MERCER
Human Resource Consulting

Leon County 2005 Medical Renewal Analysis:

Marketing and Renewal Summary

Presented to Leon County Board of County Commissioners
August 30, 2005

Mercer HR Consulting
3031 N. Rocky Point Drive
Suite 700
Tampa, FL 33607
Telephone: (813) 207-5100
Fax: (813) 207-5190

Attachment # 1
Page 1 of 32

MMC Marsh & McLennan Companies

Executive Summary

SUMMARY OF FINALIST RECOMMENDATIONS AND PLAN DESIGNS

The Selection Committee met with Mercer on July 13, 2005 for an initial review of the proposed health plans for Leon County's 2006 renewal. Mercer reviewed the proposed plan designs, costs, network access and financial ratings of the three (3) carriers that proposed health plan options, and made the following recommendations to the committee:

- Continue to offer the Capital Health Plan (CHP) HMO option for the following reasons:
  - CHP has offered its HMO with no increase over the 2005 rates
  - CHP offers a network of contracted providers that are not included in other alternative carrier networks
- Offer options that include prescription drug coverage, since the cost of "carving out" Rx with a Pharmacy Benefit Manager (PBM) did not appear to offer any savings
- Offer a second option alongside CHP, with comparable benefit levels to the current plan options
- Eliminate options that were total replacement plans and compare dual options closest to current plan design
- Select options that allow retirees moving outside the North Florida area a plan with a national network

Mercer has compared selected dual option plans based on the recommendations presented on July 13th, and reviewed the finalists' plans and total cost with the committee on July 26th. Those comparisons are shown in the following pages. Based on the total cost, the network access on a national basis, and the financial ratings of the carriers, Mercer would recommend that Leon County offer the current CHP HMO plan with either the BCBS PPO or the United Healthcare national HMO plan. Both the UHC HMO and BCBS offer a network of national providers that can be accessed outside of Leon County.

We would also recommend eliminating the Vista HMO option due to the company's financial ratings and the fact that Vista offers no national network for retirees living or traveling outside the area. We believe that the fact that A.M. Best downgraded Vista to a C rating in July of 2002, and has not changed its rating since that time, eliminates Vista from consideration based on RFP evaluation criteria.

Executive Summary

SUMMARY OF FINALIST RECOMMENDATIONS AND PLAN DESIGNS (cont'd)

In response to questions posed by the committee, Mercer has confirmed that: 1) if either United Healthcare's HMO or the BCBS PPO were selected as the second plan option, benefit plans offered to retirees would be the same group plan offered to active employees, and not individual plans; 2) employees and retirees would be able to access care on a national basis simply by calling the toll-free number for that carrier, or by accessing network directories online to find a network provider in their area; and 3) emergency care is always covered outside the service area at the closest facility available.

Claims are processed in Florida for both the BCBS and UHC plans, and are paid regardless of where services are accessed. The UHC HMO will only pay non-emergent claims for in-network HMO providers; Blue Cross will pay claims out of network on a reduced benefit basis.

Finally, the rates proposed are the same regardless of where the member lives. The plans have been priced based on the census, including any out of area members. The UHC physicians are generally paid on a negotiated fee basis, not a capitated basis, and those fees do not change based on geographic area.

The following pages summarize the benefits and costs of the recommended plan of the proposing carriers. United Healthcare has reduced its initial proposed rates based on updated information regarding retirees' coverage and geographic areas. The revised rates are reflected in the comparison.

Attachment # 1
Page 3 of 32

Executive Summary

CAPITAL HEALTH PLAN / BLUE CROSS BLUE SHIELD PPO PLAN SUMMARY

Capital Health Plan (CHP) proposed a flat renewal for your existing HMO plan. Their current plan is a dual option in conjunction with Vista Health Plan, and may continue to be offered as a dual option with other carriers, including the Blue Cross Blue Shield PPO plan that CHP brought to the table as an option. The total annual cost of the CHP and BCBS PPO option is $13,313,077.

The CHP HMO plan does not require a copayment for an inpatient hospital stay, which is richer than the benchmark for public entity plans. Also, when comparing to the State of Florida's HMO offering, the State's plan has a $150 per admission co-pay. Nationally, 44% of all county governments recently surveyed by Mercer required an inpatient hospital co-pay as part of their HMO plan design. The average copay is $250. The State's physician co-pay amount of $15 is higher than the CHP copay of $10; Rx plan co-pays of $7/$20/$35 are similar to the current CHP plan. The average physician copay for county governments nationally was $12, and the average Rx co-pay structure was $10/$21/$37.

CHP has proposed a Blue Cross Blue Shield (BCBS) PPO that is an 80%/60% plan with deductibles and out-of-pocket maximums of $500/$1,500 and $2,000/$6,000, respectively. Deductibles and out-of-pocket maximums are identical both in and out-of-network. The Rx co-payment structure is a $7/$20/$35 retail co-pay. Mail order would be 2x the retail co-pay for both options. By comparison, the State of Florida's PPO has a 90%/70% coinsurance structure. It has a calendar year deductible of $150/$300 and out-of-pocket maximums of $2,500/$5,000. Escambia County's PPO is at 80%/60%, with a $500/$1,500 deductible and a $3,000/$9,000 out-of-pocket maximum.

According to the *Mercer 2004 National Survey of Employer-Sponsored Health Plans*, the average coinsurance percentages for a county government PPO was 80%/70%. The average deductibles were $250/$600 in-network and $300/$800 out-of-network. Individual out-of-pocket maximums averaged $1,500 in-network and $2,650 out-of-network.

Attachment # 1
Page 4 of 23

Executive Summary (Continued)

UNITED HEALTHCARE SUMMARY

UHC initially quoted four (4) total replacement options (2 HMO plans and 2 POS plans) and one (1) dual choice option (an HMO plan). Mercer recommended the dual choice option which could be offered alongside CHP. The total annual cost of the CHP and UHC HMO options, based on the assumption that the same number of people would enroll in the CHP plan and the Vista enrollees would move to the UHC plan, would be $12,965,348.

The United Healthcare plan is an open access plan, meaning the member does not have to choose a PCP and can self-refer to specialists.

This HMO option comes closest in plan design to the current HMOs being offered. Differences include the lack of an OOP maximum vs. the $1,500/$3,000 offered in the current plans. ER co-pay is $75 for UHC, vs. $100 for CHP and $50 for Vista.

Rx benefits for UHC is a $7/$20/$35 co-pay structure for retail. Please note this represents higher Rx co-pays for all tiers except generic. The mail order Rx program offered by UHC includes a co-pay of 2.5x retail for mail order Rx, vs. a co-pay of 2x retail for the Vista plan and no mail order Rx via the CHP plan.

The rates shown in the plan and cost comparisons in the following pages have been revised since the initial July 13, 2005 meeting based on updated information on retiree costs and geographic locations.

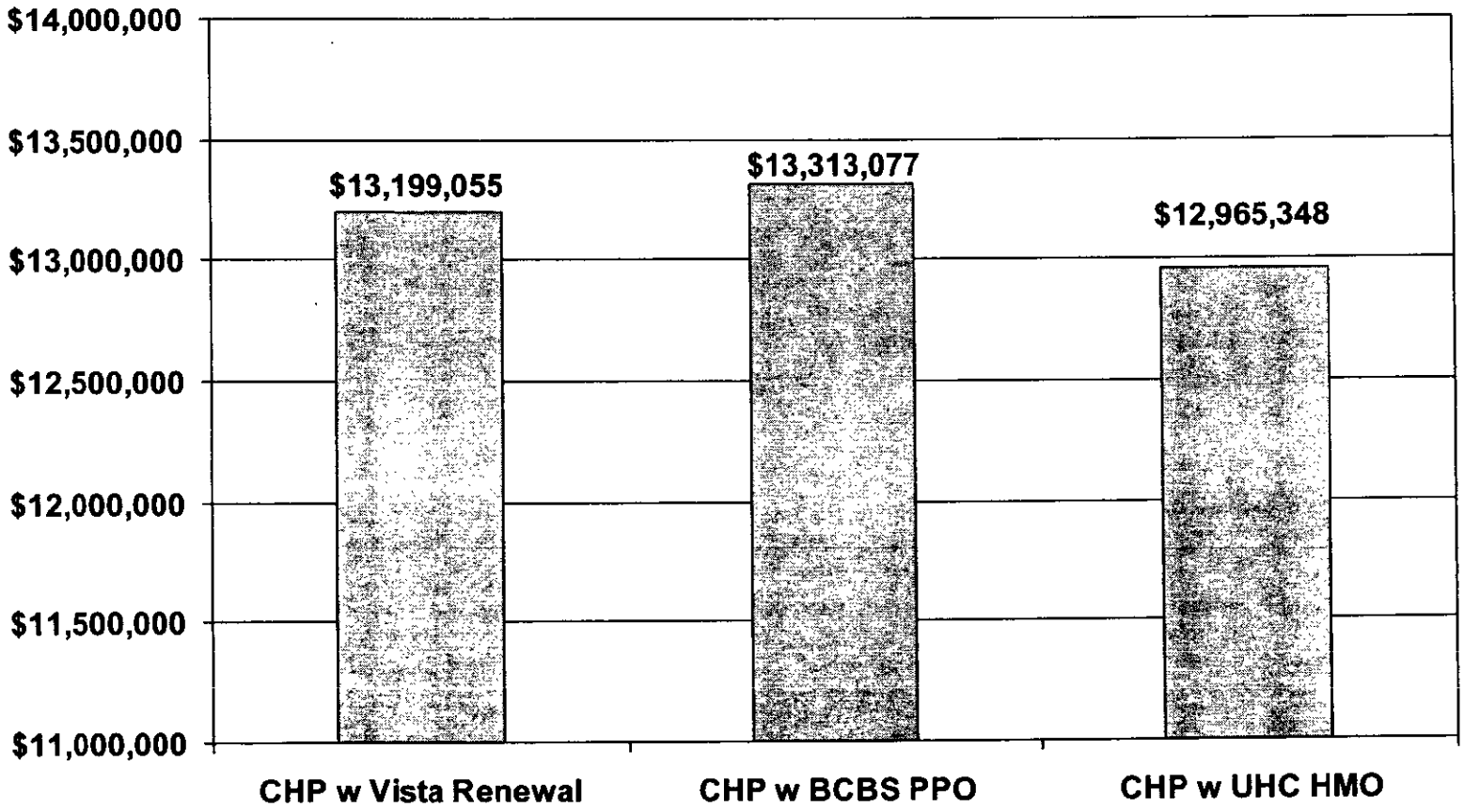
Attachment # 1
Page 5 of 22

Finalist Plan Design Comparisons

PLAN	Capital Health Plan Renewal HMO	BCBS PPO Option w/CHP HMO		Vista Health Plan Renewal HMO	United HealthCare HMO Dual Option
	In-network only	In-network	Out of Network	In-network only	In-network only
Annual Plan Deductible					
Single	None	$500	$500	None	None
Family	None	$1,500	$1,500	None	None
Annual Max Out-Of-Pocket					
Single	$1,500	$2,000	$2,000	$1,500	None
Family	$3,000	$6,000	$6,000	$3,000	None
Hospital					
Inpatient Co-pay	$0	No copay	$300 per admission, deductible applies	$0	$0
Inpatient Coinsurance	Paid at 100%	Deductible then Paid at 80%	Deductible then Paid at 60%	Paid at 100%	Paid at 100%
Outpatient Surgery performed at a Hospital	$0 co-pay	Deductible then Paid at 80%	Deductible then Paid at 60%	$0 co-pay	$0 co-pay
Emergency Care	$100 co-pay	$0 co-pay, deductible applies	$0 co-pay, deductible applies	$50 co-pay	$100 co-pay
Physician					
Office Visit	$10 co-pay	$20 co-pay $150 adult wellness max per year	Paid at 60%, deductible applies $150 adult wellness max per year	$10 co-pay	$10 co-pay
Specialists	$10 co-pay	$20 co-pay	Paid at 60%, deductible applies	$10 co-pay	$10 co-pay
Other					
Maternity Visits	$10 physician co-pay $0 per confinement	$20 co-pay Hospital Deductible then 80%	Deductible then Paid at 60% for physician and hospital charges	$10 physician co-pay $0 per confinement	$10 physician co-pay $0 per confinement
Inpatient Mental Health and Substance Abuse	$0 co-pay 31 days/year max (mental health) SA - detoxification only	Deductible then Paid at 80% 30 days max/year	Deductible then Paid at 60% 30 days max/year	$0 co-pay 30 days/year max SA - detoxification only with a 5 day max	$0 co-pay 30 days/year max
Outpatient Mental Health and Substance Abuse	$20 co-pay 20 visits/year max	Deductible then Paid at 80% 20 visits max/year	Deductible then Paid at 60% 20 visits max/year	$20 co-pay 20 visits/year max	$20 co-pay 20 visits/year max
Prescription Drugs Benefit:					
Retail – 30 day supply					
Generic	$7 co-pay	$7 copay	Paid at 60%, deductible applies	$7 co-pay	$7 co-pay
Preferred Brand	$20 co-pay	$20 copay		$14 co-pay	$20 co-pay
Non-Preferred Brand	$35 co-pay	$35 copay		$30 co-pay	$35 co-pay
Mail Order – 90 day supply	Not Available	2x retail copay	Not Available	2x retail copay	2.5 x retail copay

Mercer

Total Annual Cost Comparison of Finalist Options



Attachment # 1
Page 7 of 33

Mercer

42

Total Cost Analysis – Renewal of Current CHP and BCBS PPO Plan Dual Choice

Blended HMO/PPO Active	Total Cost			*Employee Contributions			*Employer's Costs		
Tier	Lives	Rate	Annual Cost	Lives	EE Contribution	EE Annual Cost	Lives	Employer Contribution	Leon County Annual Cost
Employee	447	$401.14	$2,151,715	447	$30.09	$161,379	447	$371.05	$1,990,336
Employee + 1	338	$814.91	$3,305,275	338	$61.12	$247,896	338	$753.79	$3,057,379
Family	606	$1,080.32	$7,856,087	606	$81.02	$589,207	606	$999.30	$7,266,881
	1391		**$13,313,077**	**1391**		**$998,481**	**1391**		**$12,314,596**
Total	**1391**		**$13,313,077**			**$998,481**			**$12,314,596**

*Assumes Leon County maintains current employee/employer contribution ratio structure of 7.5% and 92.5%, respectively.

Assumes current enrollment in CHP remains the same and the balance of active employees enrolls in other option

This proposal is a general description of coverage(s) provided. For a detailed description of policy terms, please refer to the policy itself. If a conflict exists between this proposal and the policy, the policy will be controlling. Proposed rates are estimated and based on census provided. Final rates are based on effective date, plan design, actual enrollment and medical underwriting.

Attachment # 1
Page 8 of 32

Total Cost Analysis – Renewal of Current CHP and United HealthCare Dual Choice Plan

CHP Active	Total Cost			*Employee Contributions			Leon Co. Costs		
Tier	Lives	Rate	Annual Cost	Lives	EE Contribution	EE Annual Cost	Lives	Employer Contribution	Leon County Annual Cost
Employee	387	$392.50	$1,822,770	387	$29.44	$136,708	387	$363.06	$1,686,062
Employee + 1	293	$812.50	$2,856,750	293	$60.94	$214,256	293	$751.56	$2,642,494
Family	516	$1,040.20	$6,440,918	516	$78.02	$483,069	516	$962.19	$5,957,850
	1196		$11,120,438	1196		$834,033	1196		$10,286,406

UHC HMO Active	Total Cost			*Employee Contributions			Leon Co. Costs		
Tier	Lives	Rate	Annual Cost	Lives	EE Contribution	EE Annual Cost	Lives	Employer Contribution	Leon County Annual Cost
Employee	60	$392.55	$282,636	60	$29.44	$21,198	60	$363.11	$261,438
Employee + 1	45	$812.58	$438,793	45	$60.94	$32,909	45	$751.64	$405,884
Family	90	$1,040.26	$1,123,481	90	$78.02	$84,261	90	$962.24	$1,039,220
	195		$1,844,910	195		$138,368	195		$1,706,542
Total	1391		$12,965,348			$972,401			$11,992,947

*Assumes Leon County maintains current employee/employer contribution ratio structure of 7.5% and 92.5%, respectively.

Assumes current enrollment in CHP remains the same and the balance of active employees enrolls in other option

This proposal is a general description of coverage(s) provided. For a detailed description of policy terms, please refer to the policy itself. If a conflict exists between this proposal and the policy, the policy will be controlling. Proposed rates are estimated and based on census provided. Final rates are based on effective date, plan design, actual enrollment and medical underwriting.

Attachment # 1
Page 5 of 22

Total Cost Analysis – Renewal of Current CHP and Vista Plans

CHP HMO Active	Total Cost			**Employee Contributions			**Leon Co Costs		
Tier	Lives	Rate	Annual Cost	Lives	EE Contribution	EE Annual Cost	Lives	Employer Contribution	Leon County Annual Cost
Employee	387	$392.50	$1,822,770	387	$29.44	$136,708	387	$363.06	$1,686,062
Employee + 1	293	$812.50	$2,856,750	293	$60.94	$214,256	293	$751.56	$2,642,494
Family	516	$1,040.20	$6,440,918	516	$78.02	$483,069	516	$962.19	$5,957,850
	1196		**$11,120,438**	**1196**		**$834,033**	**1196**		**$10,286,406**

Vista HMO Active	Total Cost			**Employee Contributions			**Leon Co Costs		
Tier	Lives	Rate	Annual Cost	Lives	EE Contribution	EE Annual Cost	Lives	Employer Contribution	Leon County Annual Cost
Employee	60	$442.32	$318,470	60	$33.17	$23,885	60	$409.15	$294,585
Employee + 1	45	$915.53	$494,386	45	$68.66	$37,079	45	$846.87	$457,307
Family	90	$1,172.00	$1,265,760	90	$87.90	$94,932	90	$1,084.10	$1,170,828
	195		**$2,078,617**	**195**		**$155,896**	**195**		**$1,922,720**
Total	**1391**		**$13,199,055**			**$989,929**			**$12,209,126**

*Renewal increase for CHP is 0%. Renewal increase for Vista is 8.5%. Assumes current enrollment in CHP remains the same and the balance of active employees enrolls in other option

**Assumes Leon County maintains current employee/employer contribution ratio structure of 7.5% and 92.5%, respectively.

This proposal is a general description of coverage(s) provided. For a detailed description of policy terms, please refer to the policy itself. If a conflict exists between this proposal and the policy, the policy will be controlling. Proposed rates are estimated and based on census provided. Final rates are based on effective date, plan design, actual enrollment and medical underwriting.

Attachment # 1
Page 11 of 22

Network Provider Access

PROVIDER ACCESS SUMMARY

All of the carriers provide adequate PCP access for Leon County's employees. UHC is using the strictest access standard of the proposing carriers and has the highest provider count at 291, compared to 123 for Capital Health Plan and 109 for Vista. Similarly, all carriers appear to provide adequate hospital and pharmacy access. UHC has the largest number of hospitals under contract in the area at 9, vs. 6 for Vista and 2 for CHP. UHC has more than twice as many pharmacies (131) in their network when compared to CHP and Vista (55 and 57, respectively).

United HealthCare's specialist access is somewhat low compared to the current carriers, based on the criteria they used in their geo-access reporting of 2 providers in a 10-mile radius, vs. 2 providers in a 15 mile radius used by Vista. UHC's obstetrician/gynecologist access is 80.3%; however, this is again driven by a stringent access standard of 2 providers within 10 miles (Vista is using 2 providers within 15 miles). The employees that do not have access based on the stricter criteria do have access when based on average distances to a provider that range from 10.1 miles to 14.8 miles. Similarly, in Havana, Florida all 43 employees would have adequate access assuming the less stringent standard of 2 providers within 15 miles.

CHP did not provide any access data for obstetricians/gynecologists or pediatricians.

United Healthcare does have a strong national network of HMO providers, and retirees living outside the Leon County area may access any UHC HMO provider nationally. Any member may call a toll-free number or look up providers online to find a participating provider, whether they are living outside the area or traveling. However, in non-emergency situations, a member cannot access a non-HMO provider for services.

Attachment # 1
Page 11 of 23

Medical Geo-Access Summary

PCP ACCESS SUMMARY

Network	Access Standard	Provider Count	Employees with Access
CHP Leon County Network	1 provider w/in 15 miles	123	100%
VISTA N. Florida Network	2 providers w/in 15 miles	109	100%
UHC Choice + Network	2 providers w/in **10** miles	291	94.4%

Attachment # 1
Page 12 of 23

Medical Geo-Access Summary (Continued)

SPECIALIST ACCESS SUMMARY

Network	Access Standard	Provider Count	Employees with Access
CHP Leon County Network	2 providers w/in 15 miles	245	100%
VISTA N. Florida Network	2 providers w/in 15 miles	225	100%
UHC Choice + Network	2 providers w/in **10** miles	459	85.6%

Attachment # 1
Page 13 of 27

Medical Geo-Access Summary (Continued)

HOSPITAL ACCESS SUMMARY

Network	Access Standard	Provider Count	Employees with Access
CHP Leon County Network	1 hospital w/in 15 miles	2	100%
VISTA N. Florida Network	1 hospital w/in 15 miles	6	100%
UHC Choice + Network	1 hospital w/in 10 miles	9	96.5%

Attachment # 1
Page 14 of 22

Medical Geo-Access Summary (Continued)

PHARMACY ACCESS SUMMARY

Network	Access Standard	Provider Count	Employees with Access
CHP Leon County Network	1 pharmacy w/in 15 miles	55	100%
VISTA N. Florida Network	1 pharmacy w/in 15 miles	57	100%
UHC Choice + Network	1 pharmacy w/in 10 miles	131	99.5%

Attachment # 1
Page 15 of 23

Carrier Financial Ratings

- Blue Cross/Blue Shield of Florida
  - A.M. Best: A (date assigned 3/2002)
  - Moody's: A2 (date assigned 12/2004)
  - Standard & Poor's: A (date assigned 11/2001)
  - Fitch: None

  Meets Mercer's minimum financial guidelines

- United Healthcare of Florida
  - A.M. Best: A (date assigned 7/2001)
  - Moody's: None
  - Standard & Poor's: A (date assigned 8/2002)
  - Fitch: A+ (date assigned 9/2001)

  Meets Mercer's minimum financial guidelines

Mercer cannot guarantee the financial stability of any carrier.

Attachment # 1
Page 16 of 22

Carrier Financial Ratings (Continued)

- Vista Health Plan
  - A.M. Best: C (date assigned 7/2002)
  - Moody's: None
  - Standard & Poor's: R (date assigned 7/2000)
  - Fitch: None

  Does not meet Mercer's minimum financial guidelines

- Capital Health Plan
  - A.M. Best: A - (date assigned 5/2004)
  - Moody's: None
  - Standard & Poor's: None
  - Fitch: None

  Meets Mercer's minimum financial guidelines

Mercer cannot guarantee the financial stability of any carrier.

Carrier Financial Rating Explanations

A. M. Best

- Secure Ratings:
  - (A++, A+) Superior - very strong ability to meet contractual obligations.
  - (A, A-) Excellent - strong ability to meet contractual obligations over a long period of time.

- Vulnerable Ratings:
  - (C, C-) Weak – ability to meet contractual obligations, but their financial strength is very vulnerable to changes in underwriting or economic conditions.

Moody's

- Strong Companies:
  - Aaa: Exceptional Financial Security, fundamentally strong financial position.
  - Aa: Excellent Financial Security, high grade company.
  - A: Good Financial Security, factors may be present which suggest a susceptibility to impairment sometime in the future.
  - Baa: Adequate Financial Security, certain protective elements may be lacking or may be characteristically unreliable over any great length of time.

Attachment # 1
Page 12 of 22

Carrier Financial Rating Explanations (Continued)

- Modifiers:
  - Rating followed by a "w" indicates company is on their watchlist.
  - Moody's applies numerical modifiers 1, 2, and 3 in each generic rating category from Aa to Caa.
  - The modifier 1 indicates that the insurance company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the company ranks in the lower end of its generic rating category.

Attachment # 1
Page 19 of 23

Carrier Financial Rating Explanations (Continued)

Standard & Poor's

- Secure Ratings:
  - AAA: Extremely Strong - extremely strong financial security characteristics that outweigh any vulnerabilities and is highly likely to have the ability to meet financial commitments.
  - AAA: is the highest Insurer Financial Strength Rating assigned by S&P.
  - AA: Very Strong - very strong financial security characteristics, differing only slightly from those rated higher.
  - A: Strong - strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
  - BBB: Good - good financial security characteristics, but is more likely to be affected by adverse business conditions than are insurers with higher ratings.

- Vulnerable Ratings:
  - R: Regulatory Action – has experienced a regulatory action regarding solvency. The rating does not apply to insurers subject only to non-financial actions such as market conduct violations.

Attachment # 1
Page 20 of 33

Carrier Financial Rating Explanations (Continued)

Fitch/Duff & Phelps

- Secure Ratings:
  - AAA — Highest claims paying ability. Risk factors are negligible.
  - (AA+,AA, AA-) — Very high claims paying ability. Protection factors are strong.
  - (A+,A, A-) — High claims paying ability. Protection factors are average and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
  - (BBB+,BBB, BBB-) — Adequate claims paying ability. Protection factors are adequate. There is considerable variability in risk over time due to economic and/or underwriting conditions.

Attachment # 1
Page 21 of 32

UnitedHealthcare
A UnitedHealth Group Company

United HealthCare of Florida, Inc
9009 Corporate Lake Drive, Suite 200 Tampa FL 33634
Tel 813 890 4500
800 595 0440

Attachment # 1
Page 22 of 22

Amy Cox
Leon County Government
301 S. Monroe Street
Tallahassee, FL 32301

Per your request, our revised rates are:

Employee	$392.55
Employee + 1	$812.58
Family	$1040.26

At our 8/1 meeting, we had discussed some benefit changes to help you achieve more consistency between our plan and the Capital Health Plan.

These rates include the following benefit changes.

Benefit changes (From Page 3 of the Mercer Document - Finalist Plan Design Comparisons)

Emergency Care Increase from $75 to $100

Outpatient Mental Health and Substance Abuse Increase copay from $10 to $20

Reduce visits/year max from 30 to 20

Prescription Drugs Benefit Change from $7/$25/$40 to $7/$20/$35

Let me know if there are any questions on this.

Have a great weekend!

Thomas Moore / JF

Thomas Moore
VP of Public Sector
UnitedHealthcare
9009 Corporate Lake Drive
Suite200
Tampa, FL 33634