

City of Stockton

Annual Report as of June 30, 2013

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March 11, 2014

*Kurt O. Wilson
City Manager
City of Stockton
425 N. El Dorado Street
Stockton, CA 95202*

Dear Kurt:

We are pleased to present the City Health Plan Cost Projection for July 1, 2013 - June 30, 2014 and July 1, 2014 - June 30, 2015. This report also reviews the medical plan experience through October 31, 2013.

We look forward to reviewing this report with you and answering any questions you may have.

Sincerely,

THE SEGAL COMPANY

By:

*Thomas M. Morrison, Jr.
Senior Vice President*

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Key Findings,
Recommendations

- *Presented in this report are the proposed rates for the City of Stockton Health Plan for fiscal year July 1, 2014 through June 30, June 30, 2015.*
- *The projected plan expenses have been calculated using the most recent 24 months of available claims experience, from November 1, 2011 through October 31, 2013 for the three eligibility groups – actives, under 65 retirees and over 65 retirees.*
- *In fiscal year 2011-2012 -*
 - *City negotiated fixed contribution for active employees up to \$481 for single employee, \$875 for 2-party and \$1,165 for families.*
 - *A new Kaiser plan was added effective September 2011 for the City's Active employees*
- *In fiscal year 2012-2013 -*
 - *City's contribution for retiree plans changed from 100% City paid to a fixed dollar amount based on years of service.*
- *In fiscal year 2013-2014 -*
 - *City's contribution for active employees in all bargaining units other than Stockton Police Officers Association (SPOA) increased to a fixed monthly amount of \$522 for single employee, \$950 for 2-party and \$1,262 for families.*
 - *There was no change in contribution for the SPOA from 2011- 2012 year.*
 - *Retirees contribute the entire cost of coverage to participate in City's health plan*
- *As a result of the contribution changes and the availability of a new Kaiser option for Actives, there has been a significant drop in enrollment in the City's self-funded health plans.*
- *A detailed review of the City Health Plan expenses and enrollment is included in Section 2.*
- *A summary of the City Medical plan enrollment and per eligible per month expense is included in the following page.*
- *The 2014-2015 required increases/-decreases for Active employees are:*
 - *Medical Plan 0%*
 - *Vision decrease of 7.8%*
 - *Dental decrease of 8.2%*
- *The 2014-2015 required increases/-decreases for Retirees are:*
 - *Retiree Under 65 Modified Medical Plan increase of 47.9%*
 - *Retiree Over 65 Modified Medical Plan decrease of 7.0%*
 - *Retiree Over 65 Original Medical Plan increase of 4.5%*

Period	Active		Retiree Under 65		Retiree Over 65	
	(Original and Modified Plans)					
	Enrollment	PEPM	Enrollment	PEPM	Enrollment	PEPM
Average 2011-2012	1,093	\$906	688	\$1,046	384	\$231
Average 2012-2013	688	\$636	215	\$1,680	256	\$242
Percent Change	-37.1%	-29.7%	-68.8%	60.6%	-33.4%	4.7%
Average YTD - July 2013 to October 2013	403	\$1,051	79	\$3,285	50	\$509
Percent Change from 2012-2013	-41.5%	65.2%	-63.1%	95.6%	-80.7%	110.6%

- > *The following factors contributed to the required increases/-decreases for 2014/2015:*
- > *Active medical plan - Despite a huge increase in the active plan costs from July to October 2013, there is no rate change for 2014-2015 year on a composite basis. Tiered rates increased or decreased less than 0.5% due to updated enrollment distribution. Rates have been developed by blending two years of plan experience. The Active plan experience for July 2012 – June 2013 was favorable compared to the prior projection mainly due to the full impact of plan changes that were implemented in 2011- 2012. The lack of any requirement to increase rates for the Active medical plan are in large part due to the funding of the claim margin in 2012-2013 which does not have to be added to the 2014-2015 rate, other than the component of the margin that is attributable to trend. However, future rate increases may be required in subsequent years if the recent higher claim experience demonstrated in the period July to October continues or if there are additional benefit enhancements and fees regulated under the Affordable Care Act.*
- > *Active dental and vision plan decreases are due to favorable plan experience.*
- > *Retiree Under 65 Plan - As shown in the table above, the average medical plan costs increased in the two experience years used to project the rate.*
- > *Retiree Over 65 Plan - The 2014-2015 decrease to the modified plan is mainly due to changes in the single and two-party distribution. The single / two-party distribution was 72% / 28% in the prior actuarial report. The new projection assumes 29% single and 71% two-party.*
- > *The self-funded health retiree plans have seen migration of healthy people to other plans leaving the costs to accelerate out of proportion compared to the number of eligibles. Based on the July to October 2013 experience, the Active medical plan seems to be following the same trend. This adverse selection is expected to continue in 2014-2015 with further decline in enrollment.*
- > *The OE 3 plans are not included in our analysis in this report. The City has estimated the administrative cost as \$33.12 per employee/per month for this plan. At the City's request, Segal is including this in the report for informational purpose only.*

**Key Findings,
Recommendations**

- *The City issued an RFP to consider the viability of terminating the self-funded medical plans and offering fully insured plans in addition to the Kaiser option. No viable bids were received.*
- *The projection includes the Patient Centered Outcomes Research fee effective in the FY 2013-2014 and FY 2014-2015 and temporary re-insurance fee for the calendar years 2014 and 2015 as required under the Affordable Care Act.*
- *The City's Over 65 retiree plan will not qualify for the Medicare Part D subsidy starting 2013 due to the increase in retiree contributions. Therefore, the 2013-2014 and 2014-2015 rates do not include any subsidy estimates.*
- *Financial budget projections are subject to change due to claims fluctuation, benefit plan changes, eligibility trends, industry activity, legislative actions, and other economic developments. Therefore, suggested reserve levels are included as an exhibit in this Section 1.*
- *The projections in this report are estimates of future costs and are based on information available to The Segal Company at the time the projections were made. The Segal Company has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, and health trend rates and claims volatility. Nevertheless, we believe this projection serves a purpose for long-term planning and provides an indication of the general progression or regression of active expenses based on the factors currently affecting those expenses. The accuracy and reliability of health projections decrease as the projection period increases.*
- *Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.*

TABLE 1A

2014/2015 Monthly Premium Rates - Active

PPO FFS Medical

Active Monthly Premium Rates	2013/2014*	2014/2015**	Percent Change from prior year
Employee only	\$662.38	\$659.89	-0.4%
Employee plus 1 dependent	\$1,192.29	\$1,188.73	-0.3%
Employee plus 2 or more dependents	\$1,589.72	\$1,591.69	0.1%

*2013/2014 rates include City's administrative fees of \$42.69 for employee only, \$76.84 for employee plus 1, \$102.46 for employee plus 2 or more

**2014/2015 rates include City's administrative fees of \$44.74 for employee only, \$80.53 for employee plus 1, \$107.38 for employee plus 2 or more

Kaiser DHMO

Active Monthly Premium Rates	2013/2014*	2014/2015**	Percent Change from prior year
Employee only	\$512.08	\$523.82	2.3%
Employee plus 1 dependent	\$921.74	\$942.89	2.3%
Employee plus 2 or more dependents	\$1,228.99	\$1,257.18	2.3%

*2013/2014 rates include City's administrative fees of \$35.17 for employee only, \$63.31 for employee plus 1, \$84.41 for employee plus 2 or more

**2014/2015 rates include City's administrative fees of \$36.17 for employee only, \$65.11 for employee plus 1, \$86.81 for employee plus 2 or more

Dental

Active Monthly Premium Rates	2013/2014	2014/2015	Percent Change from prior year
Employee only	\$60.02	\$55.11	-8.2%
Employee plus 1 dependent	\$120.04	\$110.20	-8.2%
Employee plus 2 or more dependents	\$156.05	\$143.26	-8.2%

Vision

Active Monthly Premium Rates	2013/2014	2014/2015	Percent Change from prior year
Employee only	\$7.24	\$6.68	-7.8%
Employee plus 1 dependent	\$14.49	\$13.35	-7.8%
Employee plus 2 or more dependents	\$18.84	\$17.36	-7.8%

TABLE 1B

2014/2015 Monthly Premium Rates - Retiree

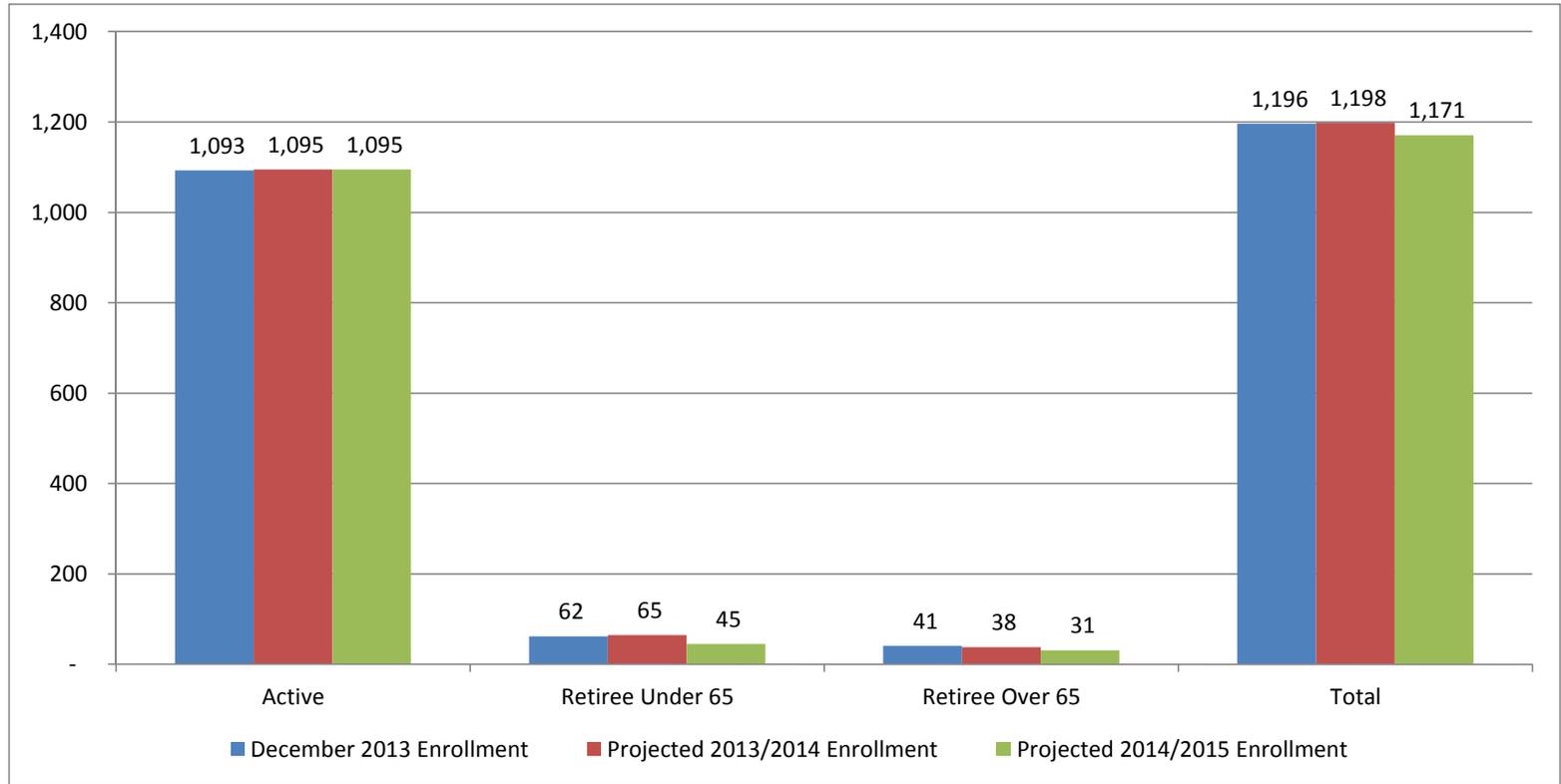
Retiree Under 65 - PPO

Retiree Under 65 Monthly Premium Rates	Modified			Original		
	2013/2014	2014/2015	Percent Change from prior year	2013/2014	2014/2015	Percent Change from prior year
Retiree only	\$1,035.85	\$1,532.04	47.9%	N/A	N/A	N/A
Retiree plus 1 dependent	\$1,864.53	\$2,758.60	48.0%	N/A	N/A	N/A
Retiree plus 2 or more dependents	\$2,486.05	\$3,675.06	47.8%	N/A	N/A	N/A

Retiree Over 65 - PPO

Retiree Over 65 Monthly Premium Rates	Modified			Original		
	2013/2014	2014/2015	Percent Change from prior year	2013/2014	2014/2015	Percent Change from prior year
Retiree only	\$591.94	\$550.63	-7.0%	\$874.97	\$914.72	4.5%
Retiree plus 1 dependent	\$1,065.50	\$991.17	-7.0%	\$1,574.94	\$1,646.53	4.5%
Retiree plus 2 or more dependents	\$1,420.67	\$1,321.63	-7.0%	\$2,099.93	\$2,195.45	4.5%

MEDICAL ENROLLMENT ASSUMPTIONS - ALL PLANS



Note: Projected 2013/2014 average enrollment is based on actual plan enrollment and projected enrollment using the latest month of available data. Enrollment does not include Opt-Outs and OE 3 participants.

ENROLLMENT ASSUMPTIONS - ALL PLANS

Current and Projected

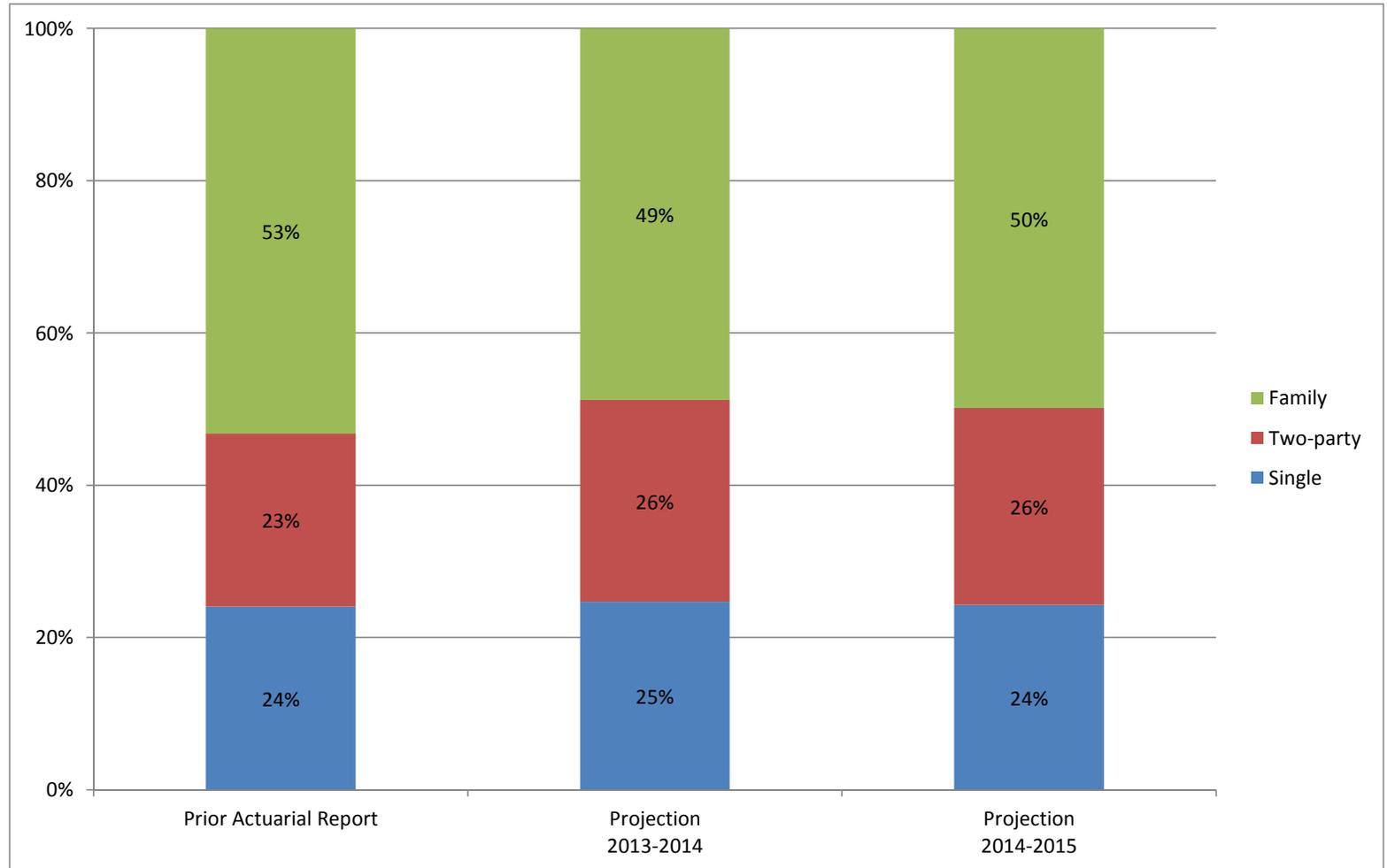
	December 2013 Enrollment	Projected 2013/2014 Enrollment ¹	Projected 2014/2015 Enrollment	Percent Change from Projected 2013/2014
<u>Active</u>				
Kaiser	700	710	720	1.4%
Modified	393	385	375	-2.6%
Total Active	1,093	1,095	1,095	0.0%
<u>Retiree Under 65²</u>				
Kaiser	N/A	N/A	N/A	N/A
Modified Retirees	62	65	45	-30.8%
Original Retirees	-	-	-	N/A
Total Retiree Under 65	62	65	45	-30.8%
<u>Retiree Over 65²</u>				
Modified Retirees	39	35	29	-17.1%
Original Retirees	2	3	2	-33.3%
Total Retiree Over 65	41	38	31	-18.4%
Total Medical³	1,196	1,198	1,171	-2.3%
Dental	1,184	1,165	1,165	0.0%
Vision	1,214	1,205	1,190	-1.2%

¹Average for actives based on actual plan enrollment and projected enrollment using the latest month available.

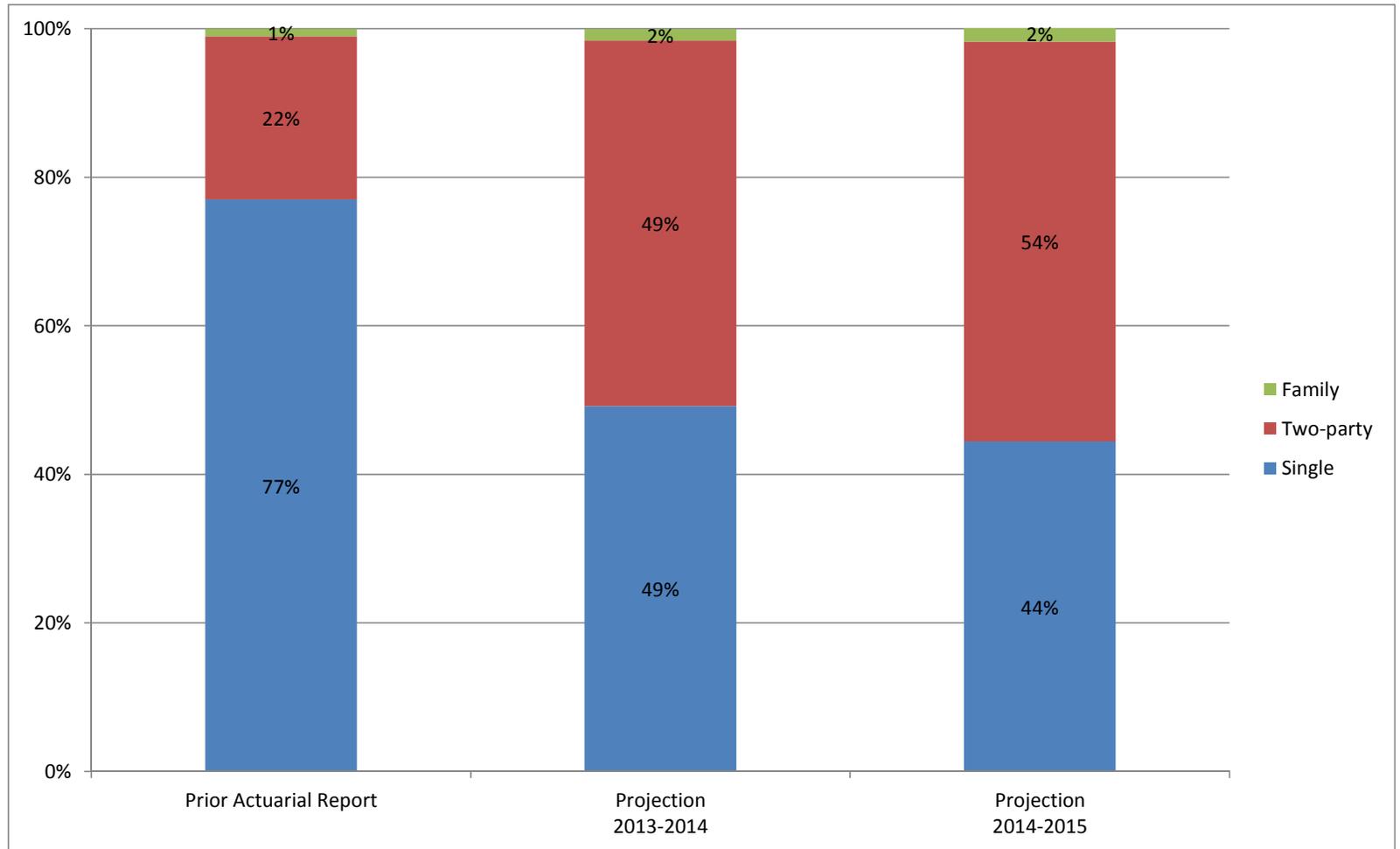
²Effective July 1, 2013, retirees must contribute the entire cost of coverage to participate in the City's health plans. Kaiser plan for retiree under 65 was terminated June 30, 2013.

³Enrollment does not include Opt-Outs and OE 3 participants.

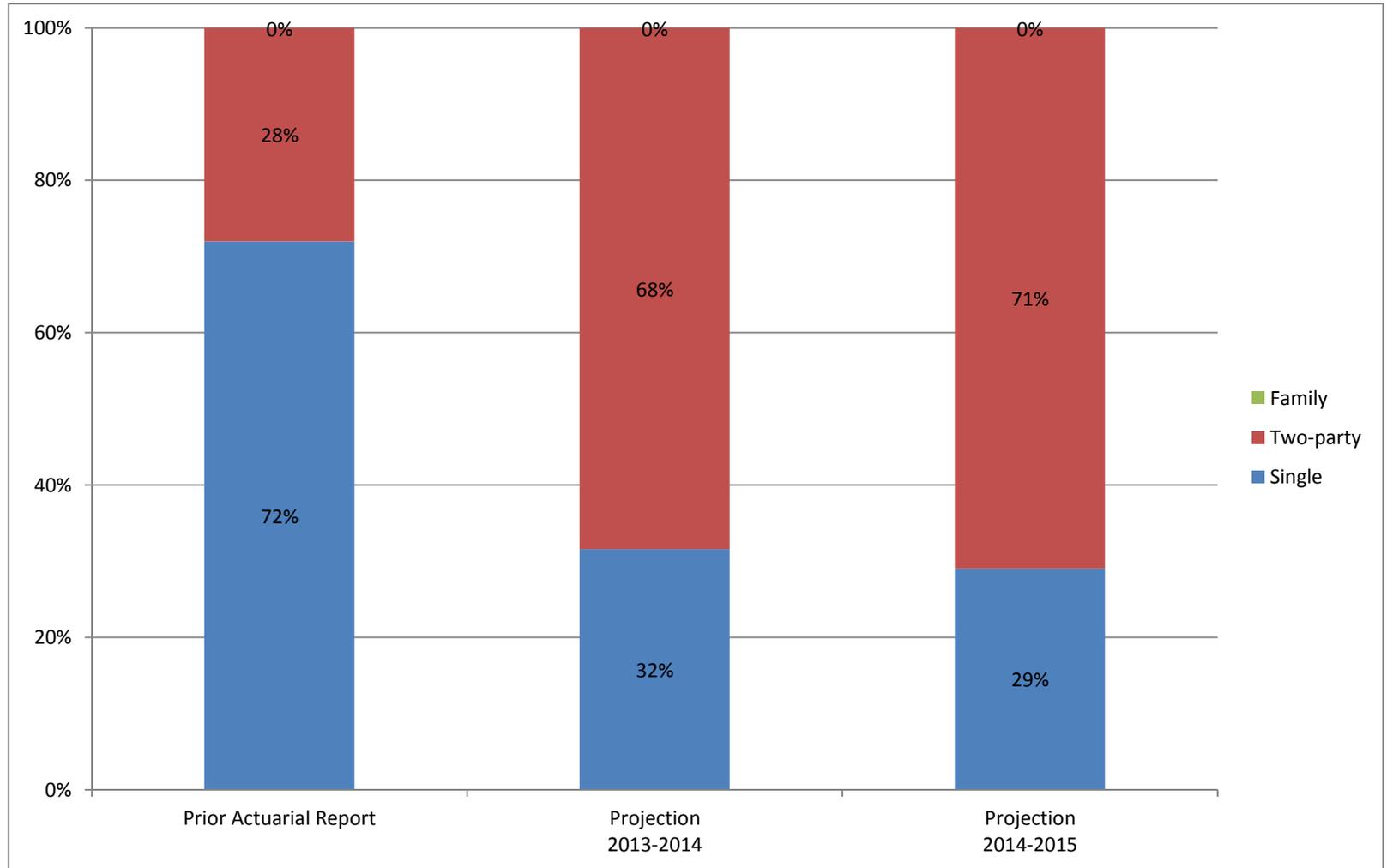
MEDICAL ENROLLMENT DISTRIBUTION BY FAMILY TIER - ACTIVE (MODIFIED PLAN)



MEDICAL ENROLLMENT DISTRIBUTION BY FAMILY TIER - UNDER 65 RETIREE (MODIFIED AND ORIGINAL PLANS)



MEDICAL ENROLLMENT DISTRIBUTION BY FAMILY TIER - OVER 65 RETIREE (MODIFIED AND ORIGINAL PLANS)



MEDICAL ENROLLMENT DISTRIBUTION BY FAMILY TIER (MODIFIED AND ORIGINAL PLANS)

Current and Projected

	Prior Actuarial Report	Projection 2013-2014	Projection 2014-2015
Actives			
Single	24%	25%	24%
Two-party	23%	26%	26%
Family	53%	49%	50%
Under 65 Retirees			
Single	77%	49%	44%
Two-party	22%	49%	54%
Family	1%	2%	2%
Over 65 Retirees			
Single	72%	32%	29%
Two-party	28%	68%	71%
Family	0%	0%	0%

TABLE 2A
Summary of Projected Per Eligible Per Month Cost - Active Medical

	Active Plan					
	Original Projection as of February 2013 for 7/1/2013-6/30/2014		Revised Projection as of January 2014 for 7/1/2013-6/30/2014		7/1/2014-6/30/2015	
	PPO	Kaiser DHMO	PPO	Kaiser DHMO	PPO	Kaiser DHMO
Medical						
Medical including Stop Loss Reimbursement	\$854.40	\$954.80	\$865.80	\$925.47	\$832.16	\$943.88
Rx incurred claims	162.01		151.15		160.73	
Rx Rebate	-\$9.72		-15.16		-16.12	
Total Rx	\$152.29		\$135.99		\$144.61	
Stop loss premium	60.82		58.23		69.88	
Third Party Administrator	21.63	9.79	21.75	8.50	22.84	7.62
Eligibility administration	1.25	1.25	1.25	1.25	1.25	1.25
City Administration/Consultants	59.37	59.37	59.37	59.37	61.15	61.15
Anthem PPO network access	16.64		16.64		17.14	
Research Fee* (YR2: \$2 PMPY; YR3: \$2.06PMPY)	0.49		0.47		0.48	
Reinsurance Fee** (\$63 PMPY for 2014 and \$44 PMPY for 2015)	7.71		7.40		12.54	
Total Other Fees	\$167.91	\$70.41	\$165.11	\$69.12	\$185.28	\$70.02
Total - no claims margin	\$1,174.60	\$1,025.21	\$1,166.90	\$994.59	\$1,162.05	\$1,013.90
Total - with claims margin at 10%	\$1,276.24	\$1,025.21	\$1,268.59	\$994.59	\$1,261.34	\$1,013.90
Expense (lower) / higher from last projection			(\$7.65)			
Percent difference from last projection			-0.6%			
Projected Enrollment	616	513	385	710	375	720
Total Per Participant Cost	\$1,276.24	\$1,025.21	\$1,268.59	\$994.59	\$1,261.34	\$1,013.90

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point.

*Research fee is subject to change based on final ACA regulations.

**Reinsurance fee is subject to change based on final ACA regulations.

TABLE 2A
Summary of Projected Per Eligible Per Month Cost - Active Dental and Vision

	Active Plan		
	Original Projection as of February 2013 for 7/1/2013-6/30/2014	Revised Projection as of January 2014 for 7/1/2013-6/30/2014	7/1/2014-6/30/2015
	PPO and Kaiser DHMO	PPO and Kaiser DHMO	PPO and Kaiser DHMO
<u>Dental</u>			
Incurred claims	\$104.10	\$86.14	\$93.33
Delta ASO	7.42	7.42	7.42
Eligibility administration	0.50	0.50	0.50
City Administration/Consultants	1.91	1.91	1.96
Total - no claims margin	\$113.93	\$95.97	\$103.21
(1) Total - with claims margin at 10%	\$124.74	\$104.58	\$112.54
Expense (lower) / higher from last projection		(\$20.16)	
Percent difference from last projection		-16.2%	
Projected Enrollment	1,192	1,165	1,165
<u>Vision</u>			
Incurred claims	\$11.75	\$10.34	\$10.78
VSP ASO	1.39	1.39	1.39
Eligibility administration	0.25	0.25	0.25
City Administration/Consultants	0.23	0.23	0.23
Total - no claims margin	\$13.62	\$12.21	\$12.65
(2) Total - with claims margin at 10%	\$15.06	\$13.24	\$13.73
Expense (lower) / higher from last projection		(\$1.82)	
Percent difference from last projection		-12.1%	
Projected Enrollment	1,233	1,205	1,190
Total Per Participant Cost (1) + (2)	\$139.80	\$117.82	\$126.27

TABLE 2A
Summary of Projected Per Eligible Per Month Cost - Active Total Medical, Dental and Vision

	Active Plan					
	Original Projection as of February 2013 for 7/1/2013-6/30/2014		Revised Projection as of January 2014 for 7/1/2013-6/30/2014		7/1/2014-6/30/2015	
	PPO	Kaiser DHMO	PPO	Kaiser DHMO	PPO	Kaiser DHMO
<u>Medical</u>						
Projected Enrollment	616	513	385	710	375	720
(1) Total Per Participant Cost	\$1,276.24	\$1,025.21	\$1,268.59	\$994.59	\$1,261.34	\$1,013.90
<u>Dental</u>						
Projected Enrollment	1,192	1,192	1,165	1,165	1,165	1,165
(2) Total Per Participant Cost	\$124.74	\$124.74	\$104.58	\$104.58	\$112.54	\$112.54
<u>Vision</u>						
Projected Enrollment	1,233	1,233	1,205	1,205	1,190	1,190
(3) Total Per Participant Cost	\$15.06	\$15.06	\$13.24	\$13.24	\$13.73	\$13.73
Total Per Participant Cost (1)+(2)+(3)	\$1,416.04	\$1,165.01	\$1,386.41	\$1,112.41	\$1,387.61	\$1,140.17

TABLE 2B
Summary of Projected Per Eligible Per Month Cost - Retiree

	Retiree Plan					
	Original Projection as of February 2013 for 7/1/2013-6/30/2014			Revised Projection as of January 2014 for 7/1/2013-6/30/2014		
	Modified Plan - Under 65	Modified Plan - Over 65	Original Plan Over 65	Modified Plan - Under 65	Modified Plan - Over 65	Original Plan Over 65
Medical						
Medical including Stop Loss Reimbursement	\$718.06	\$208.33	\$259.92	\$2,162.69	\$365.23	\$455.68
Rx incurred claims	225.75	339.63	583.43	265.00	353.85	607.84
Rx Rebate	-13.54	-22.18	-22.18	-26.58	-37.50	-37.50
Total Rx	\$212.21	\$317.45	\$561.25	\$238.42	\$316.35	\$570.34
Stop loss premium	\$60.82	\$18.90	\$19.10	\$58.23	\$18.10	\$18.29
Third Party Administrator	21.63	21.63	21.63	21.75	21.75	21.75
Eligibility administration	1.25	1.25	1.25	1.25	1.25	1.25
City Administration/Consultants	59.37	59.37	59.37	59.37	59.37	59.37
Anthem PPO network access	16.64	16.64	16.64	16.64	16.64	16.64
Research Fee* (YR2: \$2 PMPY; YR3: \$2.06PMPY)	0.21	0.21	0.21	0.26	0.29	0.22
Reinsurance Fee** (\$63 PMPY for 2014)	\$3.30	\$0.00	\$0.00	\$4.04	\$0.00	\$0.00
Total Other Fees	\$163.22	\$118.00	\$118.20	\$161.54	\$117.40	\$117.52
Total - no claims margin	\$1,093.48	\$643.78	\$939.37	\$2,562.65	\$798.98	\$1,143.54
Claims margin	15%	15%	15%	15%	15%	15%
Total - with claims margin	\$1,235.05	\$725.97	1065.87	\$2,926.80	\$906.84	\$1,303.06
Expense (lower) / higher from last projection				\$1,691.75	\$180.87	\$237.19
Percent difference from last projection				137.0%	24.9%	22.3%
Projected Enrollment	78	106	11	65	35	3
Total Per Participant Cost	\$1,235.05	\$725.97	\$1,065.87	\$2,926.80	\$906.84	\$1,303.06

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point.

Kaiser Retiree Under 65 DHMO plan was terminated 7/1/2013.

*Research fee is subject to change based on final ACA regulations.

**Reinsurance fee is subject to change based on final ACA regulations (applies to under 65 retirees and participants only).

TABLE 2B
Summary of Projected Per Eligible Per Month Cost - Retiree

	Retiree Plan		
	7/1/2014-6/30/2015		
	Modified Plan - Under 65	Modified Plan - Over 65	Original Plan Over 65
Medical			
Medical included Stop Loss Reimbursement	\$1,518.33	\$285.22	\$355.85
Rx incurred claims	293.70	399.25	685.84
Rx Rebate	-29.46	-41.90	-41.90
Total Rx	\$264.24	\$357.35	\$643.94
Stop loss premium	\$69.88	\$21.72	\$21.95
Third Party Administrator	22.84	22.84	22.84
Eligibility administration	1.25	1.25	1.25
City Administration/Consultants	61.15	61.15	61.15
Anthem PPO network access	17.14	17.14	17.14
Research Fee* (YR2: \$2 PMPY; YR3: \$2.06PMPY)	0.27	0.29	0.26
Reinsurance Fee** (\$63 PMPY for 2014 and \$44 PMPY for 2015)	6.94	0.00	0.00
Total Other Fees	\$179.47	\$124.39	\$124.59
Total - no claims margin	\$1,962.04	\$766.96	\$1,124.38
Claims margin	15%	15%	15%
Total - with claims margin	\$2,233.84	\$869.63	\$1,280.63
Projected Enrollment	45	29	2
Total Per Participant Cost	\$2,233.84	\$869.63	\$1,280.63

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point.

*Research fee is subject to change based on final ACA regulations.

**Reinsurance fee is subject to change based on final ACA regulations (applies to under 65 retirees and participants only).

City of Stockton - Table 3
Base Medical and Prescription Drug Cost Projection for 2013/2014 and 2014/2015 Plan Year

	Active		Retiree Under 65		Retiree Over 65		
	Nov 2011- Oct 2012	Nov 2012- Oct 2013	Nov 2011- Oct 2012	Nov 2012- Oct 2013	Nov 2011- Oct 2012	Nov 2012- Oct 2013	
Medical							
1	12-months of paid claims	\$8,527,101	\$5,021,737	\$8,001,075	\$2,830,309	\$1,034,358	\$518,844
2	Stop Loss Recovery	(298,597)	0	(1,087,481)	(63,733)	0	0
3	Reserve Adjustment	(222,600)	(406,700)	(307,200)	(283,900)	4,300	(122,200)
4	Adjustment for Plan Changes	95%	98%	92%	95%	105%	108%
5	Net paid claims (1 + 2 + 3) x 4	\$7,613,177	\$4,510,741	\$6,062,489	\$2,369,203	\$1,090,795	\$429,750
6	Annual Enrollment	11,332	6,856	6,727	1,662	4,319	2,080
7	Monthly claims per enrollee (5 / 6)	\$671.83	\$657.93	\$901.22	\$1,425.51	\$252.56	\$206.61
	Annual trend factor	11%	11%	11%	11%	11%	11%
	Trend Months	22	10	22	10	22	10
8	Effective trend factor	1.21	1.09	1.21	1.09	1.21	1.09
9	Expected monthly claims per enrollee for 11/13-6/14 (7 x 8)	\$813.49	\$717.71	\$1,091.24	\$1,555.04	\$305.81	\$225.38
10	Blending percent	40%	60%	45%	55%	45%	55%
11a	11/13-6/14 Projection - Blended 2 year		\$756.03		\$1,346.33		\$261.58
11b	11/13-6/14 Projected enrollment		376		58		32
11c	7/13-10/13 Actual incurred claims		\$1,725,800		\$1,062,200		\$102,800
11d	11/13-6/14 Projected incurred claims (11a x 11b x 8)		\$2,274,200		\$624,700		\$67,000
11e	7/13-6/14 Projected incurred claims (11c + 11d)		\$4,000,000		\$1,686,900		\$169,800
11f	Projected 7/13-6/14 enrollment		385		65		38
11g	Projected 7/13-6/14 PEPM		\$865.80		\$2,162.69		\$372.37
12a	Additional Plan Changes 2014-2015 for Health Care reform		1.000		1.000		1.000
12b	Demographic Adjustment		1.009		1.034		1.015
13a	Trend		1.11		1.11		1.11
13b	Trend Months		10		10.00		10.00
14	2014-2015 Projection (11a x 12a x 12b x 13a^(13b/12))		\$832.16		\$1,518.33		\$289.78

City of Stockton - Table 3
Base Medical and Prescription Drug Cost Projection for 2013/2014 and 2014/2015 Plan Year

	Active		Retiree Under 65		Retiree Over 65	
	Nov 2011- Oct 2012	Nov 2012- Oct 2013	Nov 2011- Oct 2012	Nov 2012- Oct 2013	Nov 2011- Oct 2012	Nov 2012- Oct 2013
<u>Prescription Drug</u>						
15	12-months of paid claims	\$997,270	\$1,863,663	\$447,120	\$1,661,165	\$666,437
16	Reserve Adjustment	(18,400)	(78,000)	(16,500)	(66,300)	(30,200)
17	Adjustment for Plan Changes	98%	89%	95%	102%	107%
18	Net paid claims (15 + 16) x 17	\$961,707	\$1,580,437	\$409,941	\$1,619,991	\$679,810
19	Annual Enrollment	6,856	6,727	1,662	4,319	2,080
20	Monthly claims per enrollee (18 / 19)	\$140.27	\$234.94	\$246.66	\$375.08	\$326.83
	Annual trend factor	8%	8%	8%	8%	8%
	Trend Months	10	22	10	22	10
21	Effective trend factor	1.07	1.15	1.07	1.15	1.07
22	Expected monthly claims per enrollee for 11/13-6/14 (20 x 21)	\$149.56	\$270.54	\$262.99	\$431.92	\$348.49
23	Blending percent	100%	45%	55%	45%	55%
24a	11/13-6/14 Projection	\$149.56		\$266.39		\$386.02
24b	11/13-6/14 Projected enrollment	376		58		32
24c	7/13-10/13 Actual incurred claims	\$248,400		\$83,100		\$71,700
24d	11/13-6/14 Projected incurred claims (24a x 24b x 8)	\$449,900		\$123,600		\$98,800
24e	7/13-6/14 Projected incurred claims (24c + 24d)	\$698,300		\$206,700		\$170,500
24f	Projected 7/13-6/14 enrollment	385		65		38
24g	Projected 7/13-6/14 PEPM	\$151.15		\$265.00		\$373.90
25a	Additional Plan Changes 2014-2015 for Health Care reform	1.000		1.000		1.000
25b	Demographic Adjustment	1.008		1.034		1.015
26a	Trend	1.08		1.08		1.08
26b	Trend Months	10		10		10
27	2014-2015 Projection (24a x 25a x 25b x 26a ^ (26b/12))	\$160.73		\$293.70		\$417.74
2013-2014	Medical + Prescription Drug (11g + 24g)	\$1,016.95		\$2,427.69		\$746.27
2014-2015	Medical + Prescription Drug (14 + 27)	\$992.89		\$1,812.03		\$707.51

Note: Numbers might not add up due to rounding.

**COST PROJECTION FOR JULY 2013 - JUNE 2014 PLAN YEAR
 MEDICAL AND PRESCRIPTION DRUG**

	July 2013 -June 2014			
	Active	Retiree Under 65 Modified	Retiree Over 65 Modified	Retiree Over 65 Original
a. Updated monthly incurred claims per enrollee for 2013/2014	\$1,016.95	\$2,427.69	\$746.27	\$746.27
b. Actuarial plan adjustment factor			0.964	1.425
c. Claims margin	10%	15%	15%	15%
d. Expected monthly incurred claims with margin per enrollee (a. x b. x (1 + c.))	\$1,118.65	\$2,791.84	\$826.97	\$1,223.04
e. Expected number of enrollees	385	65	35	3
f. Expected incurred claims (d. x e. x 12)	\$5,168,100	\$2,177,600	\$347,300	\$44,000
g. Expected prescription drug rebates	-\$70,042	-\$20,733	-\$15,752	-\$1,350
h. Expected final incurred claims (f. + g.)	\$5,098,058	\$2,156,867	\$331,548	\$42,650
i. Expected final incurred claims per enrollee (h. / e. / 12)	\$1,103.48	\$2,765.21	\$789.40	\$1,184.72
j. Estimated annual administrative and other expenses	\$762,805	\$126,001	\$49,308	\$4,231
k. Expected claim and expense costs (h. + j.)	\$5,860,862	\$2,282,868	\$380,856	\$46,881
l. Updated Expected monthly costs per enrollee (k. / e. / 12)	\$1,268.59	\$2,926.80	\$906.84	\$1,303.06
m. Actual 2013/2014 per enrollee premium (based on projected 2013/2014 enrollment)	\$1,255.60	\$1,466.12	\$930.20	\$1,108.29
n. Amount difference from Actual (m.)	\$12.99	\$1,460.68	(\$23.36)	\$194.76
o. Increase / Decrease actual premium to updated expected cost	1.03%	99.6%	-2.5%	17.6%

From Table 3

From Table 2A and
Table 2B

**COST PROJECTION FOR JULY 2014 - JUNE 2015 PLAN YEAR
MEDICAL AND PRESCRIPTION DRUG**

	July 2014 -June 2015			
	Active	Retiree Under 65 Modified	Retiree Over 65 Modified	Retiree Over 65 Original
a. Expected monthly incurred claims per enrollee for 2014/2015	\$992.89	\$1,812.03	\$707.52	\$707.52
b. Actuarial plan adjustment Factor			0.967	1.472
c. Claims margin	10%	15%	15%	15%
d. Expected monthly incurred claims with margin per enrollee (a. x b. x (1 + c.))	\$1,092.18	\$2,083.83	\$787.12	\$1,197.94
e. Expected number of enrollees	375	45	29	2
f. Expected incurred claims (d. x e. x 12)	\$4,914,800	\$1,125,300	\$273,900	\$28,750
g. Expected prescription drug rebates	(\$72,550)	(\$15,908)	(\$14,582)	(\$1,006)
h. Expected final incurred claims (f. + g.)	\$4,842,250	\$1,109,392	\$259,318	\$27,744
i. Expected final incurred claims per enrollee (h. / e. / 12)	\$1,076.06	\$2,054.43	\$745.17	\$1,156.02
j. Estimated annual administrative and other expenses	\$833,760	\$96,914	\$43,288	\$2,990
k. Expected claim and expense costs (h. + j.)	\$5,676,010	\$1,206,306	\$302,606	\$30,735
l. Expected monthly costs per enrollee for 2014/2015 (k. / e. / 12)	\$1,261.34	\$2,233.84	\$869.63	\$1,280.63
m. Current 2013/2014 per enrollee premium (based on projected 2014/2015 enrollment)	\$1,261.89	\$1,510.04	\$934.86	\$1,224.96
n. Required 2013/2014 Increase/-Decrease	0.0%	47.9%	-7.0%	4.5%

From Table 3

From Table 2A and Table 2B

**COST PROJECTION FOR JULY 2013 - JUNE 2014 PLAN YEAR
DENTAL AND VISION**

	July 2013 -June 2014	
	Dental	Vision
a. Updated monthly incurred claims per enrollee for 2013/2014	\$86.14	\$10.34
b. Claims margin	10%	10%
c. Expected monthly incurred claims with margin per enrollee (a. x (1 + b.))	\$94.75	\$11.37
d. Expected number of enrollees	1,165	1,205
e. Expected incurred claims (c. x d. x 12)	\$1,324,600	\$164,400
f. Estimated annual administrative and other expenses	\$137,360	\$26,991
g. Expected claim and expense costs (e. + f.)	\$1,461,960	\$191,391
h. Updated expected monthly costs per enrollee for 2013/2014 (g. / d. / 12)	\$104.58	\$13.24
i. Current 2013/2014 per enrollee premium (based on projected 2013/2014 enrollment)	\$122.84	\$14.83
j. Increase / - Decrease current premium to updated expected cost	-14.9%	-10.7%

From Table 2A

**COST PROJECTION FOR JULY 2014 - JUNE 2015 PLAN YEAR
DENTAL AND VISION**

	July 2014 -June 2015	
	Dental	Vision
a. Expected monthly incurred claims per enrollee for 2014/2015	\$93.33	\$10.78
b. Claims margin	10%	10%
c. Expected monthly incurred claims with margin per enrollee (a. x (1 + b.))	\$102.66	\$11.86
d. Expected number of enrollees	1,165	1,190
e. Expected incurred claims (c. x d. x 12)	\$1,435,200	\$169,400
f. Estimated annual administrative and other expenses	\$137,983	\$26,704
g. Expected claim and expense costs (e. + f.)	\$1,573,183	\$196,104
h. Expected monthly costs per enrollee for 2014/2015 (g. / d. / 12)	\$112.54	\$13.73
i. Current 2013/2014 per enrollee premium (based on projected 2014/2015 enrollment)	\$122.58	\$14.90
j. Required 2014/2015 Increase / - Decrease (h. / i. - 1)	-8.2%	-7.8%

From Table 2A

Table 8a

Weighted Average - Medical Cost, City Contribution and Employee Contribution

Active PPO - All employees except Stockton Police Officers Association (SPOA)	Projected 2014/15 Enrollment	Fiscal 2013/14			Fiscal 2014/15		
		City		Employee	City		Employee
		Medical Cost	Contribution	Contribution	Medical Cost	Contribution	Contribution
Employee only	69	\$ 662.38	\$ 522.00	\$ 140.38	\$ 659.89	\$ 522.00	\$ 137.89
Employee plus 1 dependent	73	1,192.29	950.00	242.29	1,188.73	950.00	238.73
Employee plus 2 or more dependents	134	1,589.72	1,262.00	327.72	1,591.69	1,262.00	329.69
Composite	276	\$ 1,252.77	\$ 994.48	\$ 258.29	\$ 1,252.16	\$ 994.48	\$ 257.68
% Change from 2013/14					0.0%		-0.2%

Active PPO - Stockton Police Officers Association (SPOA)	Projected 2014/15 Enrollment	Fiscal 2013/14			Fiscal 2014/15		
		City		Employee	City		Employee
		Medical Cost	Contribution	Contribution	Medical Cost	Contribution	Contribution
Employee only	22	\$ 662.38	\$ 481.00	\$ 181.38	\$ 659.89	\$ 481.00	\$ 178.89
Employee plus 1 dependent	24	1,192.29	875.00	317.29	1,188.73	875.00	313.73
Employee plus 2 or more dependents	53	1,589.72	1,165.00	424.72	1,591.69	1,165.00	426.69
Composite	99	\$ 1,287.30	\$ 942.70	\$ 344.60	\$ 1,286.94	\$ 942.70	\$ 344.24
% Change from 2013/14					0.0%		-0.1%

Active Kaiser DHMO - Non-SPOA	Projected 2014/15 Enrollment	Fiscal 2013/14			Fiscal 2014/15		
		City		Employee	City		Employee
		Medical Cost	Contribution	Contribution	Medical Cost	Contribution	Contribution
Employee only	124	\$ 512.08	\$ 512.08	\$ -	\$ 523.82	\$ 522.00	\$ 1.82
Employee plus 1 dependent	106	921.74	921.74	-	942.89	942.89	-
Employee plus 2 or more dependents	300	1,228.99	1,228.99	-	1,257.18	1,257.18	-
Composite	530	\$ 999.81	\$ 999.81	\$ -	\$ 1,022.74	\$ 1,022.32	\$ 0.43
% Change from 2013/14					2.3%		

Active Kaiser DHMO - SPOA	Projected 2014/15 Enrollment	Fiscal 2013/14			Fiscal 2014/15		
		City		Employee	City		Employee
		Medical Cost	Contribution	Contribution	Medical Cost	Contribution	Contribution
Employee only	63	\$ 512.08	\$ 481.00	\$ 31.08	\$ 523.82	\$ 481.00	\$ 42.82
Employee plus 1 dependent	15	\$ 921.74	875.00	46.74	942.89	875.00	67.89
Employee plus 2 or more dependents	112	1,228.99	1,165.00	63.99	1,257.18	1,165.00	92.18
Composite	190	\$ 967.02	\$ 915.31	\$ 51.72	\$ 989.20	\$ 915.31	\$ 73.90
% Change from 2013/14					2.3%		43%

Weighted Cost (PPO and Kaiser Combined - Total enrollment of 1,095)		\$ 1,098.63	\$ 989.53	\$ 109.10			
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Table 8b
Weighted Average - Dental Cost, City Contribution and Employee Contribution

All employees	Projected 2014/15 Enrollment	Fiscal 2013/14			Fiscal 2014/15		
		Dental Cost	City Contribution	Employee Contribution	Dental Cost	City Contribution	Employee Contribution
Employee only	301	\$ 60.02	\$ -	\$ 60.02	\$ 55.11	\$ -	\$ 55.11
Employee plus 1 dependent	280	120.04	-	120.04	110.20	-	110.20
Employee plus 2 or more dependents	584	156.05	-	156.05	143.26	-	143.26
Composite	1,165	\$ 122.58	\$ -	\$ 122.58	\$ 112.54	\$ -	\$ 112.54
% Change from 2013/14					-8.2%		-8.2%

Table 8c
Weighted Average - Vision Cost, City Contribution and Employee Contribution

All employees	Projected 2014/15 Enrollment	Fiscal 2013/14			Fiscal 2014/15		
		Vision Cost	City Contribution	Employee Contribution	Vision Cost	City Contribution	Employee Contribution
Employee only	289	\$ 7.24	\$ -	\$ 7.24	\$ 6.68	\$ -	\$ 6.68
Employee plus 1 dependent	308	14.49	-	14.49	13.35	-	13.35
Employee plus 2 or more dependents	593	18.84	-	18.84	17.36	-	17.36
Composite	1,190	\$ 14.90	\$ -	\$ 14.90	\$ 13.73	\$ -	\$ 13.73
% Change from 2013/14					-7.8%		-7.8%

*Projected enrollment by tier is based on the medical enrollment as this information is not available

OTHER ASSUMPTIONS

The financial projection is based on the following assumptions:

1. Data

Medical claims and stop loss reimbursement - Delta Health Systems (Third Party Administrator)
 Prescription drugs claims and rebate information - Medco and Caremark effective July 1, 2012
 Dental claims - Delta Dental
 Vision claims - VSP
 Internal Administrative expense - City

2. Trend (Based on Industry Trends)

Medical Claims	11%
Stop Loss (Ullico)	20%
Kaiser	Actual Rates
Prescription Drug Claims	8%
Prescription Drug Rebates	10% of total Prescription Drug claims
Dental Claims	6%
Vision Claims	4%

OTHER ASSUMPTIONS

3. Margin - The financial projection includes 10% margin for actives and 15% for retirees. These are recommended factors for plans that have not established sufficient reserves.

4. Stop-Loss - Claims over the stop-loss amount for the one-year period from July 1, 2011 through June 30, 2012 were provided by Delta Health Systems. There were no claims over the stop-loss amount for the one-year period from July 1, 2012 through June 30, 2013. Stop-loss reimbursement of \$64,000 has been reported through October 2013 for 2013-2014 policy year. Attachment point was \$250,000 for 2010/2011, \$275,000 for 2011/2012 and it was further increased to \$350,000 for 2012/2013 and 2013/2014.

5. Administrative Expenses - 2013/2014 administrative fees for Delta Health Systems, Keenan, Vision and Dental were provided by the vendors. Internal administrative expenses were trended based on last projection.

Third Party Administrator (Delta Health Systems)	3%	Effective January 1, 2015
Anthem Blue Cross PPO Network Fees	3%	
Eligibility Administration (Keenan)	Actual	
Dental (Delta Dental ASO fee based on RFP results guarantee through 6/30/16)	Actual	
Vision (VSP ASO fee based on RFP results guarantee through 6/30/16)	Actual	
City Internal Administrative Expense	3%	

RESERVE FACTOR GUIDELINES - CITY SELF-FUNDED PLAN

Reserves	Importance	Why	Methodology	Percent*	2012/2013 Reserves
Incurred But Not Reported (IBNR)	Required	To cover expenses for already incurred claims that have not been paid.	Factor or Lag model	15%	\$2,164,100
Claims Fluctuation Reserve (CFR)	Recommended	To cover expenses in excess of projected levels due to: 1) Large Claims - Risk of unexpected increases in the number and/or size of claims incurred by individual participants. 2) Client Claims - Overall plan claims experience developing at a variance	Takes into consideration the Individual Stop Loss Level and is based on the factors from published methodology	24%	\$3,464,700
Economic	Optional	To cover expenses when available sources of revenue develop at less than projected levels due to country and state recession or other changes to expected revenues.	25% minimal 50% optimal	50%	\$7,162,500
Total					\$12,791,300

* Calculated as percent of Medical, Rx, Dental and Vision paid claims for period July 1, 2012 through June 30, 2013.

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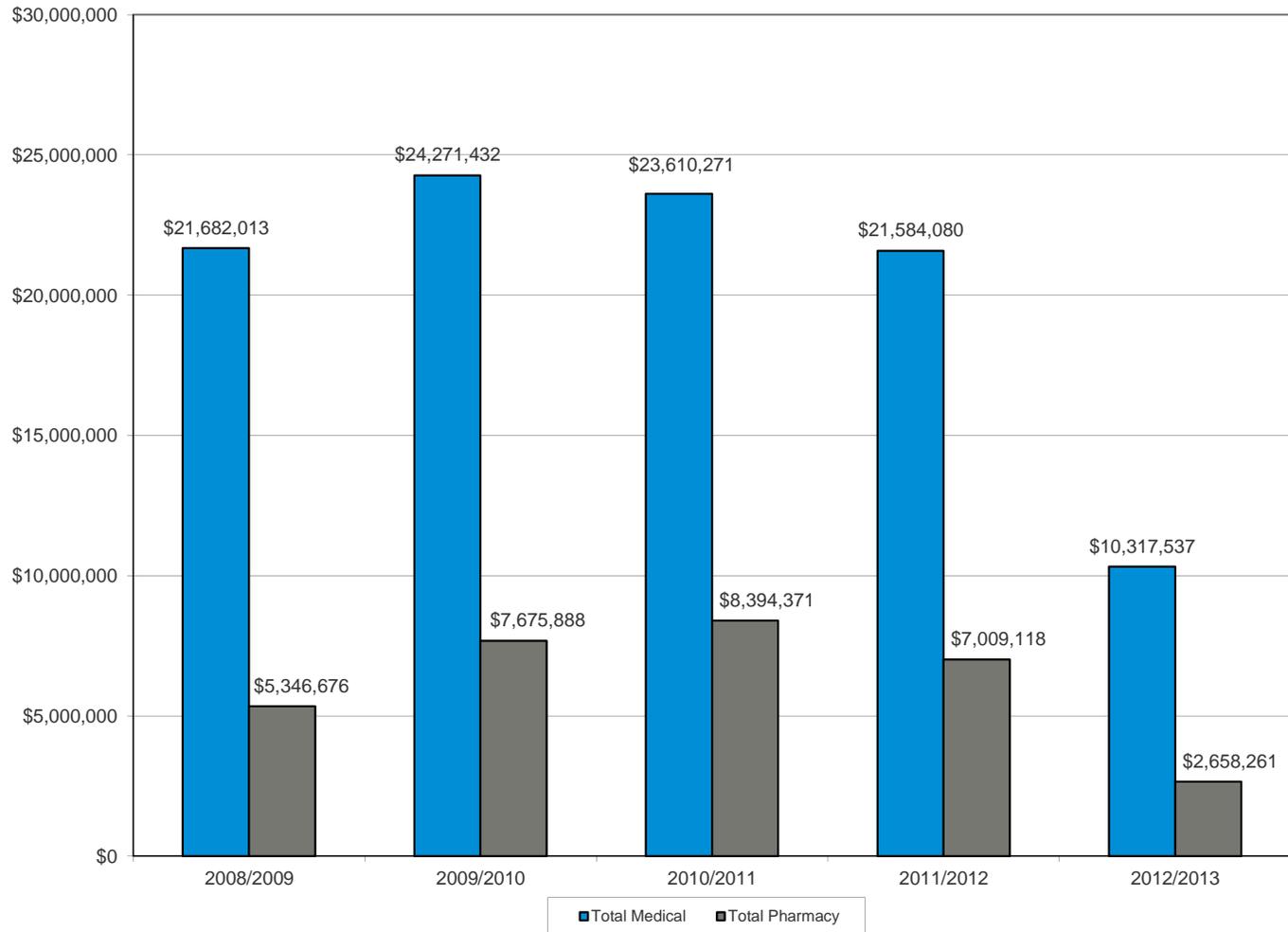
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CITY OF STOCKTON - HISTORICAL EXPENDITURES

The total medical costs decreased by 52% from 2011/2012 to 2012/2013.

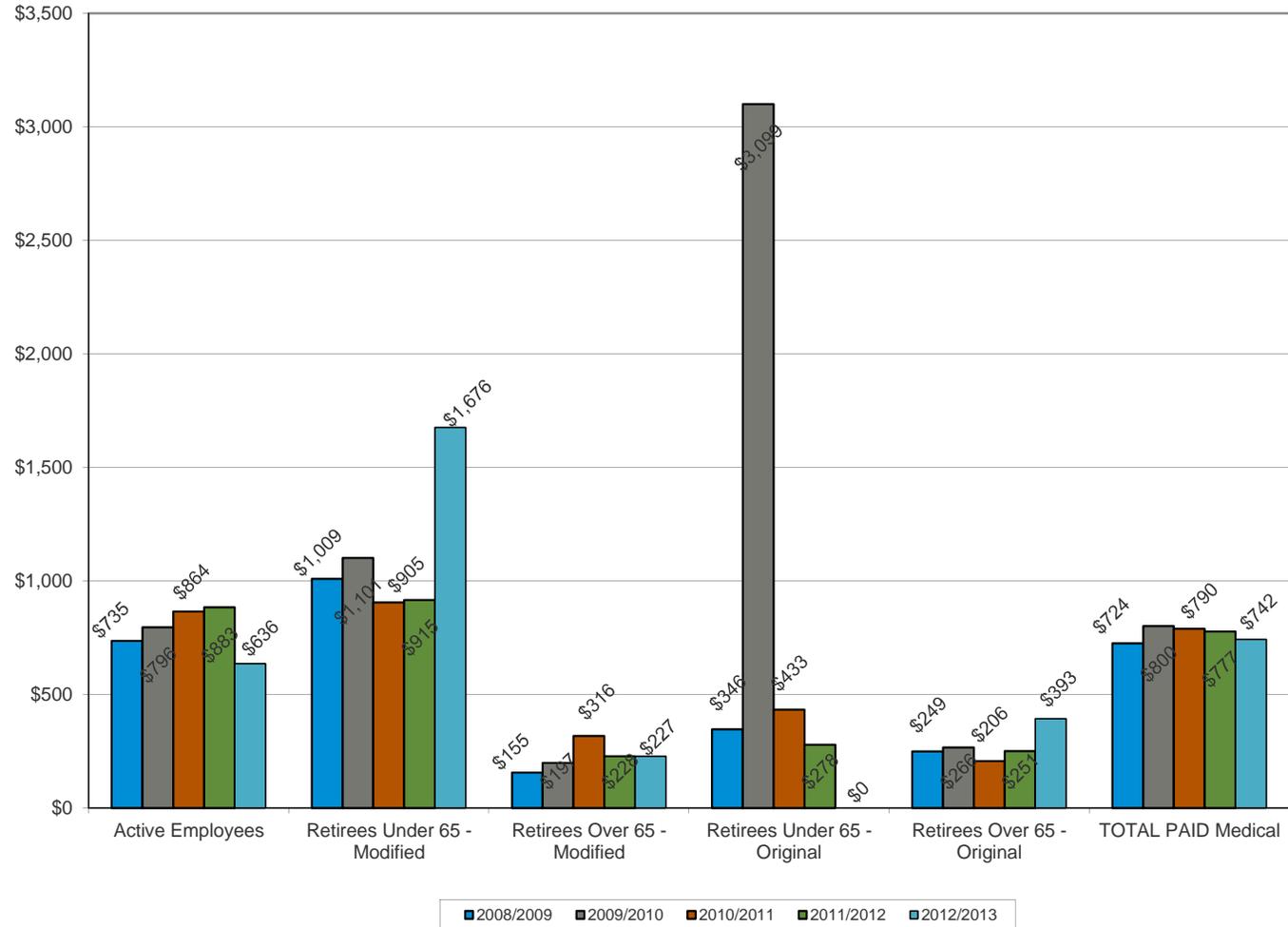
The total prescription drug costs decreased by 62% from 2011/2012 to 2012/2013.

The decreases are due to a 46.5% decline in enrollment as a result of migration to the Kaiser active plan introduced in September 2011 and the changes in City's contributions.



CITY OF STOCKTON - PER CAPITA MONTHLY MEDICAL COSTS

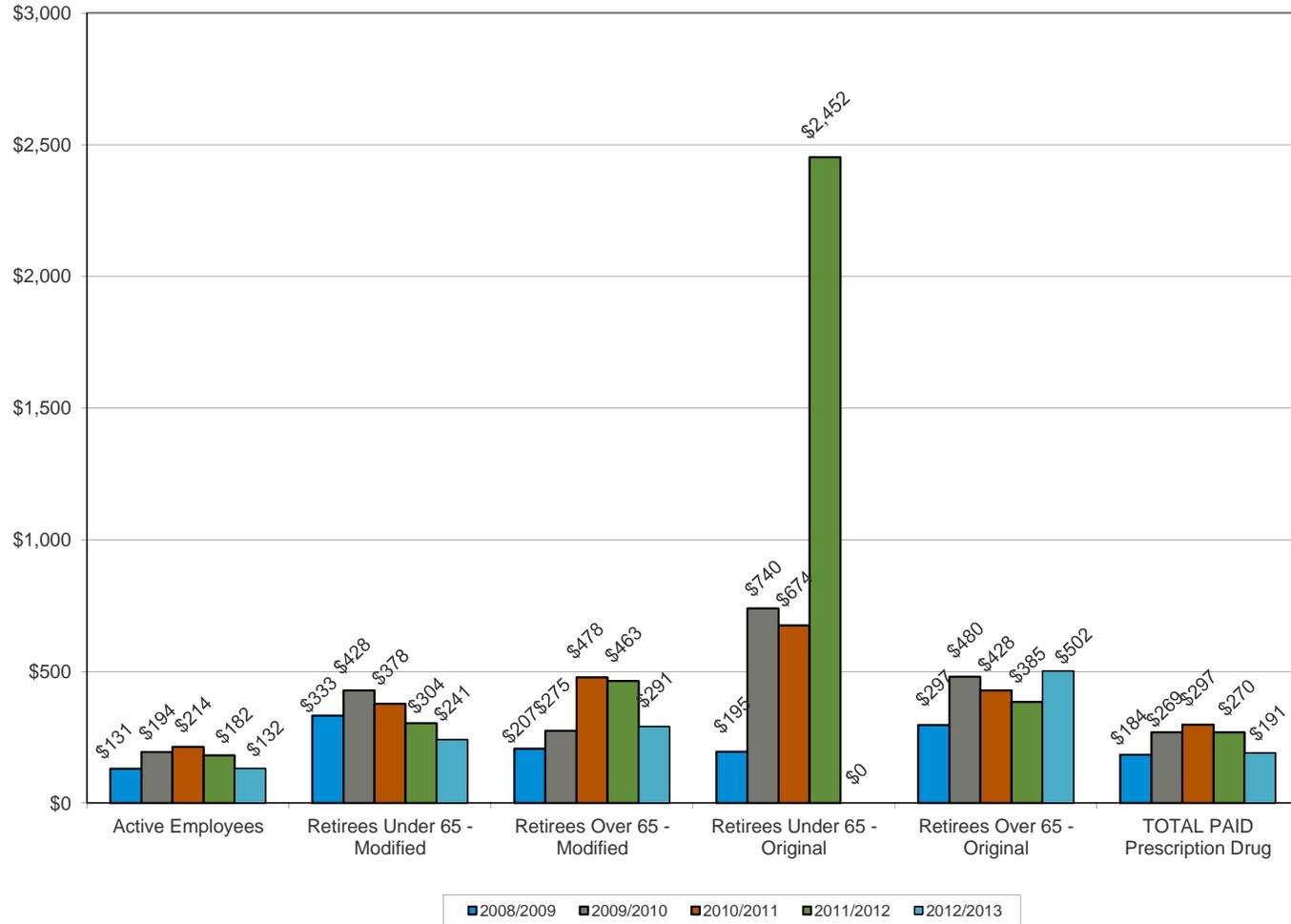
While the total medical costs decreased by 52%, the total overall per eligible per month (PEPM) medical costs decreased by 4.5% from 2011/2012 to 2012/2013.



CITY OF STOCKTON - PER CAPITA MONTHLY PRESCRIPTION DRUG COSTS

The total per employee per month (PEPM) prescription drug costs decreased by 29% from 2011/2012 to 2012/2013.

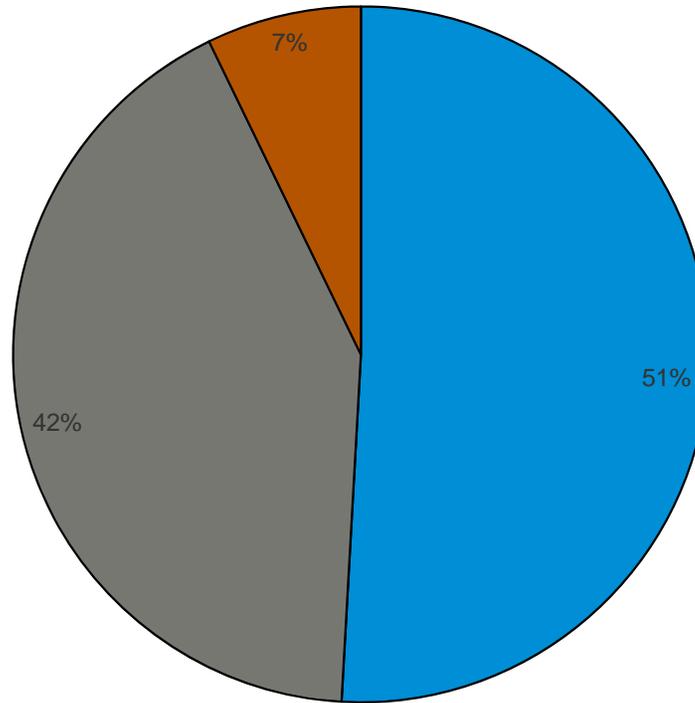
The decrease is mainly due to savings from changing PBM contract from Medco to Caremark effective July 1, 2012.



CITY OF STOCKTON - MEDICAL CLAIMS DISTRIBUTION AS OF JUNE 2013

Over 65 retiree enrollment in the plan was 22% while claims were 7% of total claims.

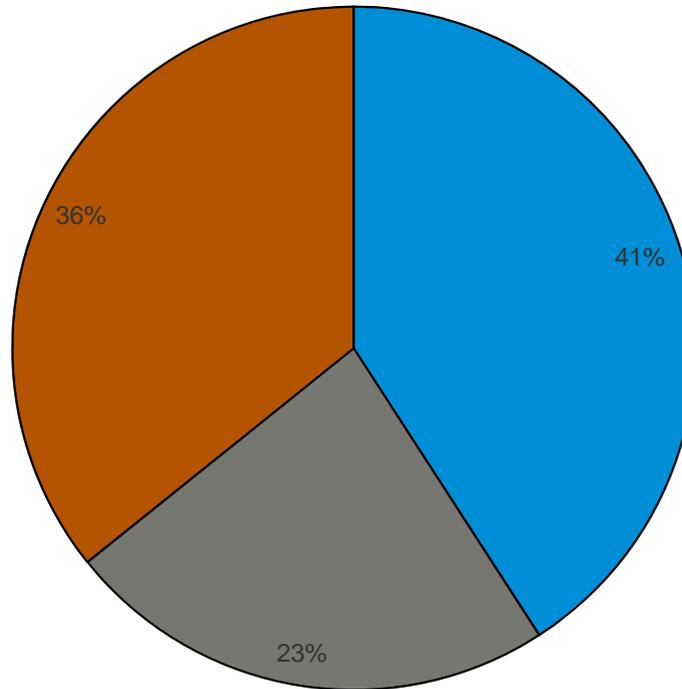
Under 65 retiree enrollment in the plan was 19% while claims were 42% of total claims.



■ Active Employees ■ Retirees Under 65 ■ Retirees Over 65

CITY OF STOCKTON - PRESCRIPTION DRUG CLAIMS DISTRIBUTION AS OF JUNE 2013

Ratio of expenses by enrollment group was almost one third each last year. The ratio for retirees under 65 decreased from 36% to 23% while the ratio increased in the other two categories in 2013. Retirees over 65 represent 22% of enrollment but 36% in claims and have the highest per capita expense in the plan.

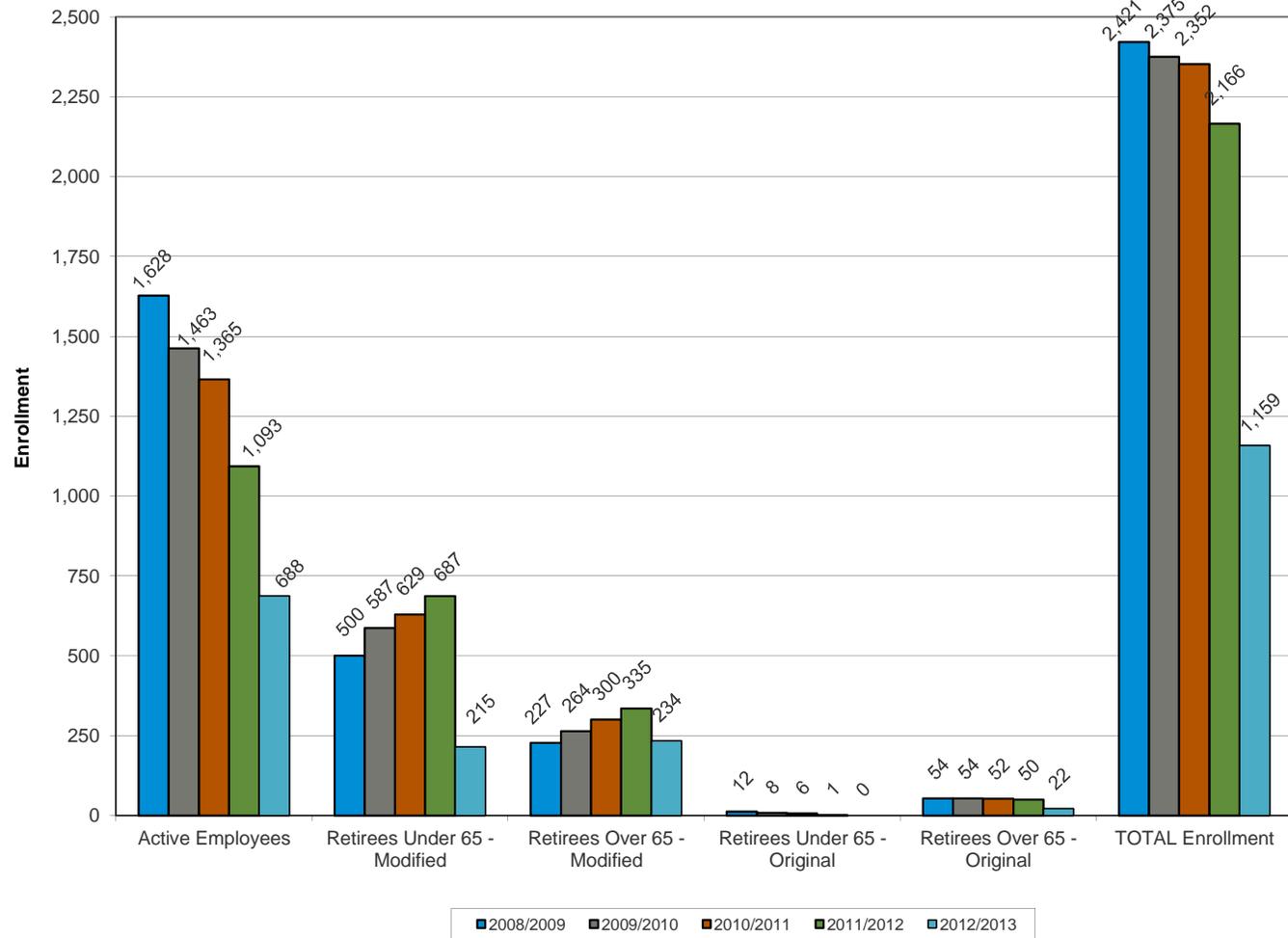


■ Active Employees ■ Retirees Under 65 ■ Retirees Over 65

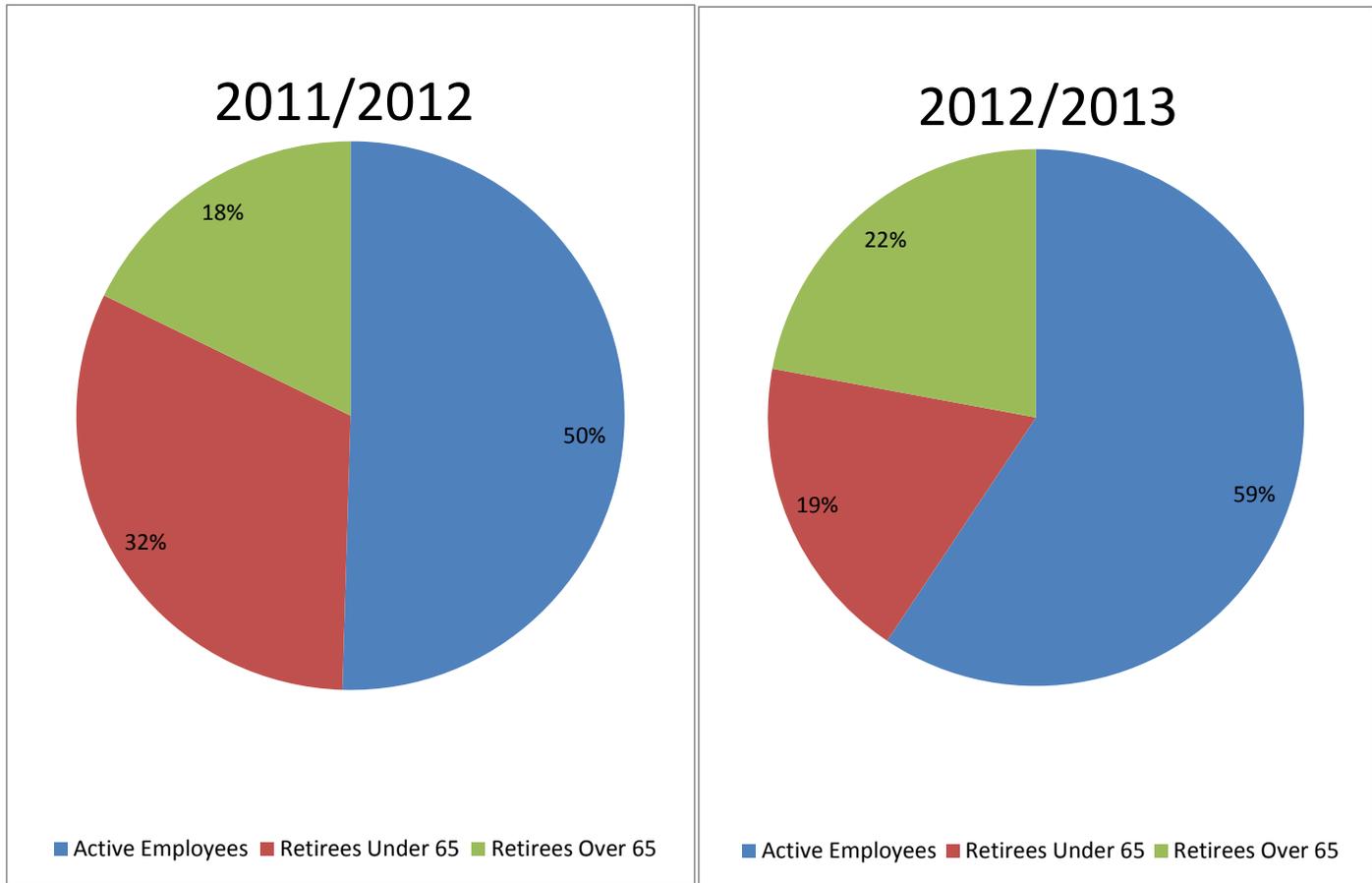
CITY OF STOCKTON - PPO PLAN ENROLLMENT HISTORY

The total enrollment in the PPO plan for 2012/2013 decreased 46.5% from 2011/2012. Active enrollment decreased by 37% and retiree enrollment decreased by 56%.

Enrollment has migrated to the Kaiser plan which was introduced for actives starting September 2011. The reduction in the City's contributions for actives and retirees also caused a significant drop in enrollment since July 1, 2012.



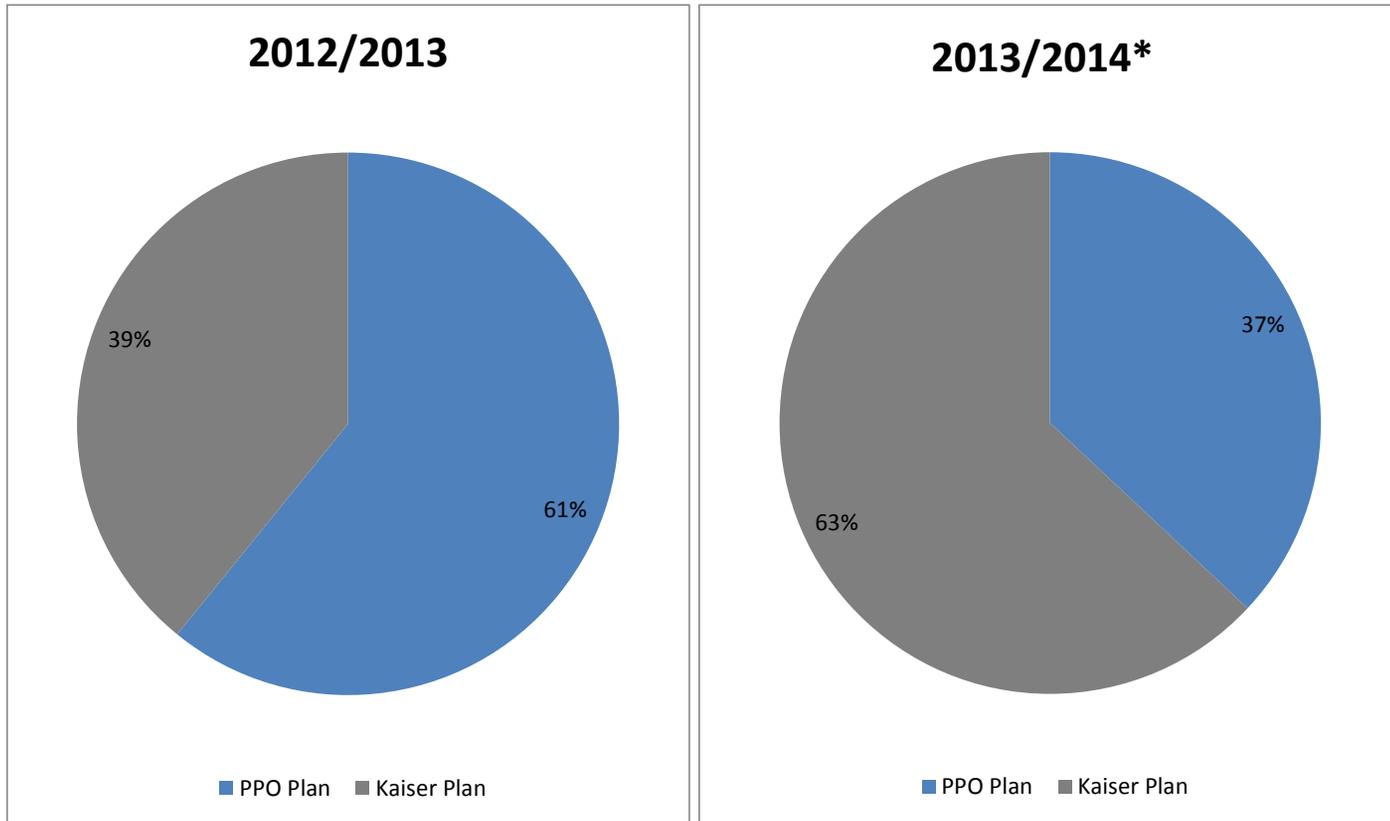
CITY OF STOCKTON - ENROLLMENT DISTRIBUTION AS OF JUNE 2013



CITY OF STOCKTON - ACTIVE ENROLLMENT DISTRIBUTION

Average active enrollment decreased 8.4% overall in 2012/2013 compared to 2011/2012.

Average active enrollment decreased 3.6% overall in the first 4 months of 2013/2014 compared to 2012/2013.



Average Enrollment by Plan

	PPO Plan	Kaiser Plan	Total
2011/2012	1,093	141	1,234
2012/2013	688	442	1,130
2013/2014*	403	686	1,089

* Average enrollment from July through October 2013.

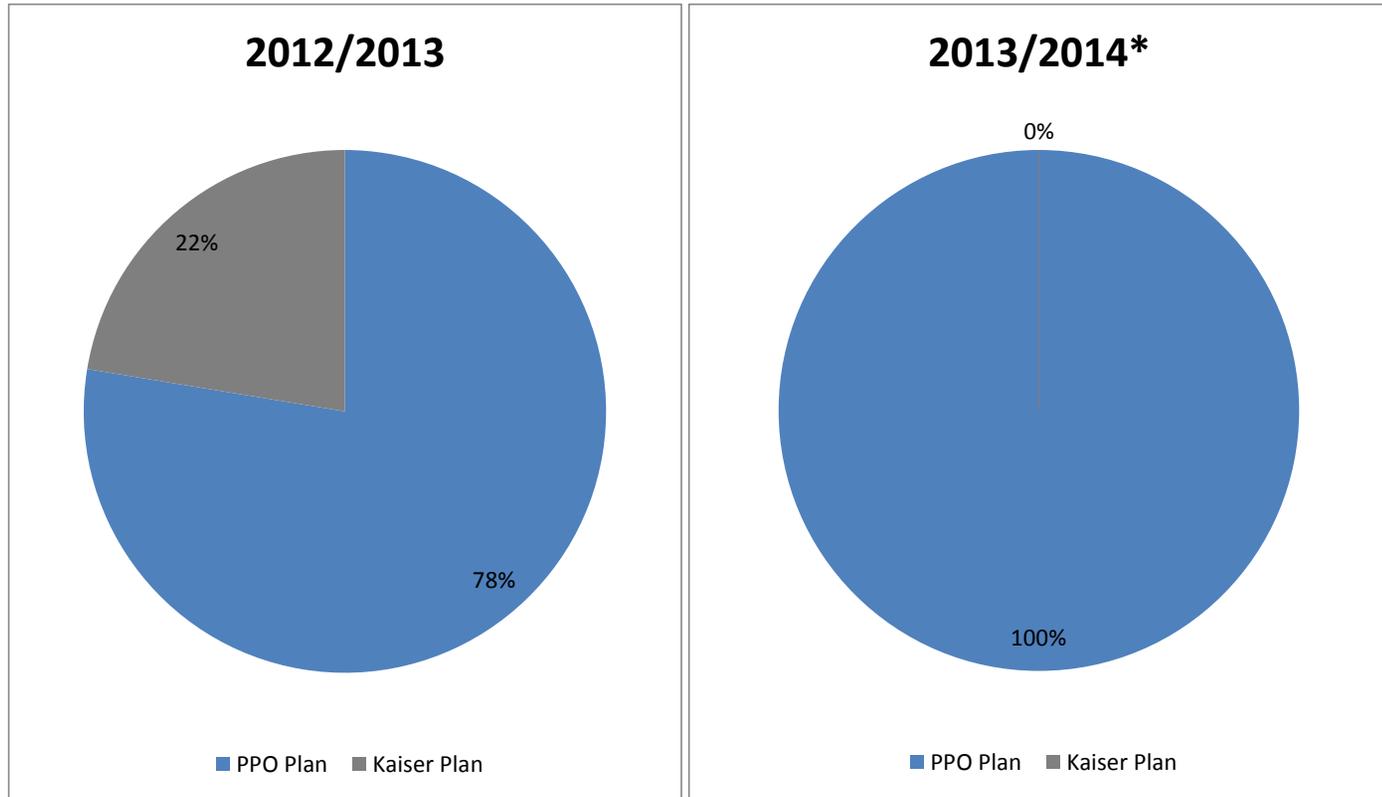
CITY OF STOCKTON - RETIREE UNDER 65 ENROLLMENT DISTRIBUTION

Average retiree under 65 enrollment decreased 60% in 2012/2013 compared to 2011/2012.

Average retiree under 65 enrollment decreased 71% overall in the first four months of 2013/2014 compared to 2012/2013.

Kaiser retiree plan was terminated effective June 30, 2013 due to elimination of City's contributions.

The significant drop in enrollment for retirees is due to contribution changes made since July 1, 2012. Effective July 1, 2013, retirees must contribute the entire cost of coverage to participate in the City's health plans.



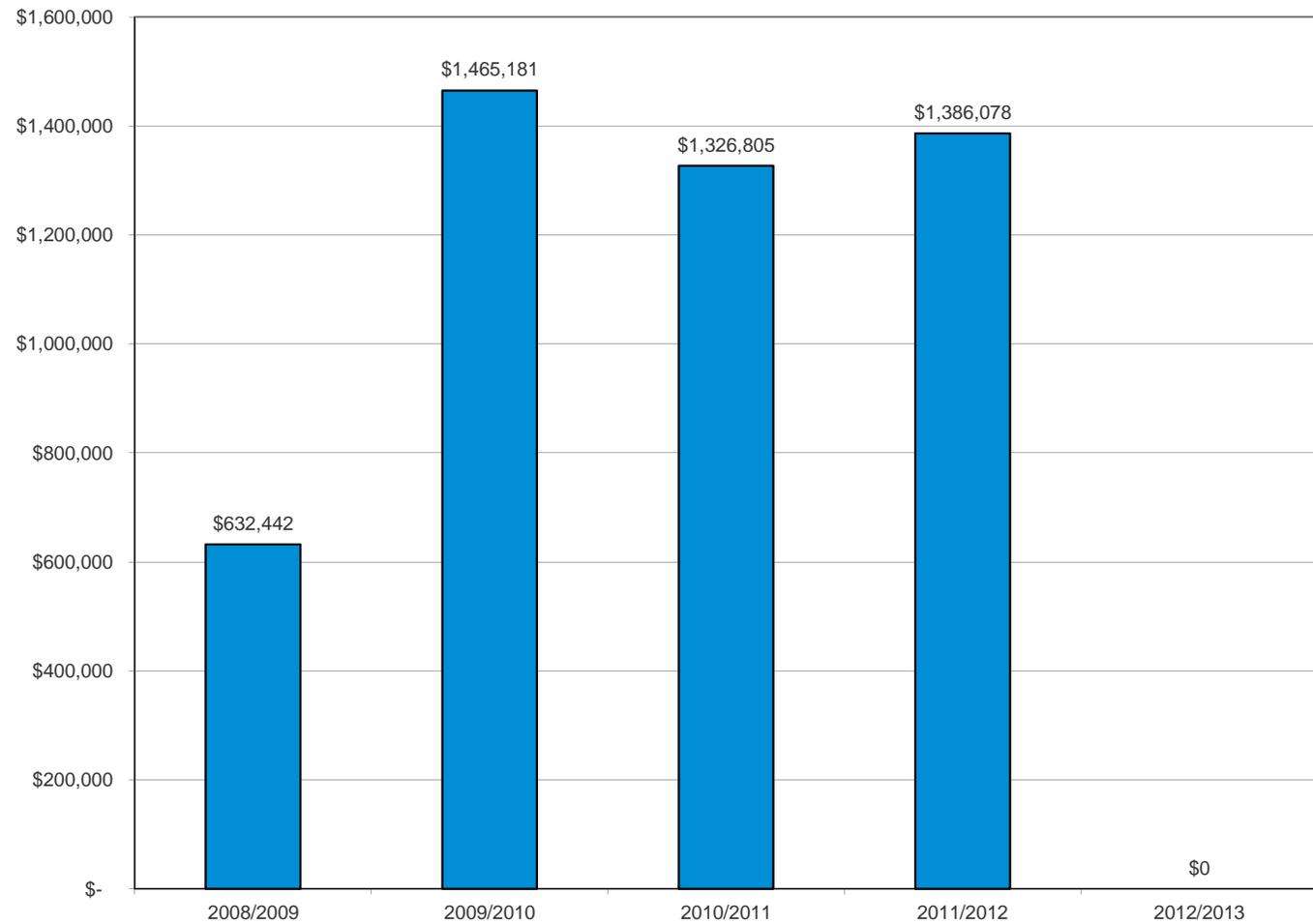
Average Enrollment by Plan

	PPO Plan	Kaiser Plan	Total
2011/2012	688	N/A	688
2012/2013	215	62	277
2013/2014*	79	N/A	79

* Average enrollment from July through October 2013.

CITY OF STOCKTON - STOP-LOSS REIMBURSEMENT HISTORY

There was no Stop-loss reimbursement in 2012/2013. The average over the past 3 years and the past 5 years are \$904,294 and \$962,101 respectively.



PPO MEDICAL CLAIMS EXPERIENCE (Before Stop Loss Claims Adjustments)

Period	Active Employees			Retirees Under 65 (Original and Modified Plans)			Retirees Over 65 (Original and Modified Plans)		
	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM
Jul-11	1,281	\$1,041,902	\$813.35	685	\$679,692	\$992.25	365	\$69,628	\$190.76
Aug-11	1,241	\$1,654,406	\$1,333.12	693	\$896,462	\$1,293.60	366	\$101,889	\$278.39
Sep-11	1,139	\$1,259,128	\$1,105.47	693	\$902,034	\$1,301.64	372	\$90,179	\$242.42
Oct-11	1,133	\$1,322,219	\$1,167.01	690	\$691,209	\$1,001.75	379	\$93,658	\$247.12
Nov-11	1,126	\$1,020,521	\$906.32	689	\$842,752	\$1,223.15	380	\$165,216	\$434.78
Dec-11	1,122	\$920,773	\$820.65	690	\$603,360	\$874.44	380	\$59,595	\$156.83
Jan-12	1,010	\$1,216,178	\$1,204.14	686	\$706,401	\$1,029.74	388	\$136,468	\$351.72
Feb-12	1,010	\$529,874	\$524.63	685	\$675,909	\$986.73	388	\$55,747	\$143.68
Mar-12	1,007	\$527,283	\$523.62	686	\$757,536	\$1,104.28	393	\$60,930	\$155.04
Apr-12	1,018	\$913,672	\$897.52	682	\$437,644	\$641.71	399	\$68,622	\$171.98
May-12	1,015	\$877,461	\$864.49	686	\$511,614	\$745.79	401	\$83,607	\$208.50
Jun-12	1,019	\$600,961	\$589.76	693	\$929,765	\$1,341.65	402	\$79,786	\$198.47
Total	13,121	\$11,884,377	\$905.75	8,258	\$8,634,379	\$1,045.58	4,613	\$1,065,324	\$230.94
Average	1,093	\$990,365	\$905.75	688	\$719,532	\$1,045.58	384	\$88,777	\$230.94
Jul-12	758	\$435,199	\$574.14	342	\$1,378,750	\$4,031.43	323	\$144,043	\$445.95
Aug-12	753	\$478,933	\$636.03	316	\$330,246	\$1,045.08	297	\$45,096	\$151.84
Sep-12	747	\$493,362	\$660.46	294	\$549,006	\$1,867.37	285	\$95,728	\$335.89
Oct-12	747	\$512,885	\$686.59	278	\$278,091	\$1,000.33	283	\$39,523	\$139.66
Nov-12	750	\$391,906	\$522.54	203	\$218,765	\$1,077.66	263	\$52,170	\$198.36
Dec-12	748	\$463,290	\$619.37	190	\$514,512	\$2,707.96	260	\$100,934	\$388.21
Jan-13	731	\$419,515	\$573.89	181	\$200,927	\$1,110.09	233	\$46,871	\$201.16
Feb-13	612	\$223,587	\$365.34	178	\$58,751	\$330.06	231	\$9,360	\$40.52
Mar-13	608	\$431,485	\$709.68	168	\$164,329	\$978.15	229	\$42,173	\$184.16
Apr-13	604	\$404,598	\$669.86	158	\$162,948	\$1,031.31	230	\$45,472	\$197.70
May-13	599	\$575,478	\$960.73	140	\$373,230	\$2,665.93	220	\$69,340	\$315.18
Jun-13	594	\$419,886	\$706.88	127	\$95,461	\$751.66	216	\$51,691	\$239.31
Total	8,251	\$5,250,122	\$636.30	2,575	\$4,325,016	\$1,679.62	3,070	\$742,399	\$241.82
Average	688	\$437,510	\$636.30	215	\$360,418	\$1,679.62	256	\$61,867	\$241.82
Percent Change	-37.1%	-55.8%	-29.7%	-68.8%	-49.9%	60.6%	-33.4%	-30.3%	4.7%
Jul-13	403	\$636,042	\$1,578.27	86	\$140,718	\$1,636.25	59	\$32,918	\$557.92
Aug-13	403	\$192,065	\$476.59	79	\$172,550	\$2,184.18	48	\$20,387	\$424.74
Sep-13	400	\$582,905	\$1,457.26	78	\$441,186	\$5,656.23	46	\$30,614	\$665.52
Oct-13	404	\$280,982	\$695.50	74	\$286,933	\$3,877.47	45	\$16,916	\$375.91
Total (4-month)	1,610	\$1,691,993	\$1,050.93	317	\$1,041,386	\$3,285.13	198	\$100,834	\$509.26
Average	403	\$422,998	\$1,050.93	79	\$260,347	\$3,285.13	50	\$25,209	\$509.26
Percent Change	-41.5%	-3.3%	65.2%	-63.1%	-27.8%	95.6%	-80.7%	-59.3%	110.6%

YTD 2013-2014 medical paid claims are significantly higher than prior year in all plans. (see highlighted)

PPO PRESCRIPTION DRUG CLAIMS EXPERIENCE

Period	Active Employees			Retirees Under 65 (Original and Modified Plans)			Retirees Over 65 (Original and Modified Plans)		
	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM
Jul-11	1,281	\$239,801	\$187.20	685	\$226,280	\$330.34	365	\$181,860	\$498.25
Aug-11	1,241	\$249,902	\$201.37	693	\$221,970	\$320.30	366	\$176,865	\$483.24
Sep-11	1,139	\$347,658	\$305.23	693	\$289,728	\$418.08	372	\$269,821	\$725.32
Oct-11	1,133	\$151,057	\$133.32	690	\$188,751	\$273.55	379	\$160,265	\$422.86
Nov-11	1,126	\$183,442	\$162.91	689	\$178,073	\$258.45	380	\$144,875	\$381.25
Dec-11	1,122	\$195,211	\$173.98	690	\$181,168	\$262.56	380	\$143,871	\$378.61
Jan-12	1,010	\$175,538	\$173.80	686	\$195,233	\$284.60	388	\$184,250	\$474.87
Feb-12	1,010	\$173,119	\$171.40	685	\$198,165	\$289.29	388	\$163,267	\$420.79
Mar-12	1,007	\$149,914	\$148.87	686	\$197,235	\$287.52	393	\$157,432	\$400.59
Apr-12	1,018	\$248,651	\$244.25	682	\$272,201	\$399.12	399	\$203,772	\$510.71
May-12	1,015	\$143,265	\$141.15	686	\$193,091	\$281.47	401	\$169,834	\$423.53
Jun-12	1,019	\$124,596	\$122.27	693	\$191,022	\$275.64	402	\$137,937	\$343.13
Total	13,121	\$2,382,152	\$181.55	8,258	\$2,532,917	\$306.72	4,613	\$2,094,050	\$453.95
Average	1,093	\$198,513	\$181.55	688	\$211,076	\$306.72	384	\$174,504	\$453.95
Jul-12	758	\$79,519	\$104.91	342	\$60,881	\$178.01	323	\$84,204	\$260.69
Aug-12	753	\$76,656	\$101.80	316	\$75,939	\$240.31	297	\$91,322	\$307.48
Sep-12	747	\$75,618	\$101.23	294	\$55,461	\$188.64	285	\$74,921	\$262.88
Oct-12	747	\$105,040	\$140.62	278	\$65,194	\$234.51	283	\$105,479	\$372.72
Nov-12	750	\$96,321	\$128.43	203	\$51,089	\$251.67	263	\$83,623	\$317.96
Dec-12	748	\$96,435	\$128.92	190	\$41,082	\$216.22	260	\$82,754	\$318.29
Jan-13	731	\$99,486	\$136.10	181	\$54,932	\$303.49	233	\$81,250	\$348.71
Feb-13	612	\$93,164	\$152.23	178	\$41,122	\$231.02	231	\$64,875	\$280.84
Mar-13	608	\$84,429	\$138.86	168	\$48,703	\$289.90	229	\$86,551	\$377.95
Apr-13	604	\$89,013	\$147.37	158	\$53,132	\$336.28	230	\$79,835	\$347.11
May-13	599	\$93,681	\$156.40	140	\$35,493	\$253.52	220	\$61,376	\$278.98
Jun-13	594	\$96,565	\$162.57	127	\$38,583	\$303.80	216	\$54,533	\$252.47
Total	8,251	\$1,085,926	\$131.61	2,575	\$621,612	\$241.40	3,070	\$950,723	\$309.68
Average	688	\$90,494	\$131.61	215	\$51,801	\$241.40	256	\$79,227	\$309.68
Percent Change	-37.1%	-54.4%	-27.5%	-68.8%	-75.5%	-21.3%	-33.4%	-54.6%	-31.8%
Jul-13	403	\$60,673	\$150.55	86	\$18,970	\$220.58	59	\$25,543	\$432.94
Aug-13	403	\$56,639	\$140.54	79	\$27,964	\$353.98	48	\$15,589	\$324.76
Sep-13	400	\$65,241	\$163.10	78	\$15,677	\$200.99	46	\$16,973	\$368.99
Oct-13	404	\$65,625	\$162.44	74	\$20,374	\$275.32	45	\$13,534	\$300.76
Total (4-month)	1,610	\$248,177	\$154.15	317	\$82,984	\$261.78	198	\$71,640	\$361.82
Average	403	\$62,044	\$154.15	79	\$20,746	\$261.78	50	\$17,910	\$361.82
Percent Change	-41.5%	-31.4%	17.1%	-63.1%	-60.0%	8.4%	-80.7%	-77.4%	16.8%

YTD 2013-2014
prescription drugs paid
claims are significantly
higher than prior year in
all plans. (see highlighted)

VISION AND DENTAL CLAIMS EXPERIENCE

Period	Vision			Dental		
	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM
Jul-11	1,332	\$15,093	\$11.33	1,339	\$138,631	\$103.53
Aug-11	1,287	\$16,599	\$12.90	1,301	\$122,381	\$94.07
Sep-11	1,295	\$12,743	\$9.84	1,288	\$111,739	\$86.75
Oct-11	1,287	\$12,082	\$9.39	1,283	\$90,540	\$70.57
Nov-11	1,280	\$12,065	\$9.43	1,279	\$93,004	\$72.72
Dec-11	1,275	\$15,204	\$11.92	1,264	\$124,829	\$98.76
Jan-12	1,285	\$13,400	\$10.43	1,250	\$108,945	\$87.16
Feb-12	1,268	\$11,734	\$9.25	1,252	\$114,385	\$91.36
Mar-12	1,258	\$13,340	\$10.60	1,244	\$127,951	\$102.85
Apr-12	1,275	\$12,960	\$10.16	1,247	\$105,575	\$84.66
May-12	1,278	\$16,928	\$13.25	1,264	\$128,246	\$101.46
Jun-12	1,280	\$13,724	\$10.72	1,256	\$101,161	\$80.54
Total	15,400	\$165,872	\$10.77	15,267	\$1,367,387	\$89.56
Average	1,283	13,823	\$10.77	1,272	113,949	\$89.56
Jul-12	1,267	\$16,047	\$12.67	1,197	\$111,048	\$92.77
Aug-12	1,258	\$14,952	\$11.89	1,193	\$123,605	\$103.61
Sep-12	1,233	\$13,649	\$11.07	1,191	\$85,147	\$71.49
Oct-12	1,239	\$12,618	\$10.18	1,186	\$75,201	\$63.41
Nov-12	1,233	\$13,563	\$11.00	1,183	\$90,389	\$76.41
Dec-12	1,220	\$13,251	\$10.86	1,176	\$81,557	\$69.35
Jan-13	1,214	\$11,530	\$9.50	1,174	\$119,716	\$101.97
Feb-13	1,221	\$10,901	\$8.93	1,175	\$102,692	\$87.40
Mar-13	1,221	\$11,833	\$9.69	1,177	\$105,622	\$89.74
Apr-13	1,229	\$13,458	\$10.95	1,179	\$94,174	\$79.88
May-13	1,227	\$10,254	\$8.36	1,181	\$104,824	\$88.76
Jun-13	1,227	\$13,783	\$11.23	1,181	\$99,473	\$84.23
Total	14,789	\$155,839	\$10.54	14,193	\$1,193,448	\$84.09
Average	1,232	12,987	\$10.54	1,183	99,454	\$84.09
Percent Change	-4.0%	-6.0%	-2.2%	-7.0%	-12.7%	-6.1%
Jul-13	1,202	\$13,361	\$11.12	1,147	\$87,478	\$76.27
Aug-13	1,204	\$11,795	\$9.80	1,146	\$117,337	\$102.39
Sep-13	1,210	\$10,984	\$9.08	1,154	\$76,285	\$66.10
Oct-13	1,204	\$12,745	\$10.59	1,169	\$89,094	\$76.21
Total (4-month)	4,820	\$48,885	\$10.14	4,616	\$370,194	\$80.20
Average	1,205	12,221	\$10.14	1,154	92,548	\$80.20
Percent Change	-2.2%	-5.9%	-3.8%	-2.4%	-6.9%	-4.6%

ENROLLMENT - ACTIVES

Period	PPO PLAN		KAISER DHMO PLAN (Effective 9/1/11)		TOTAL	
	Primary Enrollees	Dependents	Primary Enrollees	Dependents	Primary Enrollees	Dependents
Jul-11	1,281	2,792			1,281	2,792
Aug-11	1,241	2,733			1,241	2,733
Sep-11	1,139	2,461	87	205	1,226	2,666
Oct-11	1,133	2,453	88	212	1,221	2,665
Nov-11	1,126	2,434	90	212	1,216	2,646
Dec-11	1,122	2,419	91	211	1,213	2,630
Jan-12	1,010	2,129	171	419	1,181	2,548
Feb-12	1,010	2,121	172	419	1,182	2,540
Mar-12	1,007	2,114	173	421	1,180	2,535
Apr-12	1,018	2,120	177	429	1,195	2,549
May-12	1,015	2,113	180	431	1,195	2,544
Jun-12	1,019	2,118	179	429	1,198	2,547
Total	13,121	28,007	1,408	3,388	14,529	31,395
Average	1,093	2,334	141	339	1,211	2,616
Jul-12	758	1,495	389	852	1,147	2,347
Aug-12	753	1,483	389	849	1,142	2,332
Sep-12	747	1,457	391	850	1,138	2,307
Oct-12	747	1,452	390	845	1,137	2,297
Nov-12	750	1,450	385	833	1,135	2,283
Dec-12	748	1,436	386	830	1,134	2,266
Jan-13	731	1,405	391	842	1,122	2,247
Feb-13	612	1,155	514	1,089	1,126	2,244
Mar-13	608	1,152	514	1,091	1,122	2,243
Apr-13	604	1,151	520	1,089	1,124	2,240
May-13	599	1,151	520	1,081	1,119	2,232
Jun-13	594	1,149	520	1,081	1,114	2,230
Total	8,251	15,936	5,309	11,332	13,560	27,268
Average	688	1,328	442	944	1,130	2,272
Percent Change	-37.1%	-43.1%	214.2%	178.7%	-6.7%	-13.1%
Jul-13	403	725	676	1,377	1,079	2,102
Aug-13	403	733	686	1,385	1,089	2,118
Sep-13	400	722	689	1,399	1,089	2,121
Oct-13	404	722	691	1,406	1,095	2,128
Total (4-month)	1,610	2,902	2,742	5,567	4,352	8,469
Average	403	726	686	1,392	1,088	2,117
Percent Change	-41.5%	-45.4%	55.1%	47.4%	-3.7%	-6.8%

ENROLLMENT - RETIREES

Period	RETIREES UNDER 65						RETIREES OVER 65	
	PPO PLAN		KAISER DHMO PLAN (Effective 9/1/12)		TOTAL		TOTAL	
	Primary Enrollees	Dependents	Primary Enrollees	Dependents	Primary Enrollees	Dependents	Primary Enrollees	Dependents
Jul-11	685	638			685	638	365	253
Aug-11	693	632			693	632	366	255
Sep-11	693	628			693	628	372	258
Oct-11	690	625			690	625	379	263
Nov-11	689	621			689	621	380	264
Dec-11	690	618			690	618	380	263
Jan-12	686	610			686	610	388	273
Feb-12	685	610			685	610	388	273
Mar-12	686	602			686	602	393	276
Apr-12	682	599			682	599	399	279
May-12	686	596			686	596	401	280
Jun-12	693	596			693	596	402	278
Total	8,258	7,375	0	0	8,258	7,375	4,613	3,215
Average	688	615	N/A	N/A	688	615	384	268
Jul-12	342	194			342	194	323	201
Aug-12	316	163			316	163	297	173
Sep-12	294	146	0	0	294	146	285	162
Oct-12	278	138	0	0	278	138	283	156
Nov-12	203	106	89	40	292	146	263	144
Dec-12	190	99	89	40	279	139	260	141
Jan-13	181	92	89	40	270	132	233	113
Feb-13	178	92	90	41	268	133	231	109
Mar-13	168	87	89	41	257	128	229	107
Apr-13	158	83	88	41	246	124	230	105
May-13	140	70	105	48	245	118	220	98
Jun-13	127	59	105	48	232	107	216	93
Total	2,575	1,329	744	339	3,319	1,668	3,070	1,602
Average	215	111	62	28	277	139	256	134
Percent Change	-68.8%	-82.0%	N/A	N/A	-59.8%	-77.4%	-33.4%	-50.2%
Jul-13	86	48	N/A	N/A	86	48	59	41
Aug-13	79	42	N/A	N/A	79	42	48	35
Sep-13	78	42	N/A	N/A	78	42	46	33
Oct-13	74	37	N/A	N/A	74	37	45	32
Total (4-month)	317	169	N/A	N/A	317	169	198	141
Average	79	42	N/A	N/A	79	42	50	35
Percent Change	-63.1%	-61.9%	N/A	N/A	-71.3%	-69.6%	-80.7%	-73.6%