

INTRODUCTION

Under the provisions of Public Employees Health Benefit Act (PA 106), Wyandotte Public Schools requested D.R.M. Stakor & Associates, Inc. to seek proposals for alternatives to their existing employee benefits for Health, Prescription Drug, Dental, and Vision coverages. Wyandotte Public Schools currently provides:

<u>Coverage</u>	<u>Teachers</u>	<u>All Other Eligible Employees</u>
Health	Blue Cross Blue Shield of MI	Blue Cross Blue Shield of MI
Prescription Drug	Blue Cross Blue Shield of MI	CVS/Caremark
Dental Care	Blue Cross Blue Shield of MI	Assurecare
Vision Care	Administered by the District	Administered by the District

All benefit plans are currently self-insured.

REQUEST FOR PROPOSAL

Accordingly, we collected information from Wyandotte Public Schools with which we developed bid specifications and requested a duplication of the current plans along with plan options to determine if there are advantages in changing plans and/or carriers. After Wyandotte Public Schools' review and approval, a Request for Proposal (RFP)¹ was developed and sent to the following Wyandotte Public Schools' approved carriers:

Medical and Prescription Drugs:

1. Blue Cross Blue Shield of Michigan
2. Health Alliance Plan
3. MEBS
4. Michigan Educational Special Services Association (MESSA)
5. Metro Bureau Risk Pool (Benefit Plans Administrators (BPA)/Consolidated Benefit Trust (CBT))
6. Priority Health

Dental and Vision:

1. ADN Administrators, Inc.
2. Blue Cross Blue Shield of Michigan
3. MEBS
4. Michigan Educational Special Services Association (MESSA)
5. Metro Bureau Risk Pool (Benefit Plans Administrators [BPA]/Consolidated Benefit Trust [CBT])
6. Priority Health
7. National Vision Administrator (NVA)

¹ See Section 1

Insurance Agency:

In addition, the Request for Proposal was sent to three Insurance Agencies:

1. American Benefits Corporation – current agent for Assurecare Dental and CVS/Caremark Prescription Drug coverages
2. Essex Benefit Group – current agent for Blue Cross Blue Shield of MI [BCBSM] coverages
3. Daly Merritt, Inc.

In performing our review, we considered the following objectives:

- (1) *Proposal Review of materials received including our comment.*
- (2) *Carrier Review of material received including our comments*
- (3) *Current Plan Summary in place at Wyandotte Public Schools*
- (4) *Questionnaire*
- (5) *Financial Analysis*
- (6) *Description of Funding Methods, current self insured BCBSM program*
- (7) *Discussion and Recommendations*

PROPOSAL REVIEW

We have completed our review of the proposal materials received and have provided our comments and observations regarding these materials in the following paragraphs. Please refer to the carrier proposals for detailed information.

Proposals submitted directly from the following:

1. BCBSM
2. BPA – Metro Bureau Risk Pool [Aetna, AEPC/Caremark, ADN Dental, NVA Vision]
3. ADN
4. NVA

From Agents:

1. Essex Benefit Group
 - a. BCBSM Medical, Prescription Drug, Dental
 - b. EHIM – Prescription Drug
 - c. ADN – Dental and Vision

2. Daly Merritt, Inc --- multiple carriers
 - a. BCBSM Medical, Prescription Drug, Dental
 - b. ADN – Dental and Vision
 - c. Ameritas – Dental and Vision
 - d. EHIM – Prescription drug
 - e. NGS – Medical and Prescription Drug
 - f. Reliance Standard – Dental
 - g. Scriptsense – Prescription Drug
 - h. SVS Vision – Vision
 - i. Stop Loss proposals for the NGS Medical proposals:
 1. Everest Reinsurance Company – IOA re, Inc.
 2. Underwriters at Lloyd's of London – Star Line Group
 3. Unimerica Insurance Company – OptumHealth
 4. Symetra Life Insurance Company

Directly to Wyandotte Public Schools:

1. MESSA

We did not receive proposals from:

1. HAP – sent an email declining to quote stating that they are not competitive
2. MEBS – contacted Stakor & Associates on October 14 to ask if it was too late to submit a proposal – the response was it was too late since proposals were due on October 4.
3. Priority Health – no response
4. American Benefits Corporation; consequently we did not receive a proposal from CVS/Caremark or Assurecare (current carriers)

CARRIER REVIEW (Listed Alphabetically)

We have completed our review of the proposal materials received and have provided our comments and brief observations regarding these materials in the following paragraphs.

Please Note: Some information shown below is taken directly from the carrier's proposals. Please refer to the carrier proposals for complete and detailed information.

A. ADN Administrators, Inc. (ADN) – Self-Insured Dental and Vision Proposal

“Founded in 1994 to offer the marketplace a better Dental product, ADN offers the following unique features.

- **Current plan structure** – There is no need to incorporate disincentives in the current plan if a member goes outside the network.

- **Customized Non-network Provider Solicitation** – Because all claims are directed to our processing center, we are able to identify and immediately contact any non-network Provider on behalf of their patient to request that they become participating in the network for their client's benefit. **This method virtually guarantees that by the end of the first year of use of the network, we will have contacted every non-network Provider being used** rather than simply sending out random solicitation letters or postcards as other networks do.
- **Web Site Access** – ADN provides access to network information as well as the ability to search for network Providers in any area of the country through our internet site. Simply log on to adnDental.com to gain access to this information or to contact us with information regarding a non-network Provider you would like us to contact regarding their interest in becoming a network Provider.
- **Provider Access** – Currently in Michigan there are over 4,000 network Providers. Additionally, we can offer in excess of 70,000 Providers nationally through a combination of our non-Michigan ADN Providers and our affiliation with other local networks outside of Michigan.
- **Reduced Administrative Costs** – Since we provide a single source clearinghouse for electronic claim submission, we can help keep your administrative costs to a minimum.
- **Attractive Network Discounts** – ADN discounts are based on the Dentist's location as well as the prevailing charges in those areas rather than simply one rate structure for the entire state. The average discounts can range from 20% to in excess of 30% depending on the Dentists location.
- **Electronic Eligibility Submission** – Additions, changes and terminations are all done electronically at your location thereby reducing paperwork and time spent on hard copy filing and cost.

"The ADN Dental Network was formed in 1994 as an independent Dental preferred provider organization."

"In 1999 ADN secured an affiliation with Michigan Dental Plan, (MDP) which also maintains a network of dentists throughout the state. This affiliation, along with ADN's affiliation with DenteMax in 2006, nearly doubled the number of participating dentists for ADN clients who could now offer access to more than 4,000 dentists through the combined ADN, MDP, and DenteMax networks. By providing this affiliation, the ADN Dental Network now represents more than half of the dentists practicing in the state of Michigan."

ADN has submitted a proposal for Dental and Vision coverages, on a self-funded basis. They have indicated they can offer a self funded plan design to the district duplicating the current plan design.

BPA, Essex Benefit Group and Daly Merritt also provided ADN proposals for self-funded Dental and Vision coverages in their proposal submissions. The proposal through Essex Benefit Group did not include a completed questionnaire.

B. Ameritas – Self-Funded Dental and Vision Proposal

According to their website, Ameritas Group is a division of Ameritas Life Insurance Corp., a UNIFI company.

“Our process is very simple: we do whatever it takes to help our customers get the care they need. And whatever it takes includes:

- Processing more than 3.6 million Dental claims each year.
- Having a claims processing turnaround time of 90% in 5-7 working days.
- Being so meticulous that our accuracy of processed claims exceeds 99%.
- Putting into place a high-tech electronic claims system specifically designed for processing Dental claims.
- Accurately processing customized deductibles, coinsurance levels, maximums and claim allowance.

“Since 1990, Ameritas Group has successfully implemented a number of strategic alliances, special marketing arrangements and Dental block acquisitions. We believe in delivering quality results with impeccable customer service, while ensuring a seamless transition for everyone.”

Ameritas’ proposal for self-funded Dental and Vision through Daly Merritt did not include a completed questionnaire.

C. Blue Cross Blue Shield of Michigan (BCBSM) – Self-Funded Medical, Prescription Drug, and Dental Proposal

“The essential role for Blue Cross Blue Shield of Michigan is to provide its constituencies and the public with aggressive leadership in the proactive development of health care policies that emphasize access to quality care at affordable prices.

Other essential components of our mission are to:

- Develop new approaches to the challenge of assuring all citizens of Michigan access to reasonable priced, quality health care.
- Assure older and disabled citizens that supplemental coverage will always be available to group and non-group Medicare enrollees.
- Work actively as a committed partner with business, providers of care, organized labor, state government, groups representing older people and subscribers to solve specific health care problems.
- Operate efficiently and to represent fairly the interest of program beneficiaries in the role of administrator of government sponsored health programs.

- Cultivate with physicians, hospitals and other providers, relations characterized by mutual respect, trust, confidence and a shared interest in the welfare of the people of the State of Michigan to improve and enhance the overall delivery of health care.
- Design and administer competitive, quality, cost-effective health care benefit programs and to provide superior service to all customer, subscribers and providers.
- Strive to succeed as a business enterprise in order to fulfill the other aspects of our mission."

BCBSM is the current carrier for the self-insured Medical coverage at Wyandotte Public Schools. In addition to the renewal rates, BCBSM has provided quotes for five (5) Community Blue Medical option plans and one (1) Prescription Drug option plan, on a self-funded basis. They have also provided a proposal for Dental benefits mirroring the current plan, on a self-funded basis.

In addition to the BCBSM proposal received directly from BCBSM, Essex Benefit Group and Daly Merritt also submitted BCBSM proposals. The BCBSM proposal through Essex presented rates effective July 1, 2010. The BCBSM (Direct Proposal) and the BCBSM proposal through Daly Merritt reflect rates effective January 1, 2011.

D. EHIM – Self-Funded Prescription Drug Proposal

According to their website, "EHIM is a Pharmacy Benefit Manager (PBM) who offers innovative solutions to lowering your prescription costs without lowering the quality of care.

"EHIM isn't just one of the country's fastest growing Pharmacy Benefit Managers (PBM) – in fact, we are so much more. Our focus is on providing excellent customer service, while managing health care and assuring cost containment. We believe that the specialty services we offer help us to be flexible and ultimately achieve our customer goals to provide appropriate health benefits administration and monitor costs."

EHIM's proposals, through both Essex Benefit Group and Daly Merritt, did not include a completed questionnaire.

E. Metro Bureau Risk Pool/BPA – Self-Funded Medical, Prescription Drug, Dental, and Vision Proposal

"BPA, along with its strategic partners and the Metro Bureau Services Risk Pool attempts to maximize health outcomes and total health care cost savings through a methodology that focuses on a complete health care experience. By means of innovation, technology, superior customer service and operational excellence, it is actively involved in not just the management but the delivery of health care with a focus on proactive, practical and preventative services.

Its strategic partners include:

- Associated Mutual

D.R.M. Stakor & Associates, Inc.

- Benefit Plan Administrators, Inc.
- Consolidated Benefit Trust

Associated Mutual Hospital Service of Michigan (Associated Mutual) is a Michigan domiciled fully licensed insurance company that can provide delivery systems for Medical, prescription drugs, consumer-driven health care, Dental, Vision, life and disability plans. BPA uses Aetna and the Aetna tools for the Medical PPO network, CVS Caremark with AEPC pricing for Pharmacy Services, ADN Dental, and NVA Vision. Delivery systems are fully integrated.

Benefit Plan Administrators, Inc. (BPA) is a fully licensed Third Party Administrator specializing in group employee benefit administration.

Metro Bureau Services, Inc. (MBS), a subsidiary of Metropolitan Detroit Bureau of School Studies, Inc., makes high-quality, low-cost insurance coverage available to its member districts. Because it is controlled and administered by active Michigan public school administrators who are Metro Bureau members, MBS operates in the best interests of the school districts it serves. Metro Bureau Services at the direction of the President and Board have put considerable effort in bringing this cost effective program to you."

BPA has provided an illustrative proposal based on the following:

- Purchase of \$5,000 Base Term Life is required and included in the proposals.
- Rates provided are contingent upon the purchase of all lines of coverage quoted.
- Proposal is valid for 60 days from the date quoted.
- Renewal will be July 1st (7-1-2011); Illustrative Proposal Only - pending the receipt of the Large Claims report detail including dollar amount.
- 90 days lead time is required on all Medical proposals.

Metro Bureau Risk Pool/BPA has provided a proposal for the current Medical, Prescription Drug, Dental, and Vision plans on a self-funded basis.

Please note: Metro Bureau Services uses D.R.M. Stakor & Associates, Inc. as consultants.

F. MESSA - Fully Insured Medical, Prescription Drug, Dental, and Vision Proposals

As previously stated, MESSA submitted the proposal directly to Wyandotte Public Schools. They then sent it to D.R.M. Stakor & Associates, Inc.

"As a not-for-profit membership organization, MESSA believes strongly in acting in our members' best interests, providing coverage that promotes their good health and well-being. We strive to provide outstanding value and quality products that our members tell us they need.

"MESSA's focus on member health education, preventive care and early detection through regular cancer screening pays off in measurable ways. According to the Business Intelligence Center operated by Blue Cross blue Shield of Michigan, MESSA's membership has higher compliance rates

with measures of best practices in cancer screenings and chronic disease management than BCBSM statewide benchmarks.

“MESSA coverage is negotiated at the bargaining table. MESSA has earned the intense loyalty of its members because we provide exceptional value and outstanding member service. MESSA’s member satisfaction rate was 98 percent in our latest member survey.

“MESSA plans have been developed with the special needs of educational employees first and foremost. MESSA is not an insurance company. We are a not-for-profit membership organization that designs and services our own unique plan coverages, and then seek underwriters who can provide those coverages at a competitive price.

“MESSA is committed to acting in the best interests of our members. We provide quality benefit plans and outstanding personalized service at competitive rates. It is why we have earned our members’ tremendous loyalty. As part of our long-term commitment to our members, MESSA is also committed to pursuing smart strategies that hold the best promise for providing a significant return-on-investment and for reducing health care cost significantly in the future.

“MESSA was decades ahead of our time in 1960 when we decided to spread risk across large regional pools to provide stable, affordable rates for school employee groups and their employers. MESSA serves primarily small-groups and thus a pooling strategy provided valuable protection for all. Over the past 50 years MESSA pooled our members into large community rating areas, gaining significant purchasing power and spreading risk across a large number of groups. MESSA’s pooling strategy provided financial stability and protected employers from huge spikes in rates that result from a single catastrophic illness or accidents. MESSA’s pooling strategy has saved employers hundreds of millions of dollars over the years.

“The passage of PA 106 of 2007 has dramatically changed the market environment for public employers. PA 106 is also requiring MESSA to change our business model. MESSA will nonetheless stay true to our principles. We are also striving to provide additional levels of risk protection to all of our groups, to the extent PA 106 allows in an experience-driven market.

“Our new rating methods have been developed with the idea of leveraging the characteristics and positive benefits of “community pooling” whenever possible and wherever it is appropriate. This will allow MESSA and its groups to continue to utilize the most basic of insurance principles—the “law of large numbers.””

MESSA has provided a proposal for fully insured and self-funded Medical, Prescription Drug, Dental, and Vision coverages, for all employees and for Teachers only. Included in the MESSA proposal is Life Insurance and Accidental Death & Dismemberment for your employees, in the amount of \$40,000 for each coverage.

MESSA’s proposal did not include a completed questionnaire.

G. National Vision Administrators, L.L.C. (NVA) - Fully Insured and Self-Funded Vision Proposals

"National Vision Administrators, L.L.C. (NVA), a U.S.-based full-service managed Vision care organization, is headquartered in Clifton, New Jersey, with a represented work force."

"NVA serves approximately 7 million lives nationwide."

"NVA offers an array of customized plans:

- Fixed rate insured plans
- Self-funded (ASO) plans
- Disease management
- Discount plans
- Contact Fill – contact lens mail-order replacement program
- LASIK discount programs"

"NVA's National Provider Network is comprised of approximately 35,000 highly trained private practitioners as well as **REGIONAL AND NATIONAL OPTICAL RETAILERS** (including **Wal-Mart and America's Best**). The network includes:

- Ophthalmologists (M.D.)
- Optometrist (O.D.)
- Opticians"

"Through flexible plan designs, innovative client service platforms and advanced system technology, NVA has become a recognized leader in managed Vision care with a 99.4% membership retention rate for over 31 years."

NVA's proposal includes a fully funded proposal as well as a self-funded proposal. Both proposals are for two (2) benefit plans – one plan utilizing copays and another plan with no copays. The fully funded proposal provides rates for the Vision network including Wal-Mart and for the Vision network excluding Wal-Mart.

H. NGS - Self-Funded Medical and Prescription Drug Proposal

"NGS was founded in 1979. The company provides Medical, Dental and disability benefit administration as well as COBRA administration, eligibility management services and flexible benefit spending account administration.

"Since our founding, NGS CoreSource has specialized in the administration of self-funded group health plans for companies whose business needs required significant flexibility. This diverse group has included employers in manufacturing, retail, private and public corporations, hospitals, governmental entities and foundations. Each group has presented individual considerations in both implementation and administration."

“Our organizational philosophy as a third party administrator is to provide clients and their employees with exceptionally personalized service and flexible administration. Through the use of technology and our entrepreneurial spirit we have developed a niche in the marketplace providing customized benefit solutions to our clients. NGS CoreSource currently administers a variety of plan designs, including RPO, PPO, POS, consumer driven and value based for participants located in all 50 states.”

NGS’s proposal through Daly Merritt is for Medical and Prescription Drug on a self-funded basis. Although the proposal indicated Prescription Drug was through Caremark, there was no Caremark quote.

I. Reliance Standard – Fully Insured and Self-Funded Dental Proposals

“Reliance Standard Life Insurance Company was incorporated in 1907 as Central Life Insurance of Illinois. Reliance Standard is domiciled in Illinois, and maintains its administrative offices in Philadelphia. Reliance Standard is licensed in all states (except New York), the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.

“Reliance Standard is a wholly owned subsidiary of Delphi Financial Group, Inc. (NYSE:DFG).

“Our goal is to provide you with a benefits plan that will enhance your ability to attract the employees you want, to keep them and to provide for their security in times of need. Our commitment to you is:

- A customized insurance plan that meets your goals and objectives,
- Quick, effective handling of all administrative, claims and underwriting matters,
- Cooperative and efficient service for you and your employees”

Reliance Standard’s proposals, through Daly Merritt, include a fully insured plan and a self-funded plan. They are proposing one plan of benefits for all Wyandotte Public Schools employees. Their proposals did not include a completed questionnaire.

J. Scriptsense – Self-Funded Prescription Drug Proposal

“Scriptsense, Inc. was formed in 2000 and is incorporated in the State of Delaware. The company is a C corporation and is privately held.

“Scriptsense was formed by three principals with the original intention of creating an alternative approach to pharmacy benefits management. Dr. King and Mr. Wells have been in the benefits consulting business for approximately 27 years and were increasingly disturbed with the approach being taken by traditional Pharmacy Benefit Managers with respect to product pricing and practices that appeared to ignore benefit plan concerns. They also sought to establish a program that would provide a low cost alternative to pharmaceuticals to elderly clients. As such, they established an import program that constituted entry into the PBM marketplace.

"The company additionally decided to expand its offering in early 2002 with the addition of a nation-wide walk-in cash discount program and the addition of a US based mail order program. The final step in the Scriptsense development occurred in mid 2002 with the completion of all of our national pharmacy network contracts.

"We also provide a branded program for a large number of our clients. In addition to our Scriptsense Branded Program, we provide Branded Programs to independent groups."

Since Scriptsense is a Pharmacy Benefit Manager; they have provided a self-funded proposal through Daly Merritt.

K. SVS Vision – Fully Insured Vision Proposal

From the SVS Vision Corporate Overview, "SVS Vision offers the finest service, value and selection in eye care with over 50 optical centers in 10 states. In addition to retail eye care centers, SVS Vision offers safety eyewear programs and group discount programs. With a U.S. lens laboratory, SVS stands committed to the quality of American-made workmanship. Serving the Vision needs of our communities since 1974, SVS Vision is headquartered in Mt. Clemens, Michigan."

SVS Vision's proposal includes two (2) Managed Care/Prepaid plans:

- 12 Month/12 Month/12 Month Plan – this plan provides benefits for an eye exam and one (1) complete set of eye glasses every 12 months
- 24/Month/24 Month/24 Month Plan – this plan provides benefits for an eye exam and one (1) complete set of eye glasses every 24 months
- Outside 25 Miles Reimbursement Schedule

The SVS Vision proposal is offered through Daly Merritt and did not include a completed questionnaire.

L. Essex Benefit Group, LLC

According to the cover letter from Brian E. Mills, L.I.C. "I am the owner of Essex Benefit Group, LLC which is an independent employee benefit agency and consulting organization representing all major insurance carriers. We are focused on identifying and solving challenges by tapping into our knowledge of best practices and our strong carrier and business partner relationships."

Essex Benefit Group, LLC has provided proposals from:

- Blue Cross Blue Shield of Michigan for the following benefits: Medical (current plan and four (4) options), Prescription Drug (current plan and one (1) option), and Dental (current plan and one (1) option), all with an effective date of July 1, 2010
- EHIM for Prescription Drug
- A D N Administrators for Dental and Vision

Mr. Mills is the current agent of record for Wyandotte Board of Education for the BCBSM and Life and Disability programs.

M. Daly Merritt, Inc.

From their Overview included with their formal proposals submission, "Daly Merritt, Inc. is a Michigan corporation, located in Wyandotte, Michigan. We are in our third generation of successful management. Daly Merritt, Inc. is rooted in the predecessor companies of Harley S. Merritt Insurance Agency, Inc. (Founded 1928), and the Daly Insurance Agency (Founded 1956). The two predecessor companies merged in 1970, creating economies of scale. Daly Merritt, Inc. has a rich history of providing strong commercial and group insurance plans while maintaining very competitive premiums for our clients."

"The agency philosophy is one of independence, integrity, trust, and hard work. Our agency enjoys a family culture, with numerous employees having been part of the Daly Merritt team for over 20 or 25 years. Daly Merritt has approximately 35 employees. The average tenure of Daly Merritt employees is approximately 12 years, which translates into quality, consistent service for our customers."

In their submission of carrier proposals, Daly Merritt also included a chart of carriers to whom they sent requests for proposals and carriers declined stating they would be uncompetitive.

Carrier proposals from Daly Merritt include:

- BCBSM - Medical, Prescription Drug, Dental
- ADN - Dental and Vision
- Ameritas - Dental and Vision
- EHIM - Prescription Drug
- NGS - Medical and Prescription Drug
- Reliance Standard - Dental
- Scriptsense - Prescription Drug
- SVS Vision - Vision

CURRENT PLAN SUMMARY

All employees are provided the option of healthcare with Blue Cross Blue Shield of Michigan (BCBSM) Community Blue PPO 1 Plan with a \$10 office visit copay for in-network benefits.

Prescription Drugs are provided by BCBSM for Teachers and Caremark for non-Teachers. In general terms, the current plan includes: \$5 co-pay for generic, \$10 co-pay for brand name when a generic is available, and mail order with 2X co-pay for a 90 day supply.

Dental benefits for Teachers are provided through BCBSM; Dental benefits for all other employees are provided through Assurecare. BCBSM uses Dentemax as a passive PPO network; Assurecare does not use a network. The benefits are 80% for all covered benefits with the exception of orthodontia which is at 50%. Annual maximum for Preventive, Basic and Major services are \$1,200

per member; except \$1,000 for Maintenance and Parapros. The Lifetime Maximum for Orthodontic services is \$500 per member.

The District currently self administers the Vision benefits comparable to the following:

	Main, Bus Driver ParaPro	Teachers, Admin, Secretaries
• Exam		
• Optometrist	\$28.50	\$35.00
• Ophthalmologist	\$38.50	\$35.00
• Frames	\$44.00	\$66.00
• Lens (per pair)		
- Single Vision	\$29.00	\$38.00
- Bifocal	\$51.00	\$60.00
- Trifocal	\$63.00	\$72.00
- Lenticular		\$108.00
• Other Lenses		vary
• Contacts		
• Including Exam	\$175.00	\$200.00
• Cosmetic	\$90.00	\$150.00

QUESTIONNAIRE

A summary of the questionnaire responses are included in Section 2 to provide a comparison of the carriers. Please refer to the actual proposals for complete information.

FINANCIAL ANALYSIS

In reviewing the proposals we have identified BCBSM, EHIM, AEPC/Caremark, ADN Dental, and NVA as the both meeting the RFP specifications and being the most competitive. Therefore the balance of the report will be limited to these carriers. Please refer to Section 3 for samples of Plan Summaries from the proposals.

BCBSM has presented five (5) plans for consideration. According the BCBSM these plans have been updated to comply with Healthcare Reform.

Brief Summary of Benefits - Carrier contract prevails	Estimated Annual BCBSM - 1-1-2011 Based on 521 employees
Community Blue 1 - No In-Network Deductible \$10 Office Copay; \$50 ER copay; 100%; \$250/\$500 OON Deductible; 80%	\$6,385,860
Community Blue 2 - In-Network Deductible \$100/200; \$10 Office Copay; \$50 ER copay; 90% after deductible in network for most services; \$500/\$1,000 OOP max Out of Network Deductible \$250/\$500; 70% after deductible OON for most services; \$1,500/\$3,000 OOP max out of network	\$5,835,329
Community Blue 3 - In-Network Deductible \$250/500; \$10 Office Copay; \$50 ER copay; 80% after deductible in network for most services; \$1,000/\$2,000 OOP max Out of Network Deductible \$500/\$1,000; 80% after deductible OON for most services; \$3,000/\$6,000 OOP max out of network	\$ 5,130,876
Community Blue 4 - In-Network Deductible \$500/1,000; \$10 Office Copay; \$50 ER copay; 80% after deductible in network for most services; \$1,500/\$3,000 OOP max Out of Network Deductible \$1,000/\$2,000; 80% after deductible OON for most services; \$3,000/\$6,000 OOP max out of network	\$4,767,575
Community Blue 12 - In-Network Deductible \$1,000/2,000; \$30 Office Copay; \$50 ER copay; 80% after deductible in network for most services; \$2,500/\$5,000 OOP max Out of Network Deductible \$2,000/\$4,000; 60% after deductible OON for most services; \$3,000/\$6,000 OOP max out of network	\$4,581,384

Please refer to BCBSM proposal for "Proposal Qualifiers"

Both BPA and NGS provided self insured proposals, but did not provide claim projections.

Pharmacy

As you will see from the summary below, the projected costs from AEPC/Caremark and EHIM are close.

Projected Costs - Current Plan Design					
		Projected Claims (From Bids)	Administrative Fees From Bids	Other (Agent Fees)	Total
AEPC/ Caremark		\$ 1,286,594.00	\$ 22,259.16		\$ 1,308,853.16
EHIM		\$ 1,254,970.00	\$ 21,480.00	\$ 8,592.00	\$ 1,285,042.00

While the above rates have been developed by our actuary, they are for illustrative purposes only and do not provide an actuarial statement.

Notes from the Caremark Analytics:

Implementing \$10/20 Mail Order Drug with 1 copay with generic and \$10/20/30 MOPD 1X is not a recommended plan design as the implementation based off the current utilization would increase the plan's net cost. Their analytical team has created a few scenarios that would produce a greater savings and value while trying to keep within with the original request. They did not want to produce analysis that would show a net loss.

Analytics also ran modeling for exclusive specialty and Specialty Pharmacy Management. The savings model netted \$0 in savings for Wyandotte's 1,483 average members per month. This is based off of current plan design and utilization on their current plan.

Notes from EHIM:

Estimated program savings to implement an Over-The Counter plan that offers member inexpensive alternative to expensive prescription-only medications for a \$0 copay is shown to be \$15,000 - \$30,000 per year.

Dental

Interesting to note proposals from ADN Dental were received from ADN Dental direct, BPA, Daly Merritt and Essex Benefit Group. The Administration Fee is shown to be \$5.25 per employee per month in the proposal received from Daly Merritt and Essex Benefit Group. The Consultant Fee shown in the Essex Benefit Group proposal is \$1.50 per employee per month for Dental and \$.50 per employee per month for Vision. The Consultant Fee shown in the Daly Merritt proposal is \$1.00 per employee per month Dental and \$1.00 for Vision. The BPA Dental pricing structure is shown to be \$7.90 per employee per month and includes commissions.

The current Dental plan for non-Teachers is administered by Assurecare and we understand it does not include a Dental network. As previously stated, "In 1999 ADN secured an affiliation with Michigan Dental Plan, (MDP) which also maintains a network of dentists throughout the state. This affiliation, along with ADN's affiliation with DenteMax in 2006, nearly doubled the number of participating dentists for ADN clients who could now offer access to more than 4,000 dentists through the combined ADN, MDP, and DenteMax networks. By providing this affiliation, the ADN Dental Network now represents more than half of the dentists practicing in the state of Michigan."

Incorporating a "passive" Preferred Provider Organization [PPO] in the Dental plan means the basic plan is as identified in the employee booklets and there is no penalty to the employee for not utilizing a participating provider. The advantage to Wyandotte Schools is that when a claimant does use a participating provider, reimbursement is determined by the schedule of benefits

developed by the PPO and is generally lower than “reasonable and customary” reimbursement used for non-participating providers. Claimants are encouraged to use PPO providers as any copay or coinsurance for which they are responsible is usually lower due to the participating provider agreements. The lower fee schedules also extend the use of the calendar year maximums and lifetime maximums. According to the ADN proposal, based on 276 covered employees, the estimated network savings could range from \$26,651 at 40% network usage to about \$40,000 at 60% network usage.

We recommend consideration be given to increasing coverage for preventive care to 100% for all plans. While this could initially increase costs, we believe encouraging members to seek preventive services every six months has the effect of preventing Dental and Medical care costs in the long run. For example, oral exams can find illnesses such as mouth cancer and periodontal disease before they spread. It is important for all employees, spouses and children to receive routine and regular checkups to ensure large claims are kept to a minimum. ADN estimated increasing Class I services to 100% would increase the paid claims by approximately 9 - 11%. Again, we believe this has the potential of decreasing Dental and Medical claims at a later point in time.

BCBSM is the administrator for the current Teacher plan and we understand it also does not include a Dental network. BCBSM has provided Dental rates for Traditional Plus Benefit Description shown on the following page.

Trad Plus Benefit Description

	<u>IN Percentage</u>	<u>OON Percentage</u>
Class I	100%	100%
Class II	80%	80%
Class III	80%	80%
Class IV	50%	50%
Max. Annual Benefit Classes 123:	\$1200 minus OON benefit	\$1200 minus IN benefit
Max. Lifetime Benefit Class 4:	\$500 minus OON benefit	\$500 minus IN benefit
Deductible:	\$0/\$0	\$0/\$0
Deductible Applied to Classes:		
Additional Riders:	None	
Non Standard:	None	

1/2011 Dental Rates

One Person	\$37.40
Two Person	\$89.77
Family	\$108.47
Rider DC	\$3.74
Comp	\$33.74

Vision

The current Vision plan is administered by Wyandotte Public Schools. We recommend the District considered moving to NVA on an insured basis. This could help free up additional time for the person currently responsible at the District for administering the Vision plan and has the potential of making the plan compliant with HIPAA. In addition NVA uses the SVS Vision network allowing covered members the opportunity to obtain covered services at a discounted rate. NVA has also offered a 4 year rate guarantee and two benefit options both with and without the use of Walmart included in the network².

Benefits include Examinations, Lenses with Lens Options, Frames and Contact Lenses. The following is a summary of the Financials presented.

² Some unions are reluctant to include Walmart in their plans

NVA Vision Estimated Insured Annual Premium Based on 477 Employees

NVA - Option 1 (with Walmart)	\$56,307
NVA - Option 1 (without Walmart)	\$54,783
NVA - Option 2 (with Walmart)	\$93,061
NVA - Option 2 (without Walmart)	\$90,934

FUNDING METHODS

Brief Description of the Current Blue Cross Blue Shield Funding:

It is our understanding that the funding arrangement currently in place is called Administrative Services Contract – Monthly Wire Program (MWP). This is one of Blue Cross and Blue Shield of Michigan versions of self-funding. Under this program, BCBSM projects the claims on an annual basis, sets forth a monthly payment schedule based on the annual benefits projected and reconciles the totals each quarter. Expected claims are paid in advance each month.

The cost of your self-funded program is comprised of the fixed costs of Re-insurance premiums, administrative fees, and the variable costs of actual paid claims. Any credits or debits created by the fixed costs that occur at the end of the contract year may have the effect of changing the ultimate cost of your plan.

Within 120 days of each renewal, BCBSM is scheduled to reconcile your account for the past renewal period and make any adjustments necessary by crediting or debiting your account. It has been our experience that delays sometimes occur in reporting and scheduled reconciliations may actually occur after 120 days.

Every quarter BCBSM is scheduled to reconcile your account for the past quarter. BCBSM is to make any adjustments necessary for “payments made” compared to “claims and administrative fees paid”. These adjustments will then be credited or debited to your next payment schedule.

Cost projections for administrative stop-loss fees are based on an estimated number of employees at the time that the proposal was calculated. If the district employment decreases, it would receive a credit and conversely, growth in employment can create a "balance due" to BCBSM. These variances would be settled annually.

DISCUSSION and RECOMMENDATIONS

There are many options available to Wyandotte Public Schools that will help its employees become better consumers while maintaining the integrity of the health care plan.

- **Health Care Considerations**

- a. Increasing employee cost sharing through deductibles, coinsurance and copayments may cause employees to exercise better judgment in the use of Medical services and may eliminate some unnecessary care."
- b. Many clients provide a Core Plan at no premium cost to their employees and require an employee premium contribution to "buy up" to a richer plan benefit option. The employee contribution should be structured to represent the cost difference between the plans.
- c. Require employees to contribute to the cost of their health care if the cost of maintaining the plan increases beyond a predetermined level of, for example, 10% above a pre-established baseline.

- **Dental Considerations**

- a. For the identified savings, change the Dental carrier to ADN Dental, including the use of dental networks.
- b. We recommend consideration be given to increasing coverage for preventive care to 100% for all plans. While this could initially increase costs, we believe encouraging members to seek preventive services every six months has the effect of preventing dental and some medical care costs. For example, oral exams can find illnesses such as mouth cancer and periodontal disease before they spread. It is important for all employees, spouses and children to receive routine and regular checkups to ensure large claims are kept to a minimum.
- c. Change from a passive Dental plan to a traditional Dental plan for class II, III and IV services.
- d. Allow pregnant women to have oral exams and cleanings once every three months.

- **Prescription Drugs Considerations**

Increasing the prescription drug copayment from \$10 to \$10/\$20/\$30 (generic/Formulary/Non-Formulary Plan); Mail Order 1 copay Retail; Includes Contraceptive, DAW [Dispense As Written]; - D.R.M. Stakor & Associates, Inc. believes that a more reasonable estimated cost reduction would be in the range of from 8% to 16%. [While the

rates have been developed by our actuary, they are for illustrative purposes only and do not provide an actuarial statement.]

- a. Specialty Guideline Management
- b. Targeted Generic Mailing
- c. Generic Performance Step Therapy
- d. Limitations on lifestyle medications (e.g. Viagra, Imitrex)
- e. Enhanced Safety Management
- f. Over-The-Counter Medications at lower dollar

- **Additional Considerations**

Consider a "marketing campaign" to remind employees they have a Flexible Spending Account available.

Consider implementing a Health Reimbursement Account depending on any deductible and coinsurance changes.

- **Funding Considerations**

- a. Should the District consider changing carriers please keep in mind under a self-funded plan, BCBSM is not responsible for any claims "run-out" in the event that you move to a Fully Insured Plan. Fully Insured Plans utilize "reserves" or amounts of money held for claim payments after a termination. Usually absent in self-funded approaches, money needs to be funded or an accounting entry and used at contract termination or "claim run off". You would be responsible to pay any claims that were incurred but presented for payment AFTER the cancellation date. This could amount to over three months of claims liability. It is therefore suggested that proper reserve amounts be maintained so that the ~~Grosse Ile~~ Board of Education is not disadvantaged if it decides to move to traditional insurance funding, change in carrier, or termination of the plan generally. Our best advice is "you can eliminate an incurred claims reserve but you can't eliminate its function." Understanding this basic fact may help prevent future problems.
- b. Should the District move to another carrier and remain self funded, the stop loss coverage may start over. Carriers often offer stop loss coverage for a 3 or 6 month "run-in" period at an additional charge. This covers the liability that can occur when changing carriers should the existing carrier terminate the stop loss coverage at the point of termination rather than through the run-off period. This can be investigated for the District.
- c. Should the district change the funding we believe you should check with your legal counsel the necessity that the employees should be given ample advanced written notice. It may also be necessary to secure consent from the district's unions.

We believe that the District has complied with PA 106 requirements. Please let us know if any additional information is needed.

Respectfully submitted,



DAVID R. M. STAKOR, LIC
D. R. M. STAKOR & ASSOCIATES, INC.

**Please Note: The above information is from materials received from the carriers.
Please review the details of the quotes received for complete and detailed information.
Prepared by: David R.M. Stakor, LIC, D.R.M. Stakor & Associates. Inc.**