Emergency Room Utilization | Kaiser plan encounter data |
| | Intensity of service analysis |
| | All other hospital encounter data |
| | Intensity of service analysis |

Stanislaus County 2012 Plan Year

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□ Clinical/Utilization/Management Strategies

| Strategy | |
|-----------------------------|---|
| Rx Therapeutic Substitution | Patient and provider outreach and education |
| | Financial incentives |
| Diabetes Care Management | Clinical partnership strategy |
| | Best practices evaluation |
| | Focused intervention |
| | Patient education (67% are Type II w/o complications) |
| Depression Care Management | High utilization v. normative data |
| | Medication management |
| | Prescribing patterns / utilization patterns |

Impacts of Healthcare Reform

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- County program complies with all components of healthcare reform implemented up to date
- Significant impacts coming in 2014 related to coverage mandates for part-time employees working 30 hours or more per week
- Working closely with CEO staff and departments to evaluate options and alternatives to be considered by the Board in advance of the 2014 plan year



SIDLES DUNCAN & ASSOCIATES
CONSULTING & INSURANCE SERVICES

ASCENDANT
HEALTHCARE