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LANE COUNTY EMPLOYEE HEALTH INSURANCE COSTS

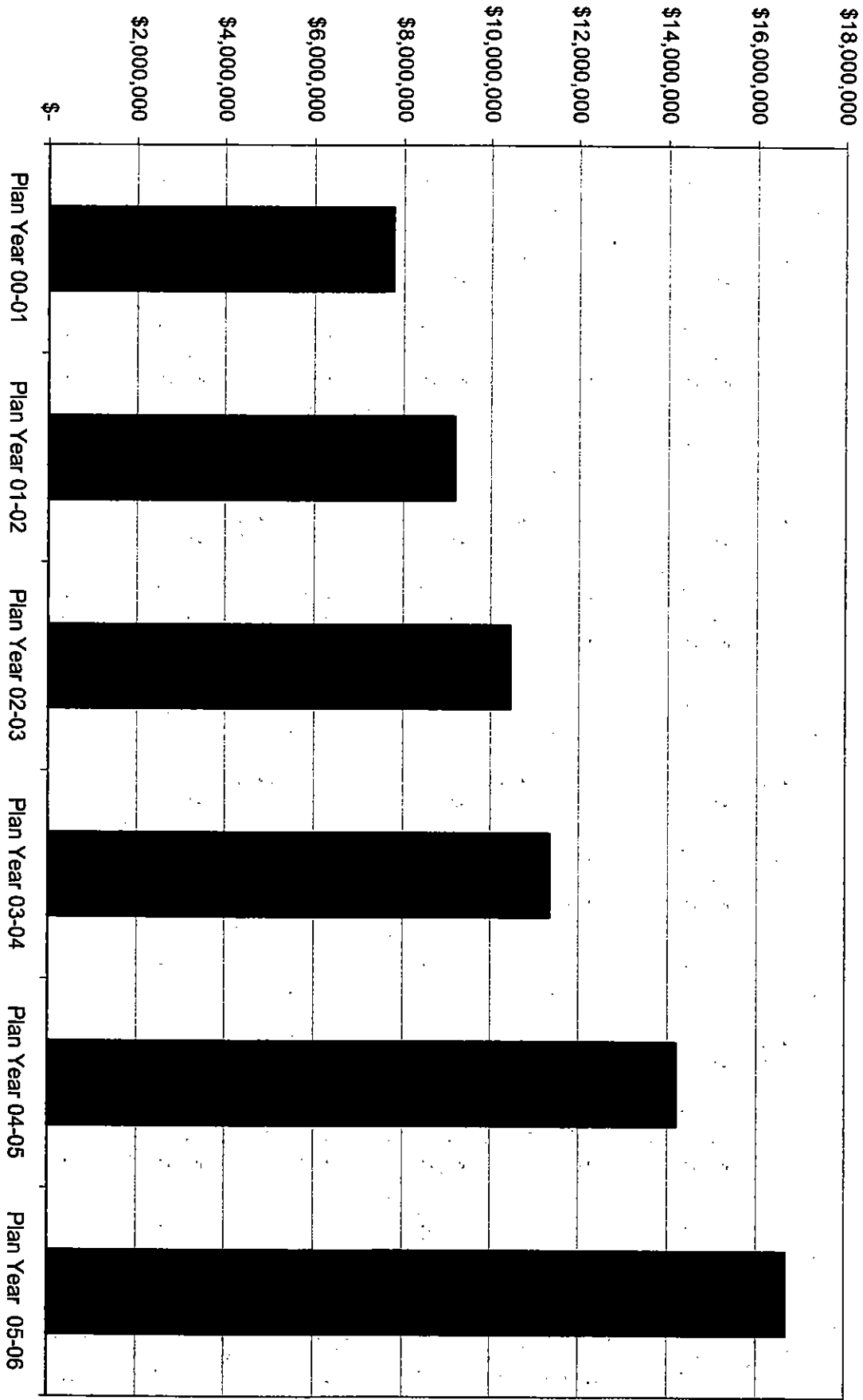
Where Are We Now?

How Did We Get There?

How Can We Reduce The Double-Digit Increases In Health Care Cost and Usage?

Prepared by Karen Artiaco, Risk and Benefits Manager, March 30, 2005

LANE COUNTY MEDICAL PREMIUM INCREASE HISTORY



**LANE COUNTY
BENEFITS COSTS
FYE 2004 TO FYE 2006**

	<u>FYE 2004</u>		<u>FYE 2005</u>		<u>PROJ. FYE 2006**</u>	
FICA		6.20%		6.20%		6.20%
Medicare		1.45%		1.45%		1.45%
Unemployment		1.50%		1.50%		1.50%
Workers Compensation		0.45%		0.45%		0.50%
Long Term Disability		0.87%		0.87%		1.00%
PERS		16.37%		15.89%		20.72%
Retiree Medical		3.00%		4.00%		5.50%
TOTAL STATUTORY BENEFITS		29.84%		30.36%		36.87%
Medical and Rx Premium	\$ 8,028	17.62%	\$ 10,035	21.58%	\$ 11,791	25.86%
Dental Premium	\$ 1,055	2.31%	\$ 1,134	2.44%	\$ 1,332	2.92%
Vision Premium	\$ 168	0.37%	\$ 210	0.45%	\$ 247	0.54%
EAP/IBH	\$ 63	0.14%	\$ 63	0.14%	\$ 63	0.14%
Short Term Disability	\$ 21	0.05%	\$ 21	0.05%	\$ 24	0.05%
Flex Spending Program	\$ 8	0.02%	\$ 9	0.02%	\$ 9	0.02%
Life/ADD	\$ 170	0.37%	\$ 170	0.37%	\$ 187	0.41%
TOTAL NEG. BENEFITS	\$ 9,513	20.88%	\$ 11,641	25.03%	\$ 13,653	29.95%
TOTAL BENEFITS (% of Avg. Salary)		50.72%		55.39%		66.82%

** 2005/2006 percentages based on salary increase of 2% for merit raises

If Benefit Increase is 14% instead of 17.5% Total Benefit Rate decreases by

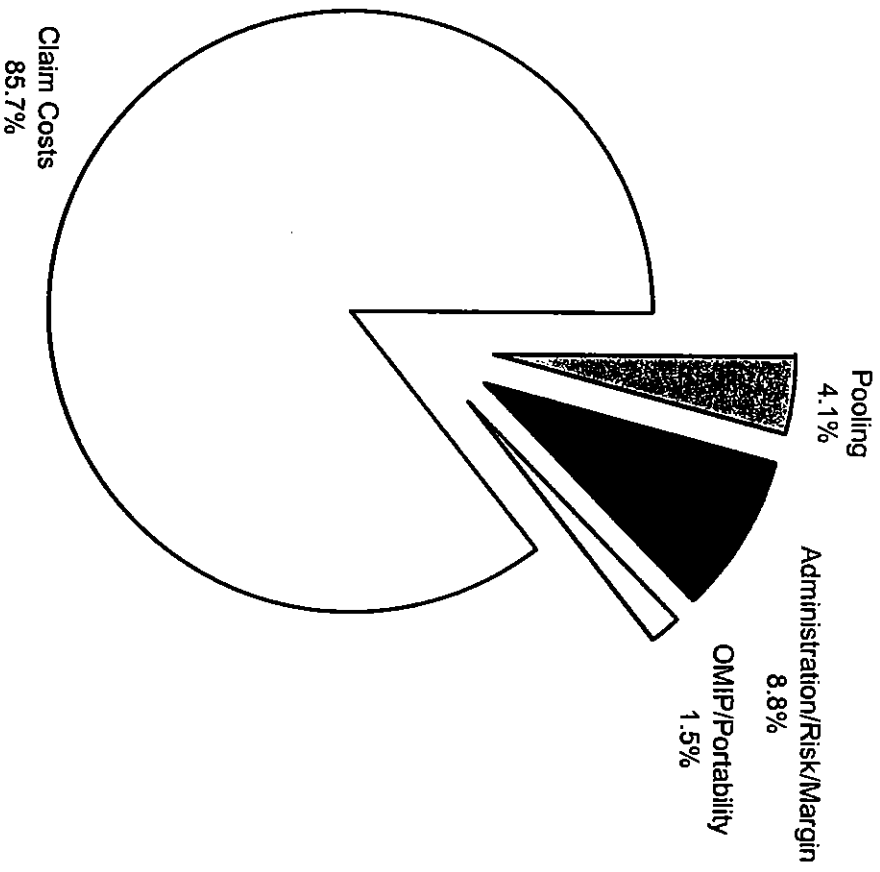
-0.74%

If PERS rates increases by 8.83%, instead of 4.83%. Total Benefit Rate increases by

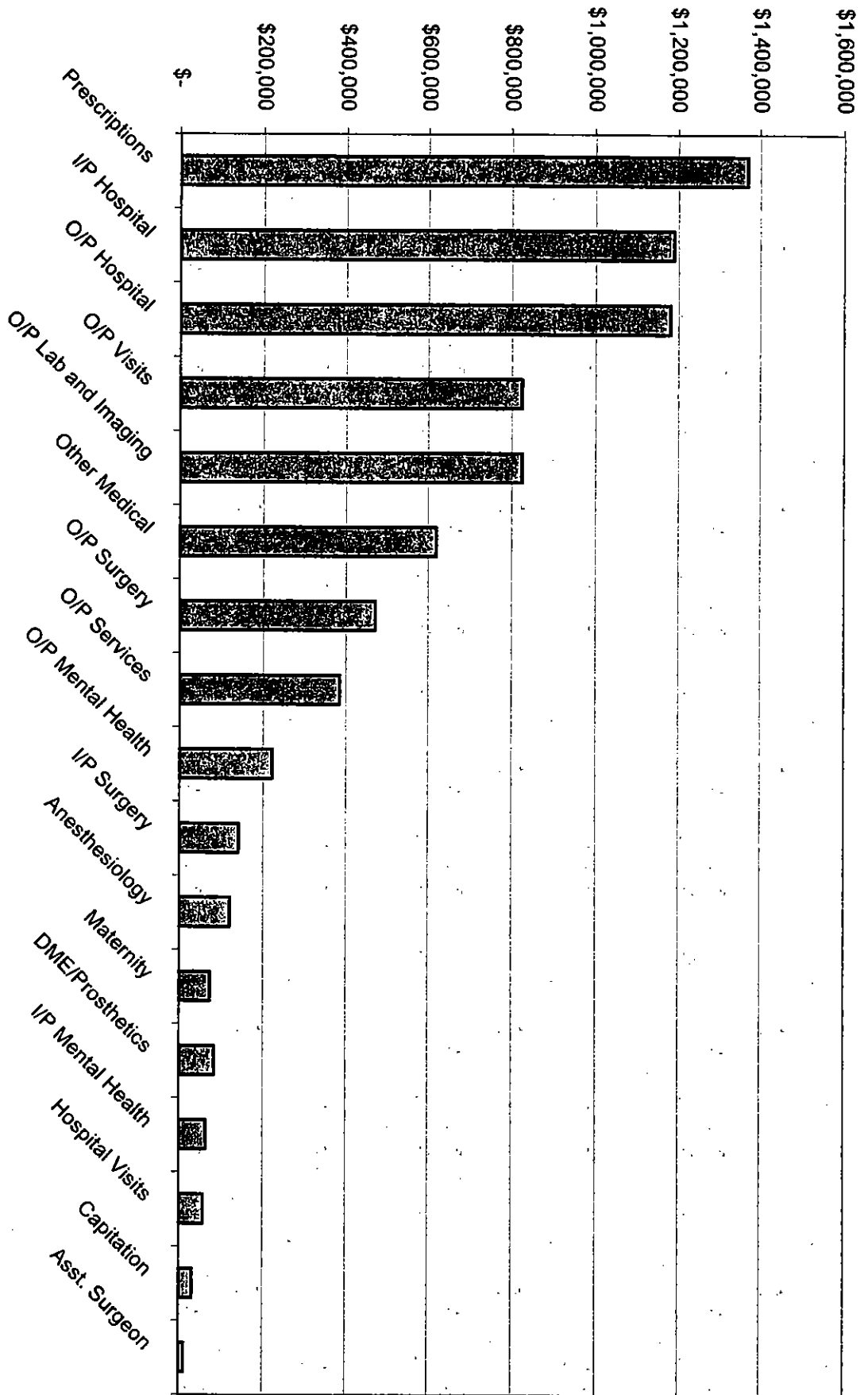
4%

Based upon the 2004/2005 annual premium:	
1% increase in Health Care premiums equals an average salary increase of	0.22%
5% increase in Health Care premiums equals an average salary increase of	1.08%
10% increase in Health Care premiums equals an average salary increase of	2.16%
15% increase in Health Care premiums equals an average salary increase of	3.24%

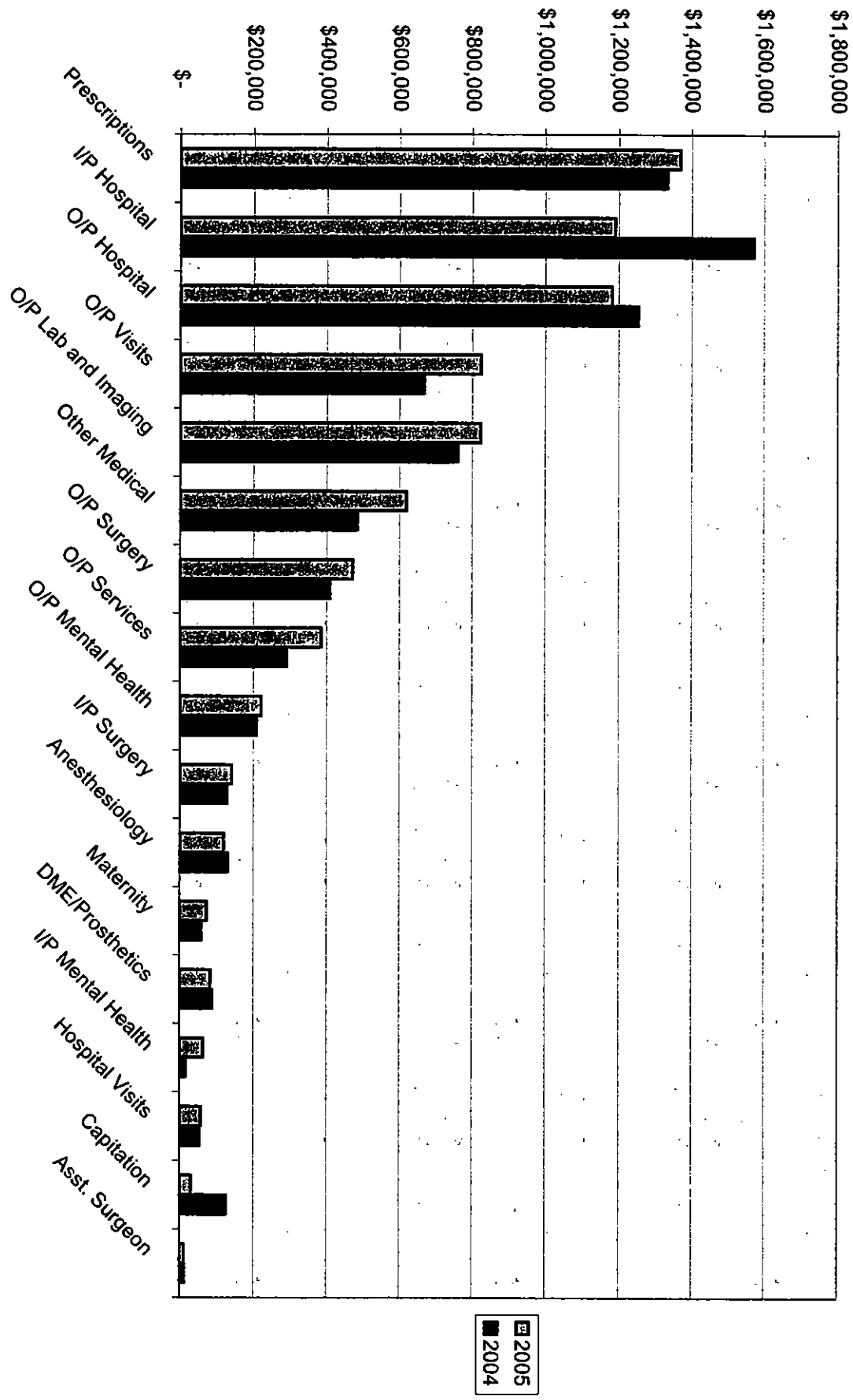
WHERE DO LANE COUNTY'S MEDICAL INSURANCE DOLLARS GO?



LANE COUNTY HEALTH CARE UTILIZATION AUGUST 2004 THRU FEBRUARY 2005



LANE COUNTY HEALTH CARE USE FEBRUARY 2004 VS. FEBRUARY 2005



PRESCRIPTION DRUGS

34 Drugs = 40% of total prescription drug cost

Anti-Depressant	Total Dollars	Number of Utilizers	Average Cost of Rx	Avg Patient Cost
Effexor	\$ 28,800.20	210	\$ 109.51	\$ 19.49
Lexapro	\$ 21,292.69	106	\$ 55.45	\$ 17.06
Zoloft	\$ 20,915.34	84	\$ 72.62	\$ 22.70
Bupropion	\$ 16,516.37	232	\$ 71.19	\$ 12.35
Wellbutrin XL	\$ 15,429.87	43	\$ 107.15	\$ 20.16
Wellbutrin SR	\$ 7,773.78	15	\$ 143.96	\$ 17.25
Celexa	\$ 6,896.85	44	\$ 69.67	\$ 22.54
Paroxetine HCL	\$ 6,879.88	116	\$ 59.31	\$ 14.47
Gabapentin	\$ 6,678.60	35	\$ 84.45	\$ 14.87
	<u>\$ 131,183.58</u>	<u>885</u>		
Proton Pump				
Prevacid	\$ 33,053.14	55	\$ 148.22	\$ 23.14
Nexium	\$ 25,651.79	59	\$ 136.45	\$ 25.50
Omeprazole	\$ 20,278.67	64	\$ 99.41	\$ 16.52
Protonix	\$ 16,779.06	45	\$ 107.56	\$ 22.79
Aciphex	\$ 10,050.42	19	\$ 128.85	\$ 23.06
	<u>\$ 105,813.08</u>	<u>242</u>		
Statins				
Lipitor	\$ 65,664.85	210	\$ 92.23	\$ 29.58
Zocor	\$ 6,903.51	19	\$ 119.03	\$ 22.43
Crestor	\$ 6,798.84	40	\$ 53.12	\$ 26.93
Pravachol	\$ 6,709.29	17	\$ 136.92	\$ 36.08
	<u>\$ 86,076.49</u>	<u>286</u>		
Asthma and Allergies				
Advair Diskus	\$ 25,333.84	79	\$ 126.04	\$ 20.57
Allegra	\$ 19,212.30	110	\$ 61.58	\$ 16.02
Singulair	\$ 15,623.18	54	\$ 83.10	\$ 20.11
Zyrtek	\$ 9,542.11	64	\$ 46.32	\$ 16.00
Flonase	\$ 9,102.19	84	\$ 51.42	\$ 17.50
	<u>\$ 78,813.62</u>	<u>391</u>		
Pain				
Duragesic	\$ 22,750.86	8	\$ 484.06	\$ 23.46
Oxycodone HCL	\$ 11,792.74	13	\$ 406.65	\$ 18.88
Celebrex	\$ 10,865.70	41	\$ 116.84	\$ 24.49
Oxycontin	\$ 8,776.02	9	\$ 265.94	\$ 30.27
Mitrex	\$ 9,864.93	25	\$ 176.16	\$ 22.01
tramadol	\$ 7,438.32	11	\$ 130.50	\$ 11.73
	<u>\$ 71,488.57</u>	<u>107</u>		
Arthritis				
Enbrel	\$ 42,638.83	7	\$ 1,522.83	\$ 87.97
Humira	\$ 6,954.25	1	\$ 1,159.04	\$ 84.61
	<u>\$ 49,593.08</u>	<u>8</u>		
Diabetic related Rx				
Januvia	\$ 10,249.71	15	\$ 168.03	\$ 30.88
Actos	\$ 6,903.75	21	\$ 106.21	\$ 9.29
Glucos	\$ 6,623.54	11	\$ 154.04	\$ 22.94
	<u>\$ 23,777.00</u>	<u>47</u>		
SubTotal	<u>\$ 546,745.42</u>			
Others	<u>\$ 822,961.58</u>			
Total Rx August 2004 to February 2005	<u>\$ 1,369,707.00</u>			

HOW DOES LANE COUNTY PAY HEALTH CARE PREMIUMS?

Monthly premium determined by PacificSource based upon actuarial review of Lane County employees' actual utilization of benefits, as well as cost increase expectations for medical care and prescription drugs over the next year for all health care providers in the area ("trend").

For 2004/2005 Plan Year	100% Mo. Prem.**	# Members	100% Maximum Premium	85% Mo. Prem.	85% Paid Premium
Local 626 & Non-Rep Plan	\$ 781.20	375	\$ 3,515,400	\$ 664.02	\$ 2,988,090
Admin Pro & Prosecuting Attorneys Plan	\$ 802.99	141	\$ 1,358,659	\$ 682.54	\$ 1,154,860
AFSCME Plan	\$ 829.63	632	\$ 6,291,914	\$ 705.19	\$ 5,348,127
LCPOA Plan	* \$ 837.84	277	\$ 2,784,980	\$ 712.16	\$ 2,367,233
Annual Premium		1425	\$ 13,950,953		\$ 11,858,310
Difference			\$ 2,092,643		

Lane County pays 85%, but will owe up to the additional \$2.1M if claims and costs exceed the \$11.9M. If claims and costs are less than the 85% premiums paid of \$11.9M, Lane County will get a refund.

* LCPOA members pay \$50 toward the cost of their monthly premium through payroll deduction in 2004/2005.

** Premiums are for medical and prescription drug insurance only. Does not include vision and dental insurance.

TRADITIONAL PLAN

Deductible Co-payment Out of Pocket Rx Benefit

1970's \$ 25 20%/80% \$ 500 20%

1980's \$ 50 20%/80% \$ 500 20%

Mid 1980's \$ 50 20%/80% \$ 500 20%

State Law mandated that an HMO plan be offered if available in the area
Eugene Clinic was first HMO provider for Lane County employees

1990's \$ 50 20%/80% \$ 500 20%

Preferred Provider Plans developed
Began with Primary Care Physicians and a few specialists

2000

Most physician and hospitals are Preferred Providers

LCPQA agrees to cost sharing calculation for health insurance premium increases in excess of 10% per year

LCPQA w/ COST SHARING	\$	50	100% or 20%/80%	\$	500	20%
AFSCME	\$	50	100% or 20%/80%	\$	500	20%
Prosecuting Attorneys	\$	75	100% or 20%/80%	\$	1,000	20%
Administrative Professional Union	\$	75	100% or 20%/80%	\$	1,000	20%
Public Works Local 626	\$	75	100% or 20%/80%	\$	1,000	20%
Non-Represented employees	\$	75	100% or 20%/80%	\$	1,000	20%

2003

Drug Formulary implemented for Prosecuting Attorneys, Admin-Pro, Local 626 and non-represented employees

LCPQA w/ COST SHARING	\$	50	100% or 20%/80%	\$	500	20%
AFSCME	\$	75	100% or 20%/80%	\$	500	20%
PROSECUTING ATTORNEYS	\$	100	100% or 20%/80%	\$	1,000	20%
ADMINISTRATIVE PROFESSIONAL UNION	\$	100	100% or 20%/80%	\$	1,000	20%
PUBLIC WORKS LOCAL 626	\$	100	100% or 20%/80%	\$	1,500	20%
Non-Represented	\$	100	100% or 20%/80%	\$	1,500	20%

MANAGED CARE PLAN

Co-Pay Out of Pocket Rx Benefit

n/a n/a n/a

n/a n/a n/a

\$ 5 \$ 1,000 20%

\$ 5 \$ 1,000 20%

\$ 5 \$ 1,000 20%

LCPQA w/ COST SHARING	\$	10	\$	1,000	20%
AFSCME	\$	5	\$	1,000	20%
Prosecuting Attorneys	\$	10	\$	1,000	20%
Administrative Professional Union	\$	10	\$	1,000	20%
Public Works Local 626	\$	10	\$	1,000	20%
Non-Represented employees	\$	10	\$	1,000	20%

LCPQA w/ COST SHARING	\$	5	\$	1,000	20%
AFSCME	\$	10	\$	1,000	20%
PROSECUTING ATTORNEYS	\$	10	\$	1,000	20%
ADMINISTRATIVE PROFESSIONAL UNION	\$	10	\$	1,000	20%
PUBLIC WORKS LOCAL 626	\$	10	\$	1,000	20%
Non-Represented	\$	10	\$	1,000	20%

COST SHARING WITH EMPLOYEES -

PRO

Easy to explain and implement
 Could encourage some employees to opt out coverage for selves and/or dependents

CON

Does not provide incentive to change use of medical benefits and reduce costs

Estimated Annual Savings % Savings

All Employees contribute same amount to cost of premiums \$ 25 Per month \$ 427,500 3.05%

Employee contributes to cost of dependent premium only \$ 50 Per month \$ 696,600 4.98%

All Employees contribute a percentage of premium - assume 5% \$ 42.36 Per month \$ 724,296 5.17%

All Employees contribute a percentage of salary to cost of premiums 1% Per month \$ 795,236 5.68%

Employees and County split all increases and decreases over 10% on a cumulative basis - no difference between individuals and employees with dependents (example shows increases from 2000/2001 thru 2004/2005) \$ 61.23 Per month \$ 1,047,033 7.48%

County pays for employee only. Employee pays for dependents

Employees +1 (539)	\$	387	Per Month	\$	2,503,116	17.88%
Family Premium (622)	\$	721	Per Month	\$	5,381,544	38.44%
Total					7,884,660	56%

Based upon the 2004/2005 annual premium:

1% increase in Health Care premiums equals an average salary increase of	0.22%
5% increase in Health Care premiums equals an average salary increase of	1.08%
10% increase in Health Care premiums equals an average salary increase of	2.16%
15% increase in Health Care premiums equals an average salary increase of	3.24%

CHANGE PLAN DESIGN SO THAT THOSE WHO USE HEALTH CARE BENEFITS PAY TOWARD THE COST OF THAT CARE

PRO May encourage employees and dependents to be better consumers of health care
 May reduce the rate of usage of health care benefits

CON Employees and dependents may delay care or prescriptions until the condition is more costly to treat

DEDUCTIBLE CHANGES

	<u># Employees</u>	<u>Estimated Premium Reduction</u>	<u>Estimated Annual Savings</u>	<u>Estimated % Savings</u>
Increase deductibles for all County employees to \$100 per year % \$1,000 OOP Max				
AFSCME	632	\$ 10.88	\$ 82,514	0.59%
LCPOA	277	\$ 10.99	\$ 36,531	0.26%
Increase deductibles for all County employees to \$200 per year and \$1,000 OOP,	1425	\$ 14.63	\$ 250,173	1.79%
Increase deductible for all County employees to \$500 per year and \$1000 OOP,	1425	\$ 41.84	\$ 715,464	5.11%

DRUG FORMULARY

Enroll all employee on \$15/\$30/\$35 Drug Formulary	632	\$ 38.90	\$ 295,018	2.11%
AFSCME	277	\$ 40.40	\$ 134,290	0.96%
LCPOA	26	\$ 24.47	\$ 7,635	0.05%
Prosecuting Attorneys	115	\$ 24.47	\$ 33,769	0.24%
Administrative Professional Union				

CO-INSURANCE

Change co-insurance to 90%, with \$15 doctor visits	\$		\$ 910,000	6.50%
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Change co-insurance to 80% with \$15 doctor visits \$ 1,960,000 14.00%

CONSUMER DRIVEN HEALTH CARE

PRO Rewards employees and dependents for being better consumers of health care benefits
 May reduce the rate of increased health care utilization
CON New concept - long term effects not yet known
 Will require investment of staff time to educate and counsel employees about this new concept

FLEXIBLE SPENDING ACCOUNTS (FSA)
 HEALTH SAVINGS ACCOUNTS (HSA)
 HEALTH REIMBURSEMENT ACCOUNTS (HRA)
 VOLUNTARY EMPLOYEE BENEFITS ASSOCIATIONS (VEBA)

DEDUCTIBLE \$1500 for individual/\$3,000 per family
 CO-PAYMENT - OFFICE VISITS \$15
 CO-PAYMENT 90%/10%
 MAXIMUM ANNUAL OUT OF POCKET \$1500 - limit two per family
 RX (applies to deductible and OOP) 90%/10%
 LANE COUNTY CONTRIBUTION \$1200 for single employees/\$2400 for family

Includes Alternate Care benefit - 50% co-payment \$500 annual maximum benefit
 Includes Annual Physical
 Office Visits are NOT subject to Deductible, but do add to the OOP max

Estimated Premium Savings per employee	Single Employees	\$	288.70	\$	4,936,770	35.26%
Estimated Cost of HRA Contributions	Single Employees	\$	1,200	\$	(316,800)	-2.26%
	Employees with Dependents	\$	2,400	\$	(2,786,400)	-19.90%

Potential Net Savings \$ 1,833,570 **13.10%**

With \$1000/\$2000 HRA Contributions	Single Employees	\$	264	\$	(264,000)	-1.89%
	Employees with Dependents	\$	1161	\$	(2,322,000)	-16.59%

Potential Net Savings \$ 2,350,770 **16.79%**

Estimated	Estimated
Annual Savings	% Savings

OTHER POSSIBILITIES

OFFER ONE HEALTH PLAN - NO MANAGED CARE

	Estimated Annual Savings	Estimated % Savings
Estimate	\$ 140,000	1.00%

SELF-INSURED PLAN
(See separate analysis)

Estimate	\$ 216,232	1.54%
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REGIONAL PLAN WITH MORE EMPLOYEES & DEPENDENTS

PEBB and CIS have much larger insured group(s), less generous plan design, yet premiums are slightly more than those of Lane County

CREATE AN ON-SITE CLINIC FOR EMPLOYEES & DEPENDENTS

Based upon cost and usage at 4J Schools and SAIF in Salem, average cost of service is comparable with Preferred Provider rates. About 20% of their employees use clinics

USE RIVER STONE CLINIC FOR PRIMARY CARE - \$0 CO-PAYMENTS
(See separate analysis)

Estimate	\$ 90,000	0.64%
Estimate	\$ 200,000	1.43%

CAFETERIA PLANS
MENU PLANS
MAXIMUM ANNUAL CONTRIBUTION TO HEALTH CARE PREMIUMS

Savings would be determined by how much the County would be willing to pay for health benefits

EMPLOYEE OPT OUT PROVISION W/PROOF OF OTHER COVERAGE
DEPENDENT OPT OUT PROVISION

Unable to determine how many employees would take advantage of this provision. At present about 468 employees are single 957 employees could take advantage of an Opt Out provision The ones who opt out will more likely be the healthier employees.

Assume 25 Employees Opt Out	\$ 248,889	
Incentive - 60% of individual premium	\$ (75,000)	
Estimate	\$ 173,889	1.24%

TREAT CO-EMPLOYEE SPOUSES AS DEPENDENTS, NOT EMPLOYEES

37 married couples are employed by Lane County.		
Difference in premium cost - \$51.50		
Estimate	\$ 22,866	0.16%

CANADIAN PRESCRIPTION DRUGS

It is reported that Canadian drug suppliers are raising their prices. Many drug companies have stopped supplying Internet pharmacies. Canadian legislators are considering legislation to stop or reduce the amount of drug sales to the US

DISEASE MANAGEMENT

Lane County is participating with OHSU School of Pharmacy, along with Cities of Eugene and Springfield in a management plan for Diabetes. This could be a blueprint for other chronic diseases

WELLNESS PROGRAMS

Weight
Smoking
Stretching
Walking
Alternative Care - 50% up to \$500 per person annually
Annual Physicals up to \$250 per year
Two health and wellness fairs per year to include
Cholesterol check
Blood pressure check
Blood Sugar check
Bone density
Body Mass
County to negotiate employee discounts with health clubs in Lane County

Actuary estimates that \$40 per month of Active employee premiums are due to the higher utilization of benefits by Retired employees. Due

Due to HB2430, ANY employee who retires from a government entity in the State of Oregon is entitled to self-pay insurance at the same rate the entity pays for Active employees.

It is in the best financial interest of the County to keep employees and dependents as healthy as possible

Wellness efforts can also effect savings in the area of Workers Compensation costs and in unscheduled time loss.

RIVER STONE CLINIC

Could Use of the Clinic for Primary Care Treatment Reduce Lane County Health Care Expense?

	Office Visits as % Of Total Claim Costs	Estimated Cost of Office Visits	Estimated Annual Savings	Estimated % Savings
Out Patient Visits	11.70%	\$ 1,408,680		
Out Patient Services	5.50%	\$ 662,200		
	<u>17.20%</u>	<u>\$ 2,070,880</u>		
PacificSource's estimate of Primary Care	<u>22%</u>	<u>22%</u>		
Primary Care portion of all Out Patient Costs	<u>3.78%</u>	<u>\$ 455,594</u>		
If River Stone's rate are 10% less than other Preferred Providers			<u>\$ 45,559</u>	<u>0.38%</u>
If River Stone's rates are 20% less than other Preferred Providers			<u>\$ 91,119</u>	<u>0.76%</u>
Assume that Primary Care costs are 50% of Out Patient Costs	1.89%	\$ 1,035,440		
If River Stone's rate are 10% less than other Preferred Providers			<u>\$ 103,544</u>	<u>0.86%</u>
If River Stone's rates are 20% less than other Preferred Providers			<u>\$ 207,088</u>	<u>1.72%</u>

SELF FUNDED HEALTH INSURANCE PLAN How Much Could This Save?

PER ADMINISTRATIVE SERVICES ONLY QUOTE FROM PACIFICSOURCE

	PROPOSED	CURRENT FEES
Administration Fee per employee per month	\$ 39.00	\$ 72.69
Stop Loss Insurance per employee per month (\$100,000)	\$ 56.91	\$ 33.72
Aggregate Stop Loss (125% of expected claims)	\$ 0.80	
OMIP/Portability cost per member per month	\$ 6.22	\$ 12.44
Total Administrative Cost	\$ 102.93	\$ 118.85
Potential Savings per employee per month	\$ 15.92	
Potential Gross Annual Savings	\$ 272,232.00	
Less: Additional Legal and HIPAA costs	\$ (10,000.00)	
Annual Actuary Fees	\$ (6,000.00)	
.5 FTE in Risk and Benefits	\$ (40,000.00)	
Potential Net Savings	\$ 216,232.00	1.54%

County would need to set aside money for premium stabilization and unexpected claims

City of Eugene has \$1.9M in a Self Funded Reserve for their self-funded plan which insured about 50% of their employees.

OPT OUT PROVISIONS AND DUAL EMPLOYEE COVERAGE

OPT OUT PROVISION

PEBB-State of Oregon	Taxable cash payment for employee - 60% of single preson rate rebate. Must show proof of other coverage If no other coverage then no payment in lieu of benefits No opt out incentive for dependents Dental coverage is mandatory	\$ 349.71 \$ 4,196.52
City of Eugene	Has an opt out provision for non-reps if person shows proof of other insurance No cash payment, but EE does not then have to contribute to their health insurance premiums through payroll deduction	\$31.80 \$381.60
City of Springfield	If EE opts not to cover spouse and/or dependent under their HRA plan, the City credits the EE's HRA account as if the EE had covered their dependents The amount varies by BGU, but about \$900 per year	\$ 900

DUAL EMPLOYEE COVERAGE -

Lane County employs 37 married couples who both work for the County, most of whom are in different health plans. I have been asked if the County could save money if one of the spouses was the dependent of the other, instead of insured separately. Remember the County's premium arrangement with PacificSource. At the end of the year all the claims are combined and our final premium payment/refund is calculated based upon those combined claims. If we have "overpaid" by paying premiums for a spouse who had no claims, then the County will get a refund. On the other hand, if the spouse has claims in excess of the premiums paid, whether as a dependent or as an employee, then the County will owe Pacificsource money at the end of the year.

Rate for single employee X two	425.88	\$	851.76
Rate for employee and spouse		\$	800.75
 Difference in cost per couple per month			<u>\$ 51.01</u>
 Difference in cost for 37 couples for one year			<u>\$22,648.44</u>

DEMOGRAPHICS

ACTIVE EMPLOYEES AND RETIREES

EE's covered by Benefits	1420
Retirees	336
Total Active and Retirees eligible for health insurance	<u>1756</u>
Approx. number insured(X2.5)	3550
Plus Retirees (estimate)	460
Estimated # individual covered by health insurance	<u>4010</u>

ACTIVE EMPLOYEES

Employee only coverage	264
Employee plus dependents	204
	<u>468</u>
Employee plus Spouse	335
Family	622
	<u>957</u>
	1425

RETIREES

Retirees County Paid	280
Retirees Self Paid	56
Total	<u>336</u>
Retiree only	230
Retiree plus spouse	97
Retiree plus family	9
	<u>336</u>

ACTIVE EMPLOYEE REPRESENTATION

LCPOA Members	277
AFSCME Members	632
Prosecuting Attorneys	26
Administrative-Professional Union	115
Public Works Local 626	142
Non-Represented	233
Total Active Employees	<u>1425</u>