

The County of El Dorado
Risk Management Division
“Together Providing Risk Management Solutions”

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April 16, 2013

«AddressBlock»

Dear «FIRST» «LAST»,

You are invited to attend the Board of Supervisor’s meeting on April 23, 2013 where Risk Management staff will be presenting an item regarding your Blue Shield Standard plan (\$200 deductible) and the applicable rates.

It has been determined that, due to a calculation error, Early Retirees enrolled in the Blue Shield Standard plan (\$200 deductible) are being subsidized a portion of the plan rate. This subsidization has been ongoing since July 1, 2011 when the County switched from a self-insured to a fully-insured version of the Blue Shield plans. This unintended subsidization is in violation of the Retiree Health Contribution document which states that the total actual or projected cost of this program “shall never exceed 1.2% of Total Payroll Cost”.

At the April 23, 2013 Board of Supervisors meeting, the Board will consider the following options:

Option 1 – Maintain Current Rates

This option maintains the current rates as established, allowing the Early Retirees in the Blue Shield Standard plan (\$200 deductible) to continue paying the lower, blended rate and not collect any previously incurred overpayment. With this option, subsidization would total approximately \$645,530 and the rate would be corrected for the 2014 plan year and going forward.

Option 2 – Correct Rate and Waive Overpayment

This option corrects the Early Retiree Blue Shield Standard plan rate to match what the County is being billed effective June 1, 2013 and holds the retirees harmless for the previously incurred overpayment.

The current rates charged to the Blue Shield Standard plan enrollees are as follows:

Retiree Only	\$882.45
Retiree +1	\$1,665.06
Retiree +2	\$2,289.05

Rates to be charged effective June 1, 2013:

Retiree Only	\$1,032.27 (increase of \$149.82/month)
Retiree +1	\$1,862.63 (increase of \$197.57/month)
Retiree +2	\$2,592.66 (increase of \$303.61/month)

Affected retirees would be allowed a special enrollment period (May 1, 2013 through May 15, 2013) to change to the Blue Shield Low Option plan (\$1,000 deductible) or Kaiser if they so choose as the cost of these plans are less than the plan rate for the Blue Shield Standard Plan (please see enclosed rate sheet). Coverage would be effective June 1, 2013. Retirees wanting to drop coverage could do so without the need to wait for Special Enrollment/Open Enrollment periods. Option 2 subsidization would total approximately \$509,646.

Option 3 – Correct Rate and Collect Overpayment

This option follows the process identified in the previous Option 2, and in addition collects the previously incurred overpayment. Retirees would be given the option to pay back the overpayment over the same time period in which it was overpaid (23 months). Collection of overpaid funds should be complete no later than May 2015. This option results in the subsidy being fully repaid to the County.

We realize you may have questions concerning your health plan premiums. Please feel free to contact Risk Management at (530) 621-5565 with questions or concerns.

Thank You,

El Dorado County Risk Management Staff

2013 Rates for Early Retirees

(Does not include any potential repayment)

Current Rates

Blue Shield **Standard** Plan (\$200 deductible)

Retiree Only	\$882.45
Retiree + 1	\$1,665.06
Retiree + 2 or more	\$2,289.05

Proposed Rates (June 1, 2013)

Blue Shield **Standard** Plan (\$200 deductible)

Retiree Only	\$1,032.27
Retiree + 1	\$1,862.63
Retiree + 2 or more	\$2,592.66

Current Proposed Rates

Blue Shield **Low Option** Plan (\$1,000 deductible)

Retiree Only	\$875.27
Retiree + 1	\$1,629.63
Retiree + 2 or more	\$2,266.66

Current Proposed Rates

Kaiser Plan

Retiree Only	\$662.51
Retiree + 1	\$1,322.13
Retiree + 2 or more	\$1,870.22

Examples of potential rate options:

Retiree+1 on Blue Shield Standard (current)	\$1,665.06
Retiree+1 on Blue Shield Standard (eff. 6.1.13)	<u>\$1,862.63</u>
Increase:	\$197.57

Retiree+1 on Blue Shield Standard (current)	\$1,665.06
Retiree+1 on Blue Shield Low Option	<u>\$1,629.63</u>
Savings effective 6.1.13:	\$35.43

Retiree+1 on Blue Shield Standard (current)	\$1,665.06
Retiree+1 on Kaiser	<u>\$1,322.13</u>
Savings effective 6.1.13:	\$342.93