

Executive Summary
February 15, 2011 Agenda Item # 22

El Dorado County provides a self-funded health plan (Blue Shield) and two fully funded HMO health plans (PacifiCare and Kaiser) for its employees. The self-funded plan is the only option for employees working east of Pollock Pines and for retirees outside the HMO service areas.

The cost for health care has continually increased over the years, and nationally the trend is 12%. The major factors that contributed to the increase were increased utilization of services and rapidly decreasing enrollment in our self funded plan. Between 2008 and 2010, our self funded plan enrollment decreased by 18% (pg. 23).

Between 2007 and 2009, the County's self funded health care rates increased 4% -5% (pg. 16). However in 2010, the rates increased by 19.87%. As our enrollment continues to decline, there will be less people to spread out the costs. As a smaller group, we project the rates will continue to be double digit increases.

At the request of the Health Plan Advisory Committee (HPAC), Alliant has brought three options (pg. 6) for consideration:

- Option 1: CSAC-EIAHealth (Blue Shield/Medco Pharmacy) annual change 10.02%
- Option 2: Blue Shield/Medco Pharmacy annual change 11.92%
- Option 3: Blue Shield/Caremark Pharmacy (status quo) annual change 13.85%

Joining CSAC-EIA Health will save the County approximately \$634,716 over the next 12 months. Risk Management and HPAC agree CSAC-EIAHealth is the best option to maintain our self-insured plan, provide for our Tahoe employees and retirees living outside the Kaiser and Pacificare service areas, and to bring stability to the program. Therefore, we recommend joining a larger pool of individuals to spread and lower our costs.

We would maintain full control over the plan and its design; what would change is the financing mechanism. Rather than paying every claim dollar, the County will pay "premium equivalents" annually, based on our utilization, enrollment, etc., similar to a fully insured environment.

Rather than being a group of 1000, we will purchase fixed cost items as a group of 80,000, and our experience will be evaluated within the context of this larger group as well, so that rates will not change so dramatically from year to year. By joining a larger pool, the County will be able to reap economies of scale.

If this trend in the self-funded plan continues, membership in CSAC-EIAHealth should help to smooth rates year to year, while still maintaining our local control over the plan.

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February 14, 2011