This report was prepared with funds provided by the New York State Department of State under the Shared Municipal Services Incentive Grant Program.

Brown & Brown Employee Benefits Consulting and Brokerage

Cooperative Health Insurance Collaborative
Combined Group Analysis 2005-2008

January 20, 2009

Brown & Brown Insurance
Employee Benefit Group

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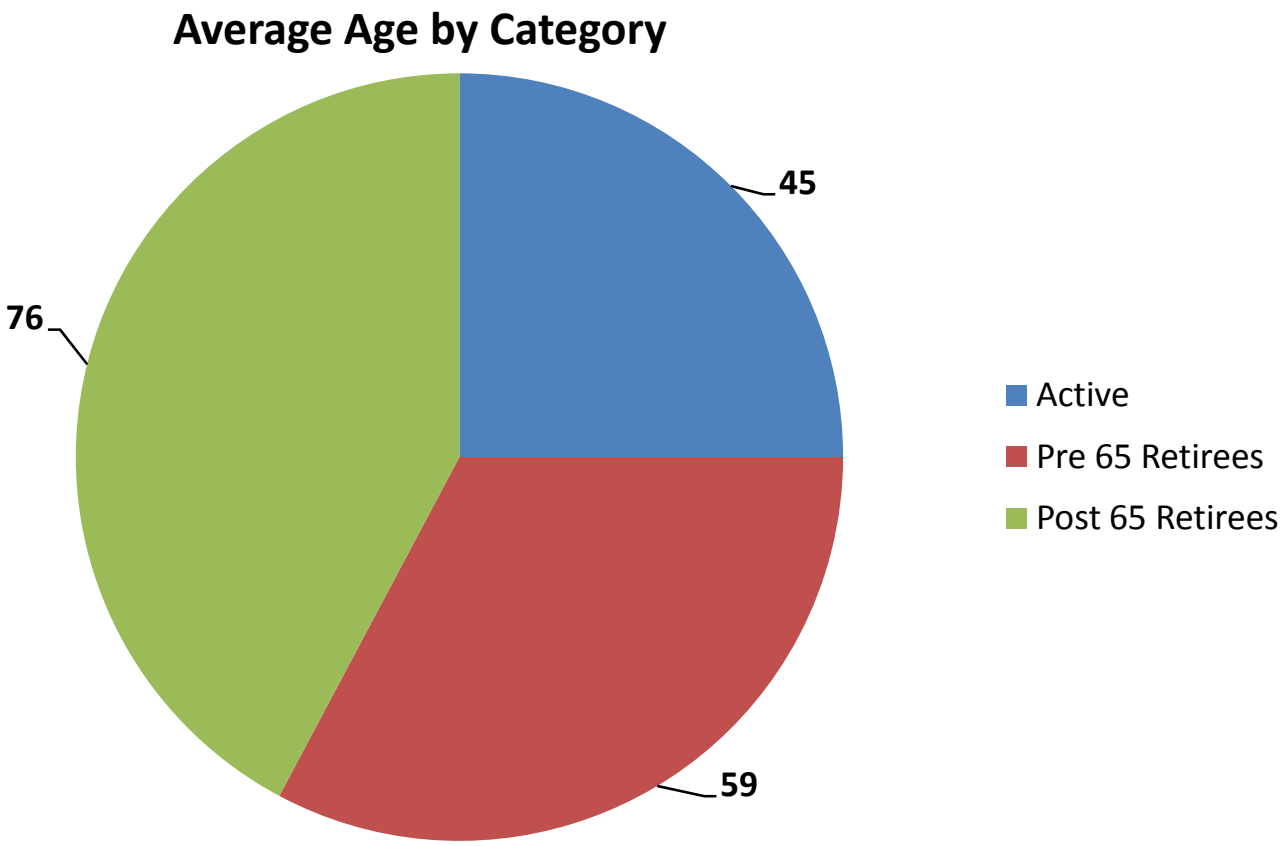
Demographic Information

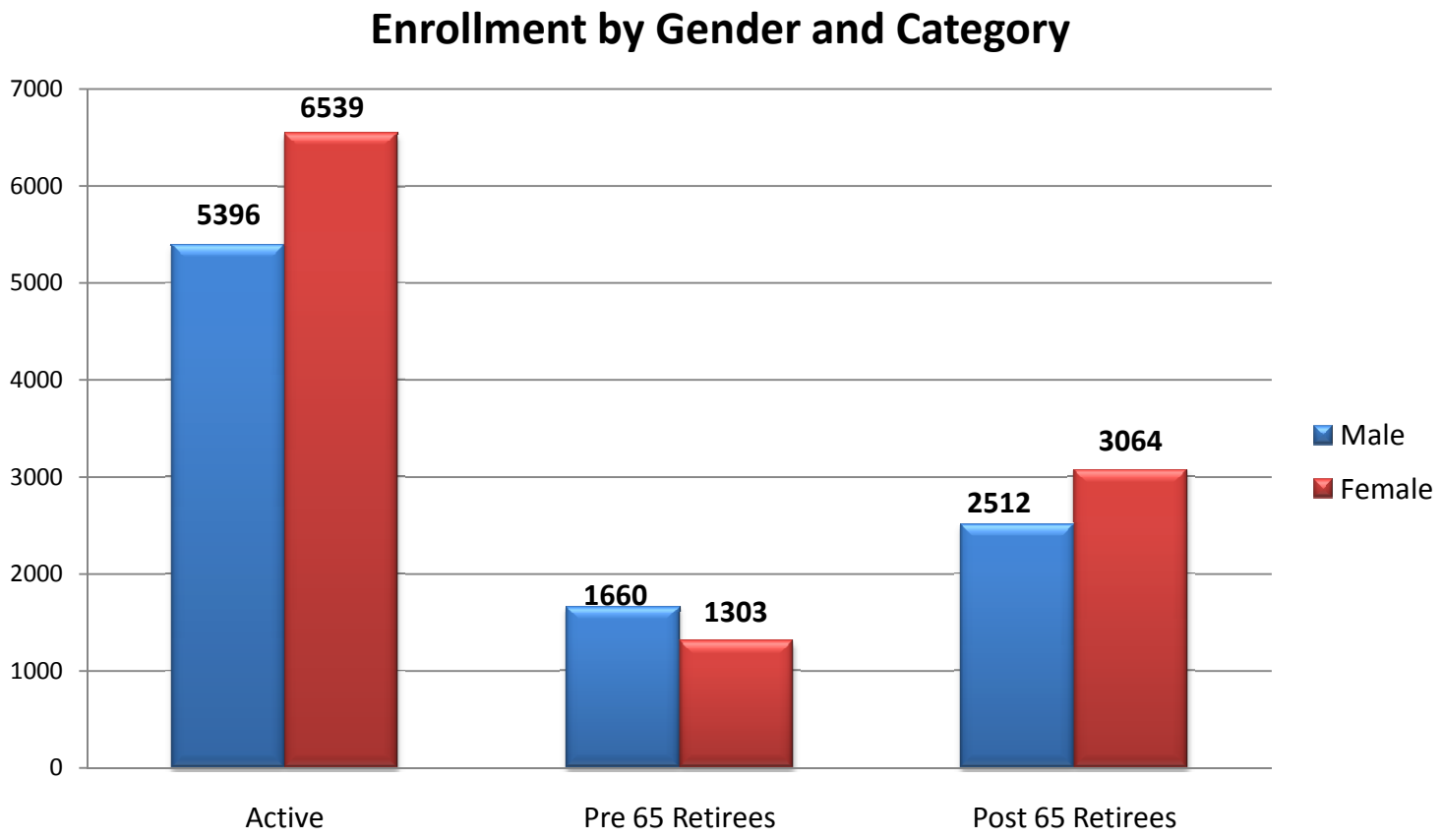
Participating Employees				
Active Employees	City of Rochester	Monroe County	Rochester City School District	Combined Population
Average Age	45	45	45	**45**
Male	2012	1811	1573	**5396**
Female	717	2082	3740	**6539**
			Total	**11935**
Pre 65 Retirees	City of Rochester	Monroe County	Rochester City School District	Combined Population
Average Age	58	59	60	**59**
Male	801	508	351	**1660**
Female	233	416	654	**1303**
			Total	**2963**
Post 65 Retirees	City of Rochester	Monroe County	Rochester City School District	Combined Population
Average Age	77	76	75	**76**
Male	1008	557	947	**2512**
Female	556	953	1555	**3064**
			Total	**5576**

Total Population– 20,474

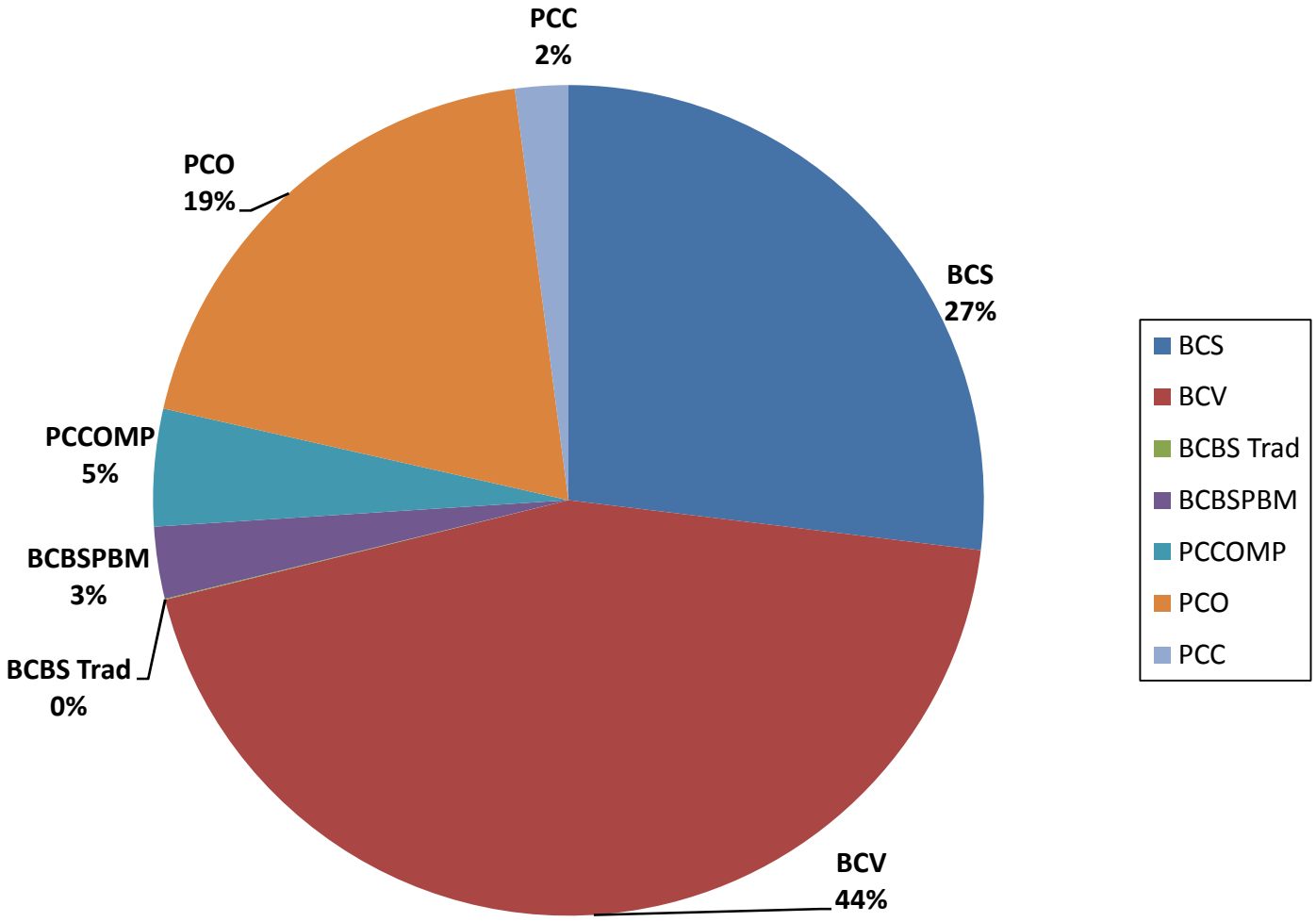
Aggregate Age by Category



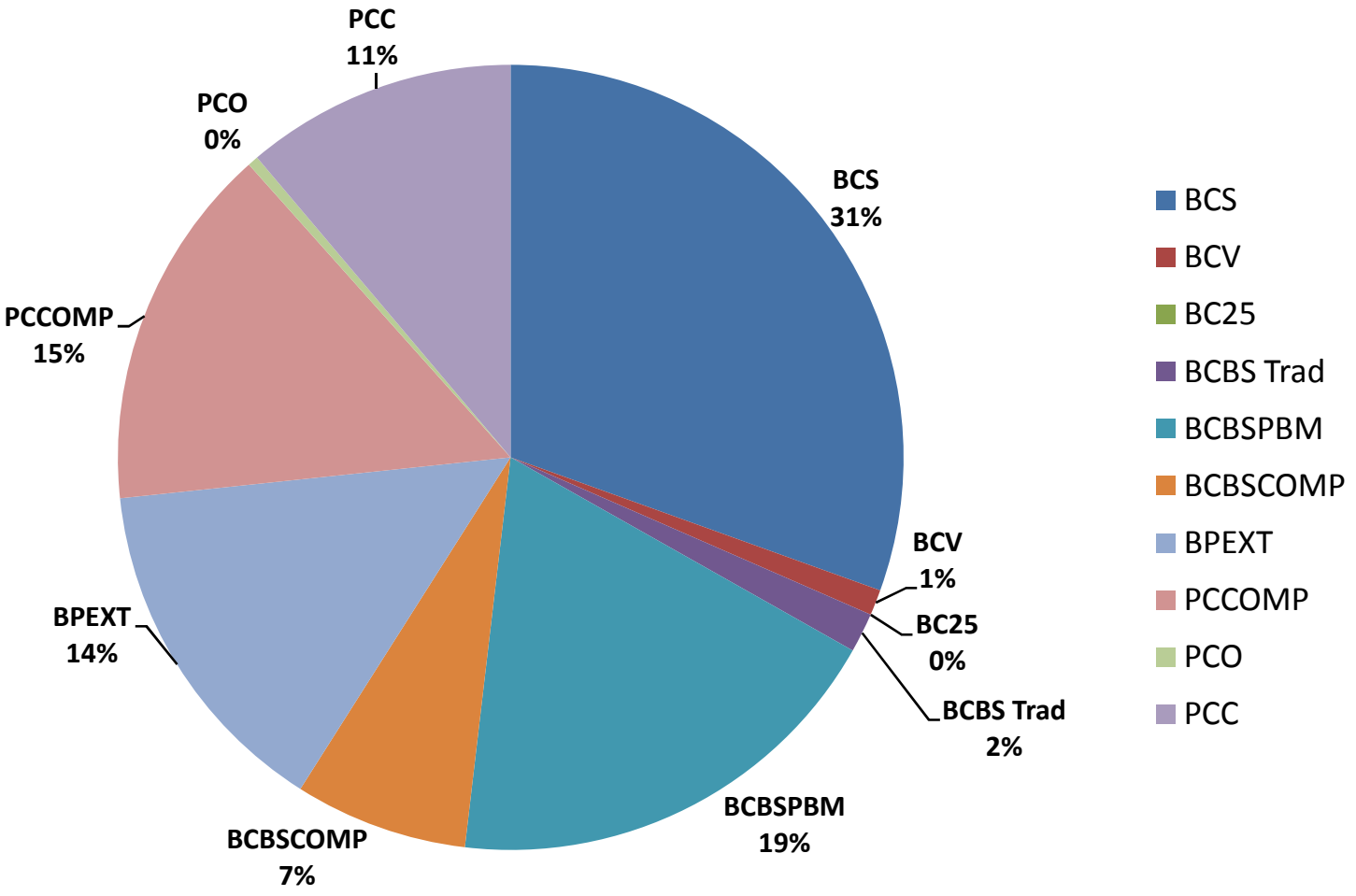
Aggregate Enrollment by Gender



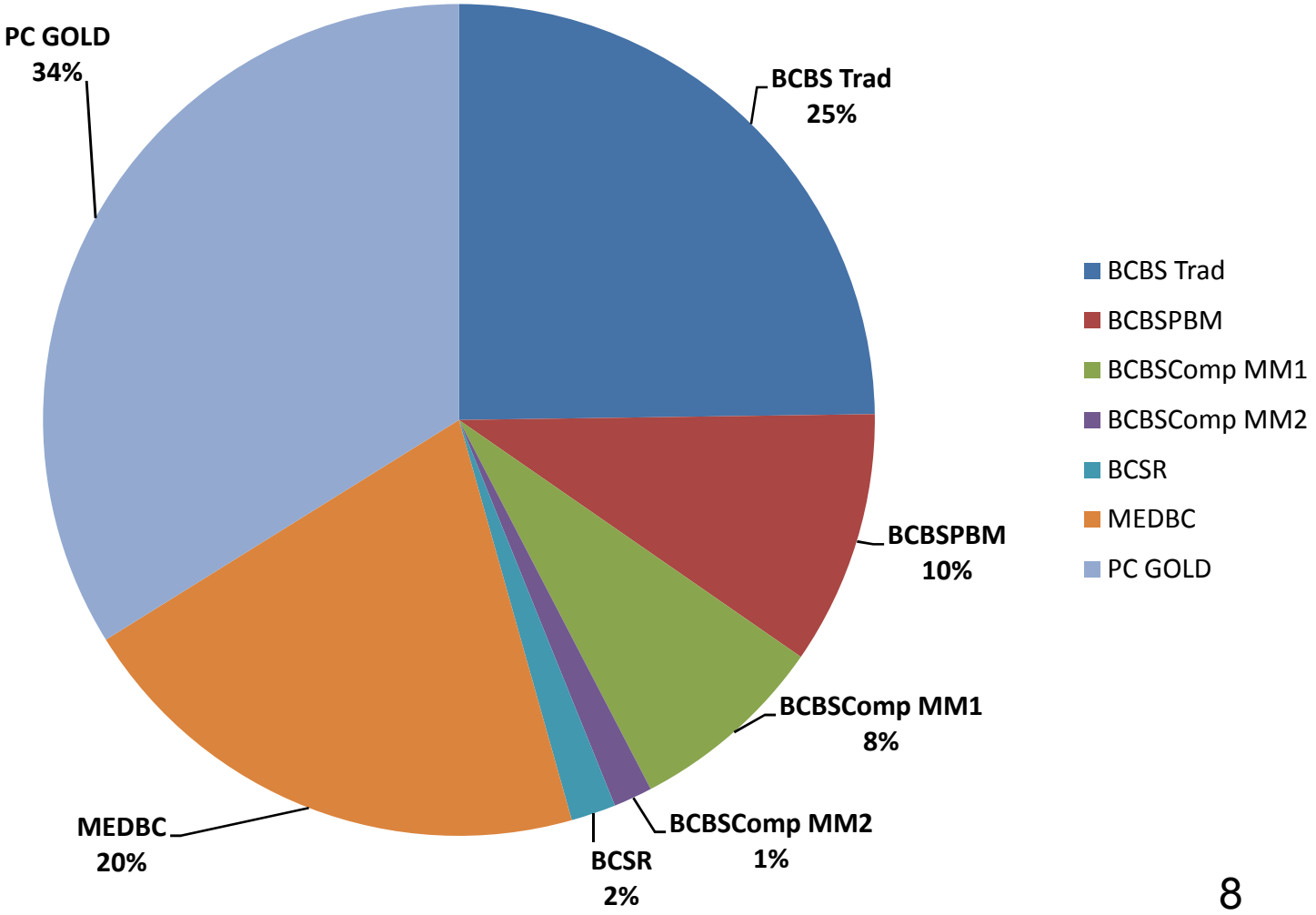
Enrollment by Plan: Active Employees



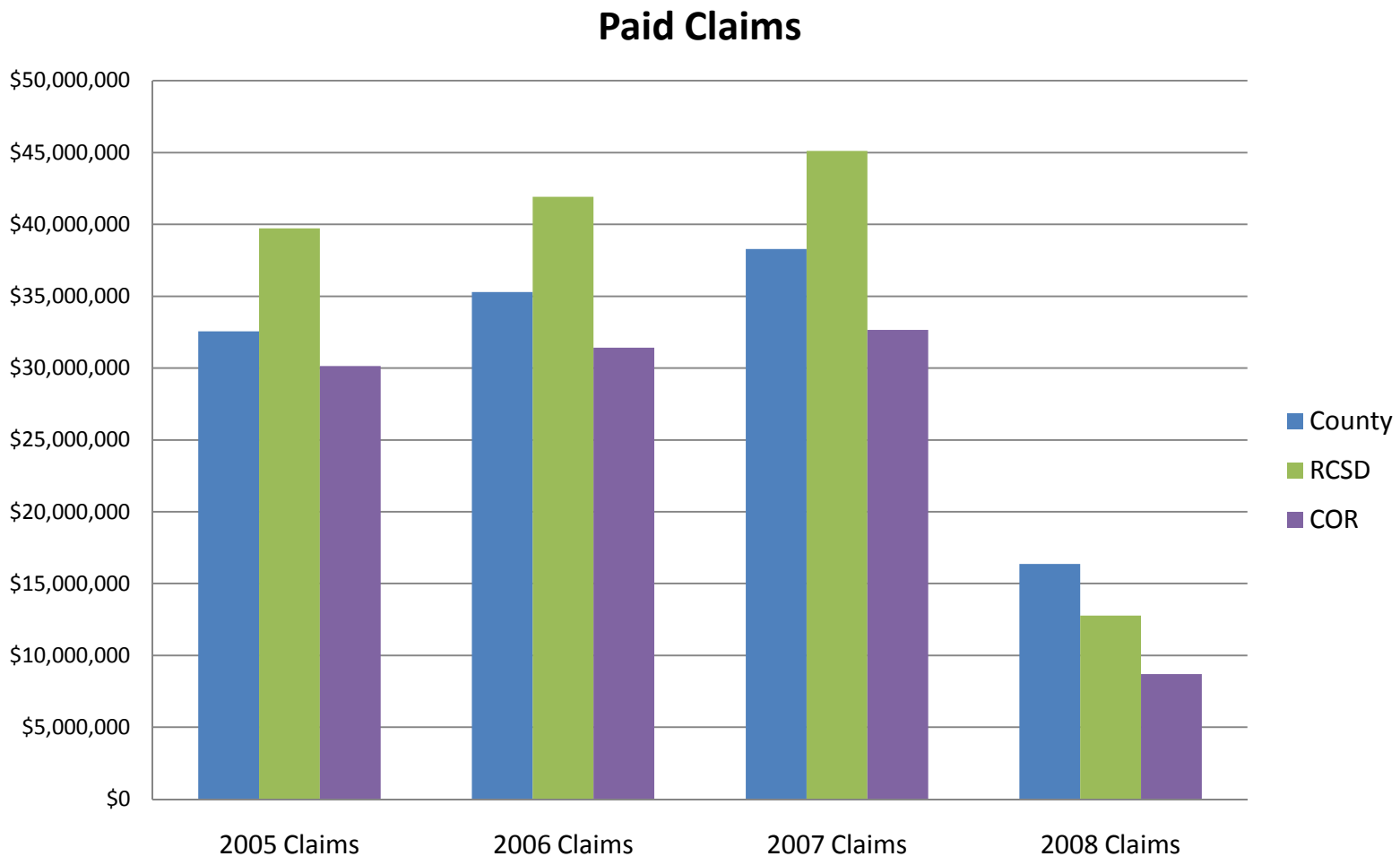
Enrollment by Plan: Pre 65 Retirees



Enrollment by Plan: Post 65 Retirees

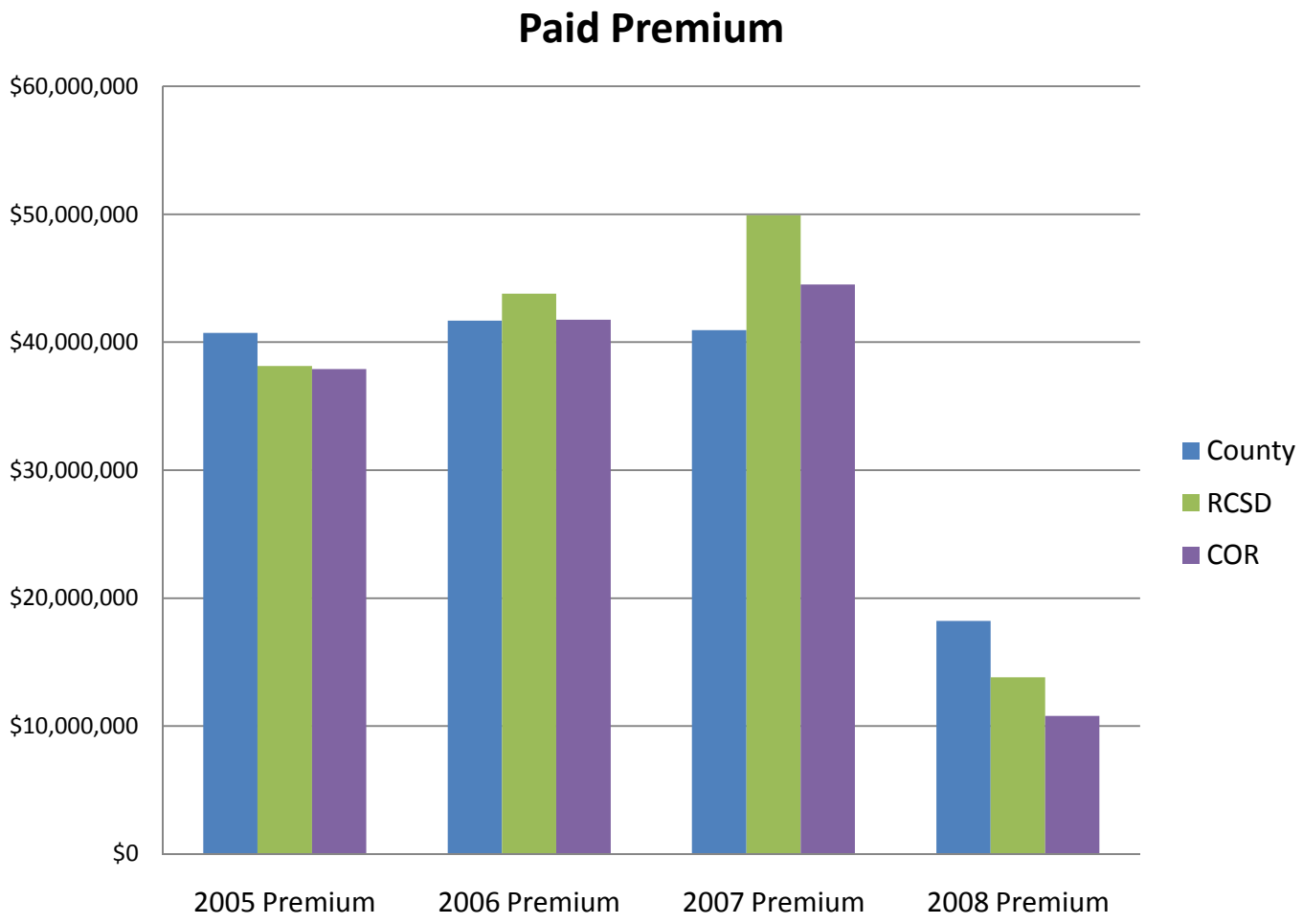


Total Paid Claims by Group
2005-2008



Post 65 retirees on HMO plans are not included in experience

Total Paid Premium by Group
2005-2008



Aggregate Claims vs. Premium
2005-2008

2005	Medical Claims	RX Claims	Total Claims	Paid Premium	Combined Loss Ratio
Total	$76,478,843	$26,594,061	$103,072,904	$116,776,521	88.27%

2006	Medical Claims	Rx Claims	Total Claims	Paid Premium	Combined Loss Ratio
Total	$80,048,362	$29,300,441	$109,348,803	$127,229,862	85.95%

2007	Medical Claims	Rx Claims	Total Claims	Paid Premium	Combined Loss Ratio
Total	$85,585,792	$31,109,412	$116,695,204	$135,377,785	86.20%

2008*	Medical Claims	RX Claims	Total Claims	Paid Premium	Combined Loss Ratio
Total	$27,893,180	$9,939,018	$37,832,198	$42,824,250	88.34%

**County through 5/30*

City and RCSD through 3/31

Post 65 retirees on HMO plans are not included in experience

Section II: Utilization Overview

2007 Benchmarking-Excellus Book of Business

Comparative Date 2007 Plan Year

	Excellus PPO	RCSD	Monroe County	City of Rochester	**Aggregrate Measures**
Members per Contract	2.1	1.9	2.0	2.2	**2.0**
Average Age	34.5	45	45	45	**45**
Medical Only: Plan Cost/Contract/Year	5183	6124	6245	9296	**7222**
Medical Only: Total Cost/Member/Year	2773	3222	3129	4323	**3558**
Adm/1,000/Year	74	85	96	108	**96**
ER visits / 1,000 / Year	193	169	166	184	**173**
Total Cost per Visit	823	729	702	630	**687**
PCP Office Visits / 1,000 / Year	1840	2226	2052	1971	**2083**
Total Cost per Visit	75	69	68	69	**69**
Specialist Office Visits / 1,000 / Year	685	923	703	733	**786**
Total Cost per Visit	88	79	78	76	**77**
Ratio PCP Visits to Specialist Visits	3	2	3	3	**3**
membership/year		127591	156974	97429	
contracts/year		67129	78670	45301	

Excellus Average age based on members and City, County and RCSD is based on contract holders
Above data reflects Excellus Data ONLY.

Observations:

- ✓ Excellus benchmarks are PPO book of business
- ✓ PCP office visit measures reflect higher number of visits but lower cost per visit
- ✓ ER visits reflect lower number of visits and lower cost per visit
- ✓ Specialist office visit reflect higher number of visit but a lower cost per visit
- ✓ Inpatient admits per thousand are higher than benchmarks
- ✓ *COR, RCSD and Monroe County are similar in utilization when compared to each other; when compared to the Excellus Book of Business, the three groups reflect higher utilization, but lower per visit costs, this can be attributed to the mix of services rendered, plan design, member cost share and group demographics.*

Claim Spend by Major Diagnostic Category (MDC) Top 4/High Cost Claimants

Top 4 MDC 2005 -1st Qtr 2008

Diagnostic Category	City of Rochester	Monroe County	RCSD	Combined
Musculoskeletal	$7,014,673	$10,553,779	$12,537,841	**$30,106,293**
Neoplasms	$4,469,437	$9,287,375	$10,198,744	**$23,955,556**
Circulatory	$7,151,400	$7,151,336	$10,237,952	**$24,540,688**
Ill Defined Conditions	$4,952,946	$7,719,650	$10,082,289	**$22,754,885**

High Cost Claims Over $25k

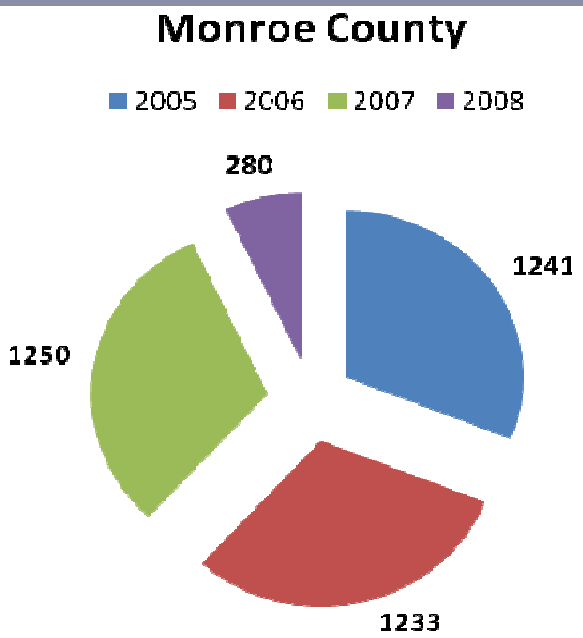
RCSD (Excellus & PC)	2005	2006	2007	Q 1 2008
Total # of Claims	144	139	173	37
Total HCC Spend	$7,273,306	$7,304,591	$7,790,532	$1,480,144

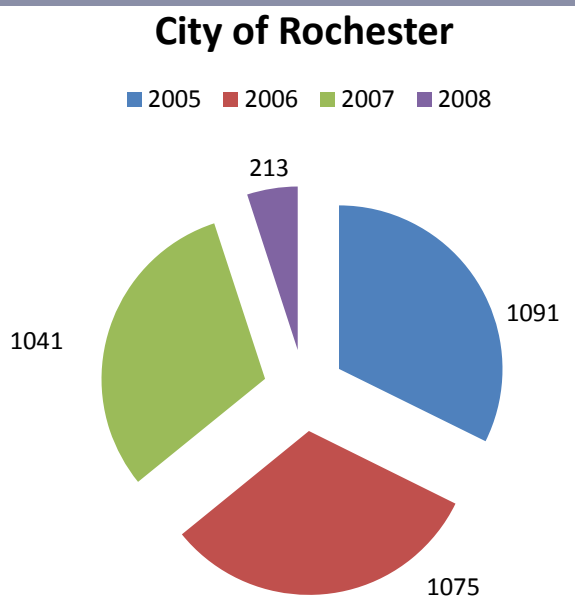
City of Rochester (Excellus & PC)	2005	2006	2007	Q 1 2008
Total # of Claims	105	102	114	18
Total HCC Spend	$5,238,852	$6,153,146	$6,114,453	$972,162

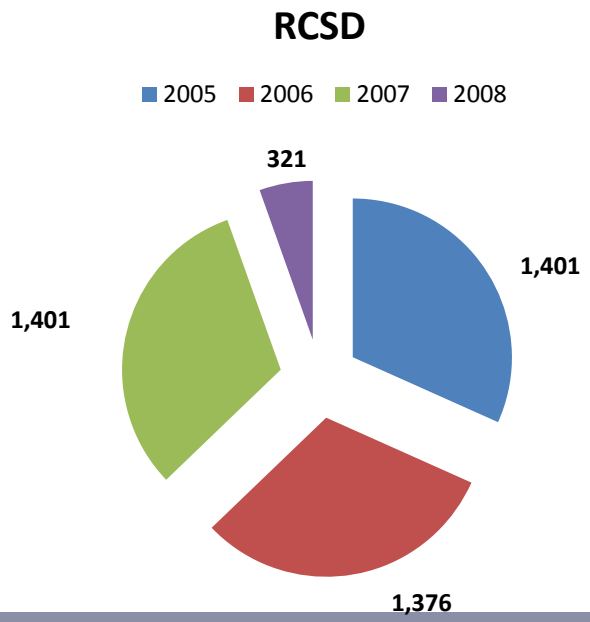
Monroe County	2005	2006	2007	Q 1 2008
Total # of Claims	110	133	166	26
Total HCC Spend	$5,289,408	$7,948,934	$9,114,653	$1,347,505

Includes Excellus and Preferred Care data for both City and RCSD

Inpatient Visits Per Year



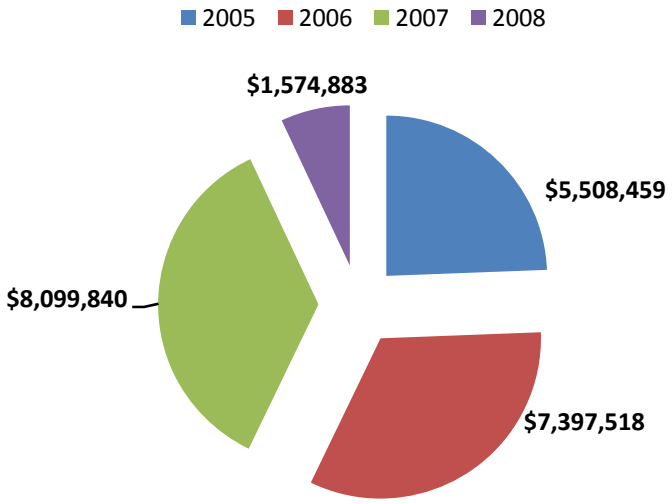




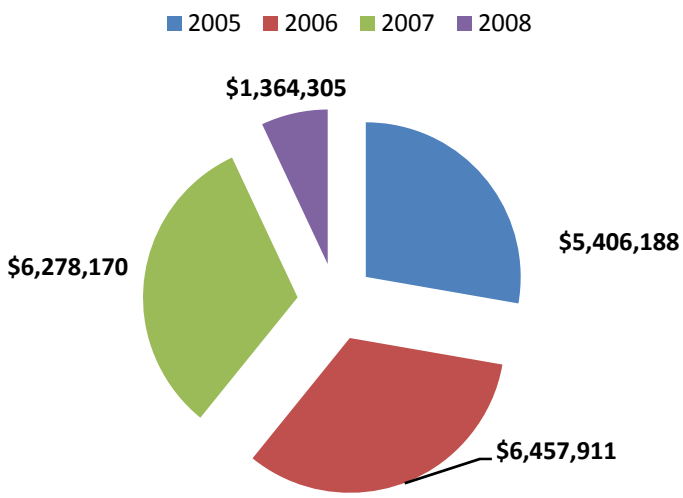
2008 Preferred Care numbers are estimated for, RCSD and COR

Inpatient Cost Per Year

Monroe County

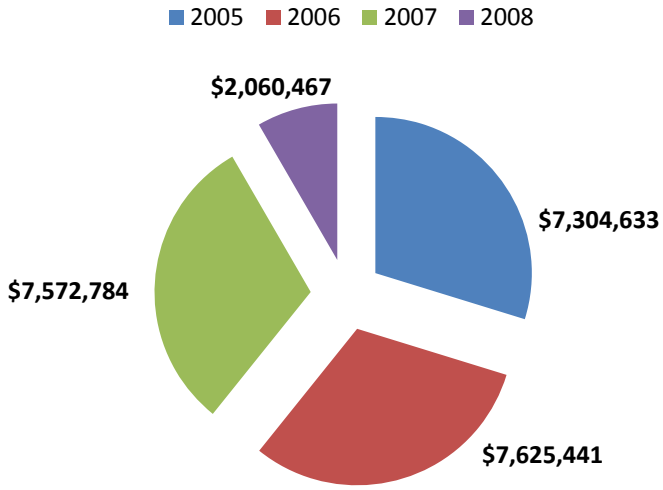


City of Rochester



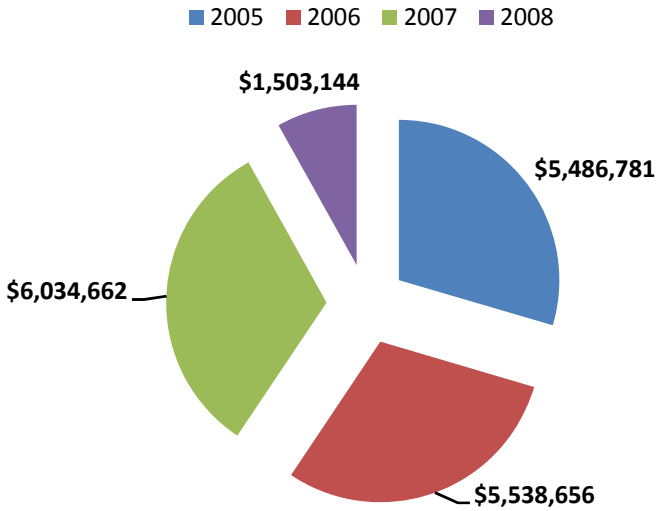
2008 Preferred Care numbers are estimated for COR

RCSD

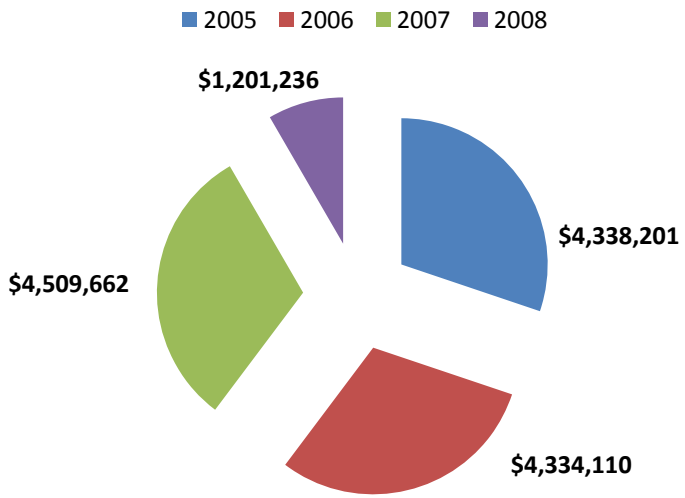


Outpatient Cost by Year

Monroe County

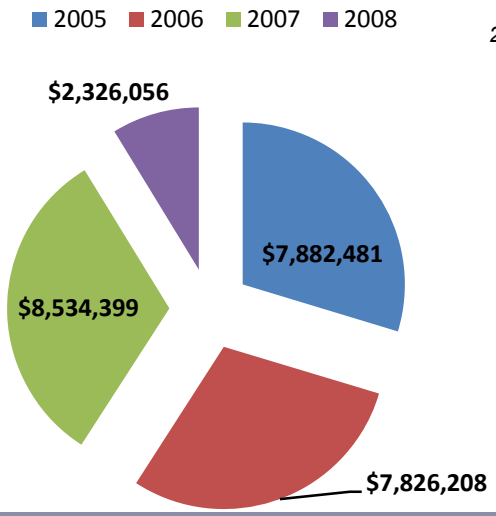


City of Rochester



2008 Preferred Care numbers are estimated for COR

RCSD



Section III:
Self Funded Medical and RX Analysis

Summary

Our analysis projects Monroe County, City of Rochester, and Rochester Schools:

- Could save 16.72% over the next three years by self-funding their **current** Excellus and Preferred Care arrangements

- Could save an additional 1.13% by carving out the pharmacy and sourcing it with a best-in-class stand-alone PBM

	Three-year Projection		
Plan	Self-funding Savings	Additional Savings Rx Carve-out Savings	Available Savings
Monroe County	3.84%	1.09%	4.88%
City of Rochester	28.07%	1.22%	28.95%
Rochester Schools	17.25%	1.09%	18.15%
Total	**16.72%**	**1.13%**	**17.66%**

Pharmacy Marketing

Regardless of where we ultimately source the pharmacy benefits, these projections assume that we market the pharmacy benefits to Excellus, PreferredCare, and stand-alone PBMs. This will allow us to:

- Place external competitive leverage on Excellus and PreferredCare
- Compare the financial advantages of a pharmacy carve-out with the operational downsides (e.g. two cards)
- Lower the cost of pharmacy benefits for plan sponsors and participants
- Lower the cost of pharmacy benefits for plan sponsors and participants
- Ensure clients receive promised value through annual pharmacy performance guarantee audits

Projections
All Study Clients

Cost/Savings Projections (in 1,000's)	Total of Individual Plans 2009	2010	2011	Total
Current Arrangement (CA) Costs	$180,994	$211,629	$239,137	$631,759
Carrier Self-Funded (SF) Costs	157,930	175,868	192,320	526,118
Carrier SF vs. CA Savings ($)	23,064	35,761	46,817	105,641
Carrier SF vs. CA Savings (%)	*12.74%*	*16.90%*	*19.58%*	*16.72%*
Carrier/PBM SF Costs	156,206	173,904	190,084	520,194
Carrier/PBM SF vs Carrier SF Savings ($)	1,724	1,964	2,236	5,923
Carrier/PBM SF vs Carrier SF Savings (%)	*1.09%*	*1.12%*	*1.16%*	*1.13%*
Carrier/PBM SF vs CA Savings ($)	24,787	37,724	49,053	111,565
Carrier/PBM SF vs CA Savings (%)	*13.70%*	*17.83%*	*20.51%*	*17.66%*

In performing this analysis, we relied on claims data and other information provided to us by Excellus, Preferred Care, and Caremark. We checked this information for reasonableness, but did not perform formal audits. If the underlying information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate of incomplete.

This study's projections are based on reasonable actuarial assumptions regarding future claims, admin fees, enrollment, and trends. To the extent experience varies from our assumptions, costs and savings will vary from our projections Brown & Brown and DeepView Solutions make no guarantees that experience will match the projections in this analysis.

Section III:
Collaborative Purchasing

Cooperative Health Insurance Purchasing Options

- Self Funded Municipal Cooperative Health Benefit Plans
  - Regulated by Article 47 of NYS Insurance Law

- Multi-Employer Trust
  - To jointly purchase health insurance plans
  - Experience Rated Financial Arrangement
  - Fully Insured

Article 47: Municipal Cooperative Health Benefit Plan (MCHBP)

- Article 47 of NY insurance law authorizes certain municipal corporations to form MCHBP in order to share the cost of self-funding the health plans.

- There are currently 10 active MCHBP's across New York State
  - Of the 10 active, all are entirely represented by either school districts or BOCES
  - All MCHBP's were established between 1979 and 1986, prior to article 47 being enacted into state law in 1994
  - There have been no new MCHBP's established since 1986

Article 47:
Municipal Cooperative Health Benefit Plan (MCHBP)

- Article 47 Restrictions and Safeguards:
  - Minimum of at least 5 municipalities participating in the cooperative
  - Minimum of at least 2000 total employees (current & retirees) participating in the cooperative

- Reserve Requirements:
  - Must maintain reserve for claims and expenses equal to at least 25% of total claims and expenses
  - Must maintain a reserve for unearned premium equivalents, a claim stabilization reserve, and a reserve for other obligations
  - Must maintain a surplus account of at least 5% of annualized earned premium equivalence for self insured consortiums

Multi-Employer Trust

- Multi-Employer Trust:
  - Employer must follow NYS Community Rating law
  - "Like" Employer Groups jointly purchase health insurance plans
  - Not Article 47 self-funded
  - Can take advantage of:
    - ✓ reduced administrative cost as a result of larger group size
    - ✓ greater market negotiating position
    - ✓ reduced group administrative responsibility
    - ✓ Pooled experience
    - ✓ Plan design flexibility
    - ✓ Joint governance (labor and management trust)

Example 1: NMCMSDP
Non-Monroe County Municipal School District Plan

- ✓ Not an Article 47 Plan
- ✓ School Districts outside of Monroe County but within the Excellus BCBS service area
- ✓ Offer traditional and POS benefit plan options – mirror community rated plans
- ✓ Districts have board representation on a regional level
  - no labor board seats
- ✓ Participating districts pay the same rate for the same plans
- ✓ Retrospective rating arrangement w/ deficit rollover
  - risk charge
  - carrier at risk upon termination(no run-out)

Example 2: RASHP
Rochester Area School Health Plan

- ✓ Not an Article 47 Plan
- ✓ School districts within Monroe County
- ✓ Offer Traditional Indemnity (RASHP I) and POS products (RASHP II)
- ✓ Offer Traditional and POS benefit plan options – mirror community rated plans
- ✓ Board representation one seat per participating district and 5 labor seats
- ✓ Minimum Premium / fully insured conventional premium
    - ✓ Year end settlement
    - ✓ Carrier at risk for terminal liability on RASHP II

Section IV:
Collaborative vs. Individual purchasing

Collaborative Purchasing Considerations

- ✓ What is the possible difference in benefit cost increase reduction for each group individually vs. collaborative purchasing of medical?
- ✓ Is the timeframe to establish a collaborative purchasing group too long when compared to individual group opportunities?
- ✓ On an individual group basis who stands to gain or lose the most?
- ✓ How do you involve labor in the process?
- ✓ What are each individual groups long term objectives?

Collaborative Purchasing Considerations

- ✓ Can each group achieve the same outcomes individually?
- ✓ Is each individual entity prepared to allocate time and resources to forming and maintaining a collaborative purchasing group?
- ✓ Can Retiree promises be kept?
- ✓ Can benefit plan offerings be reduced or streamlined?

Collaborative Purchasing vs. Individual Purchasing

Collaborative Purchasing:

- ✓Combined Size/Leverage in Marketplace
  - ✓Over 20,000 covered active and retired employees
  - ✓Over $150 million in premium

- ✓Similarities:
  - ✓Demographics
  - ✓Utilization
  - ✓Plan Design
    - ✓ Overall benefit plan designs for active employees are similar specific to co-pay and design
    - ✓ There is greater variation of plan design for pre and post 65 retirees
    - ✓ Ideally a successful collaborative purchasing would lead to streamlining of benefit plans offered

Collaborative Purchasing vs. Individual Purchasing

Collaborative Purchasing:

- ✓Labor
  - ✓each entity has multiple collective bargaining agreements
- ✓Geographical Location
- ✓Financial / Budgetary Challenges

✓Financial Arrangement

- ✓All Fully Insured
- ✓Carrier at risk
- ✓COR and RCSD Community Rated
- ✓Monroe County Experience Rated

✓Sharing Resources/Intellectual Capital

Collaborative Purchasing vs. Individual Purchasing

Collaborative Purchasing:

- ✓Savings
  - ✓ An estimated 1-2% savings through collaborative purchasing in addition to potential individual group savings, largely through administrative fee reduction.
  - ✓RCSD and City of Rochester stand to save the most initially through collaborative and/or individual purchasing due to current Community Rated financial arrangement
- ✓Public Perception
  - ✓ Perceived as a collaborative money saving initiative
- ✓Plan Ownership
  - ✓ More control over benefit plan design

Collaborative Purchasing vs. Individual Purchasing

Collabortive Purchasing:

- ✓Requires consensus on plan design with multiple entities
- ✓Requires establishment of formal governance process and by-laws
- ✓Individual entities are limited in ability to make individual group decisions and must abide by established Trust Governance and By-Laws
- ✓Requires establishment of Board of Directors and voting parameters
- ✓Increased need for Consulting, Legal, Actuarial, Accounting Services

Collaborative Purchasing vs. Individual Purchasing

Collective Purchasing:

- ✓Labor buy-in
  - ✓ Board decisions from a collaborative plan would have to be accepted by all
- ✓Lack of Individualism
- ✓Lack of Flexibility
- ✓Timing
  - ✓ Creation of a collaborative purchasing group could take a minimum of 18-24 months.
- ✓Who benefits
  - ✓Entities that are currently Community Rated stand to gain the most initially
- ✓Retiree Benefits
  - ✓ collaborative purchasing can create obstacles to retiree promises made

Collaborative Purchasing vs. Individual Purchasing

Individual Purchasing:

- ✓ Each group is individually large enough to have substantial market leverage
- ✓ COR and RCSD are on outdated benefit and financial platforms and stand to gain the most individually from changes to benefit and financial arrangement platform
- ✓ Individual purchasing allows more flexibility specific to individual labor group contracts and benefit language
- ✓ Individual purchasing allows more flexibility in plan design
  - ✓ Ability to customize plan design to meet individual group needs (including retirees)
- ✓ Ability to negotiate and make changes more quickly

Recommendation

A review and analysis of the data presented shows many similarities among the City of Rochester, Monroe County, and the Rochester City School District.

From a big picture perspective, cost savings, plan management and plan control opportunities exist for the City or Rochester, Monroe County and the Rochester City School District.

The City of Rochester and Rochester City School District could quickly realize medical health plan savings by updating their respective benefit and financial platforms. Monroe County has already moved to an experience rated platform and successfully removed much of the additional cost incurred under the previous community rated financial arrangement.

No collaborative buying opportunity can be successful without the inclusion of labor. This would require a process to create a joint labor management committee and follow a clearly defined process to facilitate change.

Recommendation

While opportunities for savings exist on a collaborative basis, an immediate opportunity exists for the City of Rochester and the Rochester City School District to make individual changes today that will impact the cost of their medical plans.

Given the current financial environment on a State and local basis, the limited resources available to each group and the timeframe required to facilitate the formation of a successful and long term collaboration, we recommend that each group focus resources on individual benefit solutions vs. a collaborative approach at this time.

Generic Disclosure

DISCLOSURE

- The analysis of the following plans is a summary. Please refer to the contract and plan description for a full list of coverages and exclusions.
- Executive summaries and proposals, if presented to clients, are created by Brown & Brown. Neither the carrier nor Brown & Brown will be held responsible for typographical or clerical errors contained in said proposal.
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- All insurance carriers have their own operating procedures. A change in carrier could affect certain benefits and coverages.
- B&B representatives are available to explain any items presented. It is assumed that the recipients of this proposal will seek an explanation of any items that may be in question.
- Broader Coverage May Be Available.
- Carriers represented in this presentation are: **Excellus BlueCross Blue Shield AM Best Rating A-, Preferred Care, an MVP company AM Best Rating B+**
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Appendix:
BluePrint Approach to Wellness

Executive Summary

With health insurance premiums increasing by double digits annually, many employers are looking for alternative ways to reduce costs.

- A wellness program is intended to assist employees in making voluntary behavior changes that reduce their health risk and enhance their individual productivity
- Numerous studies show that money invested in a wellness program saves money over time through lower health care costs

The following slides show wellness programs can improve health, save money, and produce a return on investment.

How to Build a Wellness Program

The Blue Print Approach

I. Gain Buy-in from Management/Employees/Labor
II. Wellness Team Formation
III. Research and Data Gathering
IV. Set Goals and Objectives
V. Select Incentives
VI. Building a Budget
VII. Evaluate and Measure Effectiveness

I. Gain support from Management/Employees/Labor

- ✓ "Major change initiatives must be actively led by senior management."
- ✓ Management must understand the benefits of the program for employees and organization
- ✓ Managers who "walk the talk" and take part in the program will go a long way to driving others to participate as well.*
- ✓ Create a wellness "culture" which will foster an ongoing long-term focus

*Source: Wellness Councils of America, 2008

II. Create a Wellness Team

The team will be responsible for promoting the wellness program, planning activities, recruiting team leader and conducting the evaluation.

The size of the team will depend on company size, and the scope of the programs and activities.

Potential wellness team members:

- Senior/mid-level managers
- Front-line employees/Labor
- Benefits managers
- Human resource personnel
- Marketing/Comm. Directors
- Safety coordinators
- Info. Systems representatives
- Health care representatives

Source: Wellness Councils of America, 2008

III. Research and Data Gathering

Questions to ask when collecting data

- ✓ What are the organizational issues facing the employer?
- ✓ What is the level of management/Employee/Labor support for a health promotion program?
- ✓ What are the most prevalent employee disease and injury risks?
- ✓ What health issues are employees interested in addressing?

Answering these questions are important to assure that any wellness program has a chance to succeed

Source: Healthy Workforce 2010, *Partnership for a healthy Workforce*, Fall 2001

III. Research and Data Gathering

Benchmark Data from peer groups

Employee Interests/Concerns

Health Risk Appraisal (HRA)

Health insurance claims data

- Data can be obtained from carrier

Source: Healthy Workforce 2010, *Partnership for a healthy Workforce*, Fall 2001

IV. Set Goals and Objectives

Goals: The most effective goals are realistic and reflect the needs of management/employees/labor as well as employees. They should be:

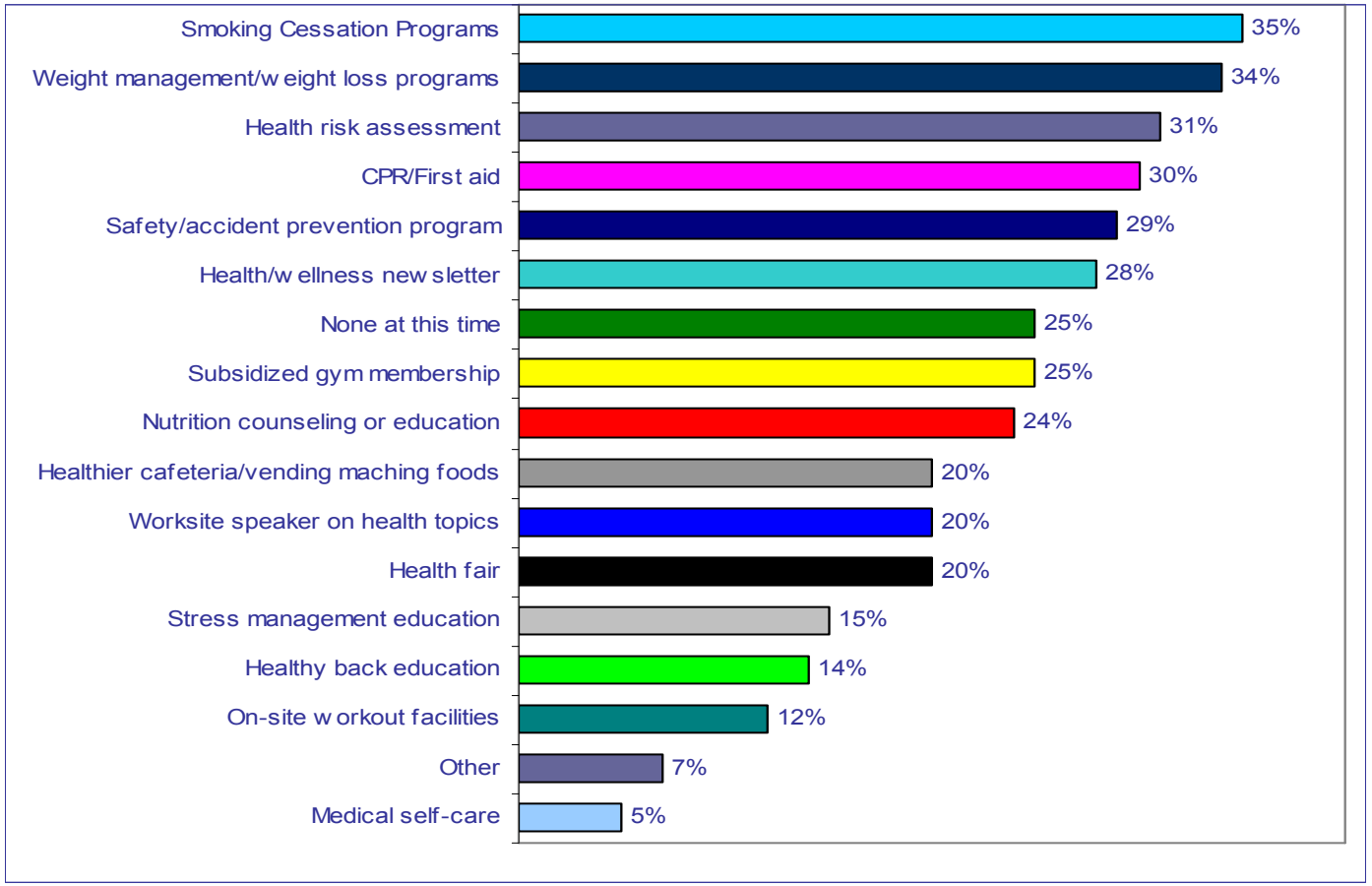
- Unambiguous
- Time-limited
- Achievable

Objectives: Expected short-term accomplishments related to the programs goals.

- For each objective, there should be a list of more detailed action-steps

Source: Healthy Workforce 2010, *Partnership for a healthy Workforce*, Fall 2001

Types of Programs Offered



Source: Wellness Benefits Survey, 2007

V. Building a Budget

Typically, an internal staff person (with input from the wellness committee and management) develops a program budget

The budget can include:

- Administrative resources
- Program materials
- Vendor costs

The total program budget could be translated into a per employee cost

- Employee cost-sharing is also an option for specific programs

Source: Healthy Workforce 2010, *Partnership for a healthy Workforce*, Fall 2001

VI. Selecting Incentives

The Need for Incentives

Incentives can produce significant change in behavior, are easy to administer and can be combined to increase employee motivation

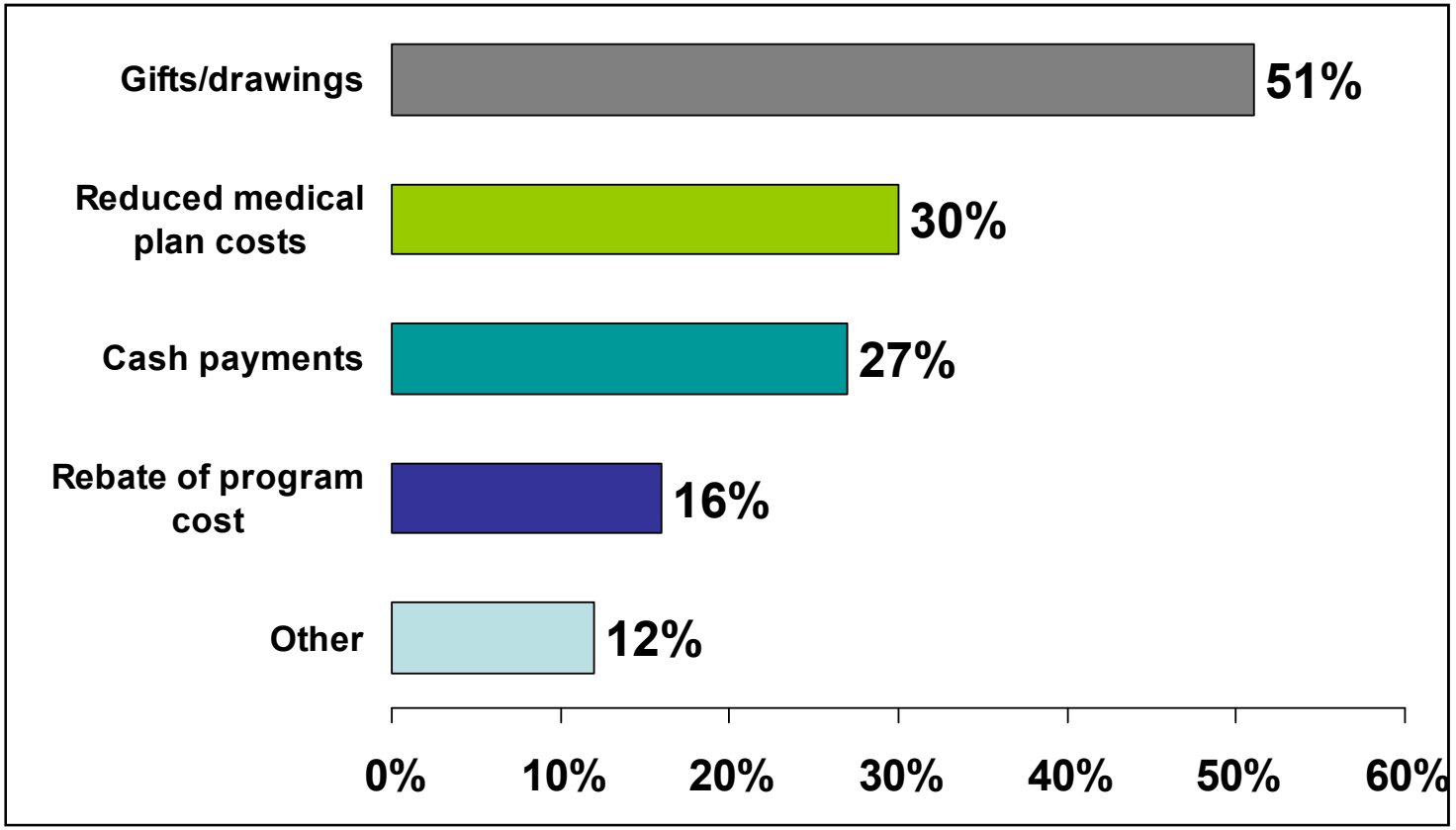
Incentives can keep the wellness program positive and upbeat

Types of incentives:

- Cash
- Prizes
- Vacation days
- Reduced Premium
- Management recognition
- Camaraderie, personal fulfillment

Source: MyWave, *Workplace Wellness, Using Incentives in Wellness Programs*

Types of Participation Incentives Offered



Source: Wellness Benefits Survey, 2007

VII. Evaluate and Measure Effectiveness

Benefits of Measuring Program Results

- To see if your wellness program worked
- To demonstrate the cost benefit of your program
  - Was that benefit worth the cost?
- Compare different types of programs
  - If you have tried multiple approaches, you can see which approach was the most effective
  - You can compare your outcome with industry standards
- Give feedback to participants
  - By giving results, you can boost participation and show the programs work

Source: Wellness Councils of America, 2008

VII. Evaluate and Measure Effectiveness

Process Measurement- answers many questions about the basic operation of the program. Measurements include:

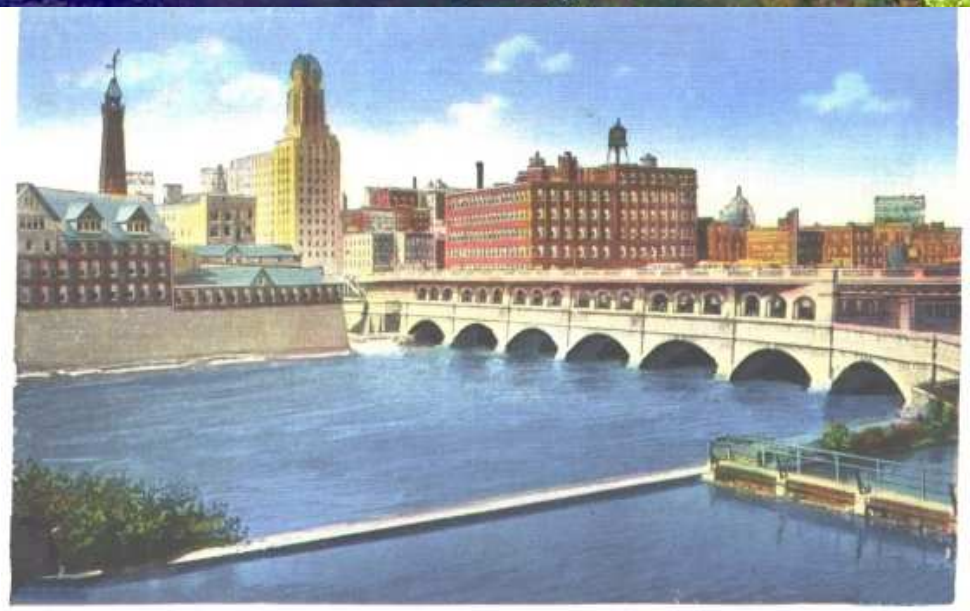
- Participation counts
- Participant evaluation of individual activities

Outcome Measurement- gauges the extent to which specific program goals have been achieved.

- Outcome data that demonstrates program success helps to secure continued management support for the program.

Source: Healthy Workforce 2010, *Partnership for a healthy Workforce*, Fall 2001

This report was prepared with funds provided by the New York State Department of State under the Shared Municipal Services Incentive Grant Program.



Data Analysis 2005-2008
City of Rochester

Brown & Brown Insurance
Employee Benefit Group

CIC BENEFITS GROUP, LLC

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Total Population Utilization

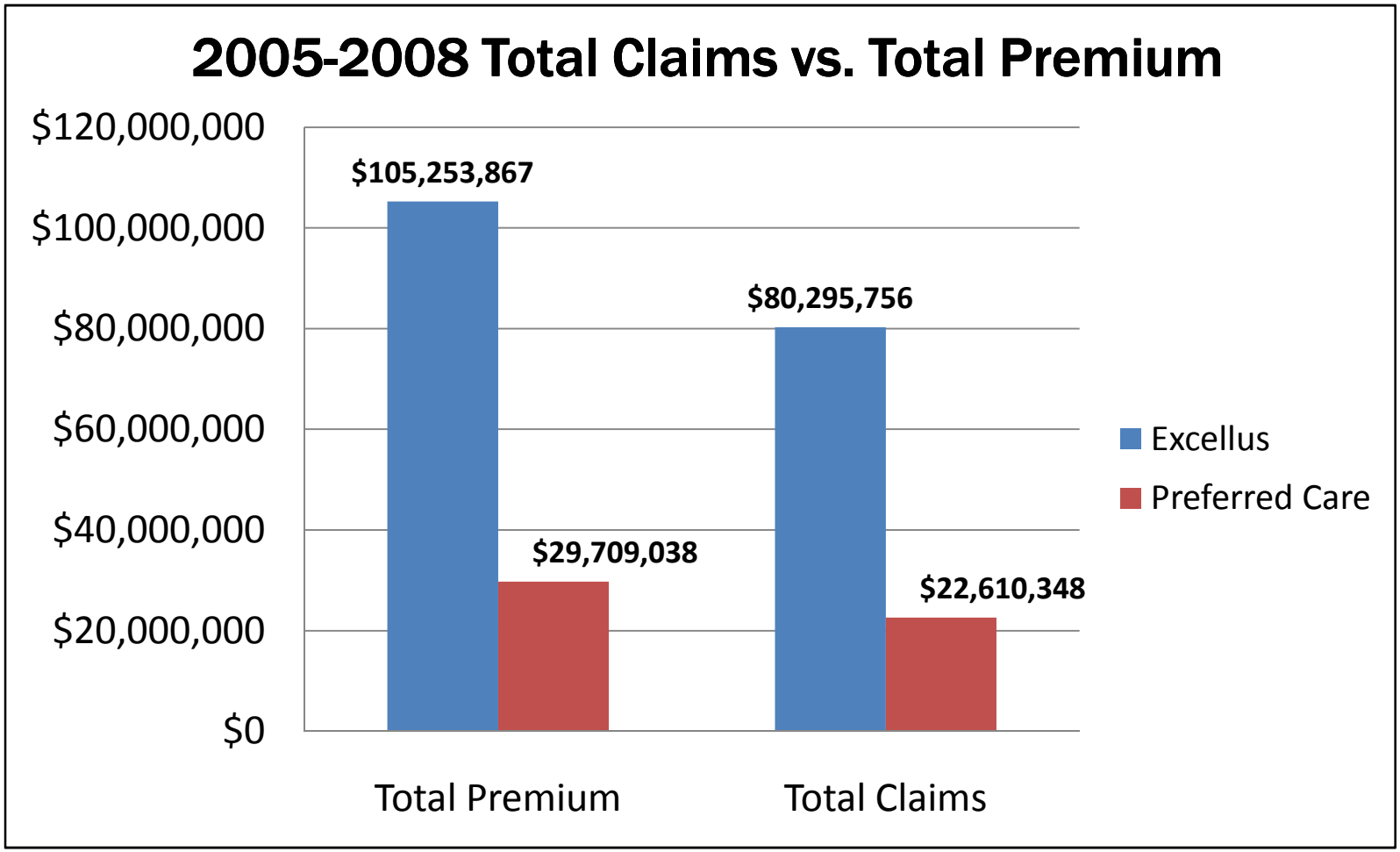
2005	Medical Claims	RX Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$16,623,166	$7,594,826	$24,217,992	$30,339,383	79.82%	79.53%
Preferred Care	$4,738,031	$1,189,439	$5,927,470	$7,566,730	78.34%	
Total	$21,361,197	$8,784,265	$30,145,462	$37,906,113		

2006	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$16,697,411	$8,102,361	$24,799,772	$32,957,346	75.25%	75.22%
Preferred Care	$5,282,434	$1,329,006	$6,611,440	$8,800,928	75.12%	
Total	$21,979,845	$9,431,367	$31,411,212	$41,758,274		

2007	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$17,230,384	$8,446,533	$25,676,917	$35,096,135	73.16%	73.37%
Preferred Care	$5,534,786	$1,444,311	$6,979,097	$9,413,350	74.14%	
Total	$22,765,170	$9,890,844	$32,656,014	$44,509,485		

2008 thru 3/31	Medical Claims	Rx Claims	Total claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$3,711,202	$1,889,873	$5,601,075	$6,861,003	81.64%	80.58%
Preferred Care	$2,442,950	$649,391	$3,092,341	$3,928,030	78.72%	
Total	$6,154,152	$2,539,264	$8,693,416	$10,789,033		

2005-2008 Total Claims vs. Total Premium



Total Premium: $134,962,905
Total Claims: $102,906,104

Financial Summary – Key Points

Average Claim trend (medical and RX) utilization increase for 2005 – 2006 – 2007 is about 8% or 4% per year

Average premium trend (medical and Rx) increased 17% or 8.5% per year over the same period

Estimated 2008 loss ratio is 81% vs. a tolerable fully insured carrier loss ratio of 87%

Year over year loss ratio has consistently been below tolerable fully insured carrier loss ratios

Summary Analysis – Key Points

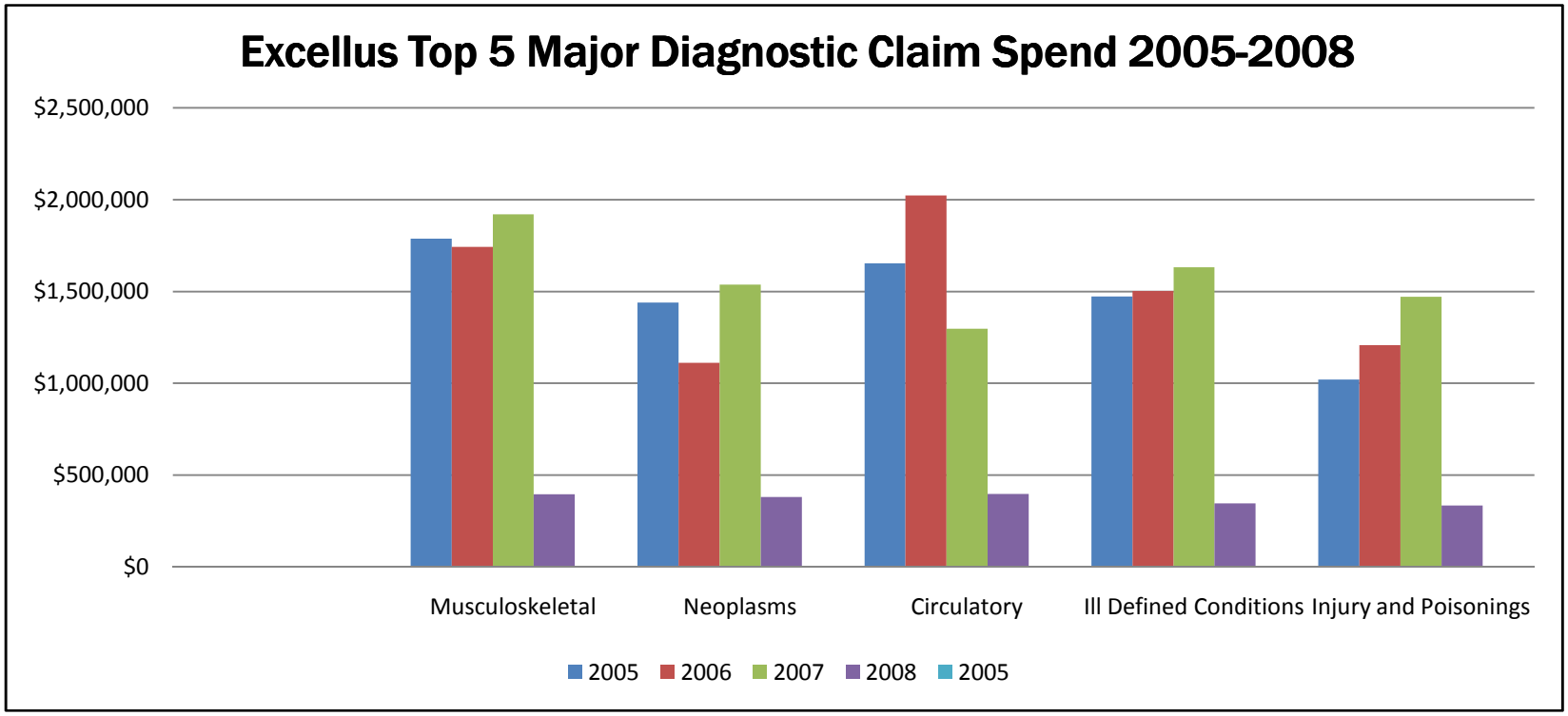
City of Rochester loss ratio has been better than the community pool ultimately subsidizing worst risk in the community pool

Data suggests opportunity exists to consider other financial arrangements

Current HMO benefit plans are outdated, benchmarking suggests more recent generation plans such as EPO and/or PPO would provide better value and flexibility

Current community rated HMO premiums are subsidized across the rating pool from high plan to low plan creating artificial premium pricing points

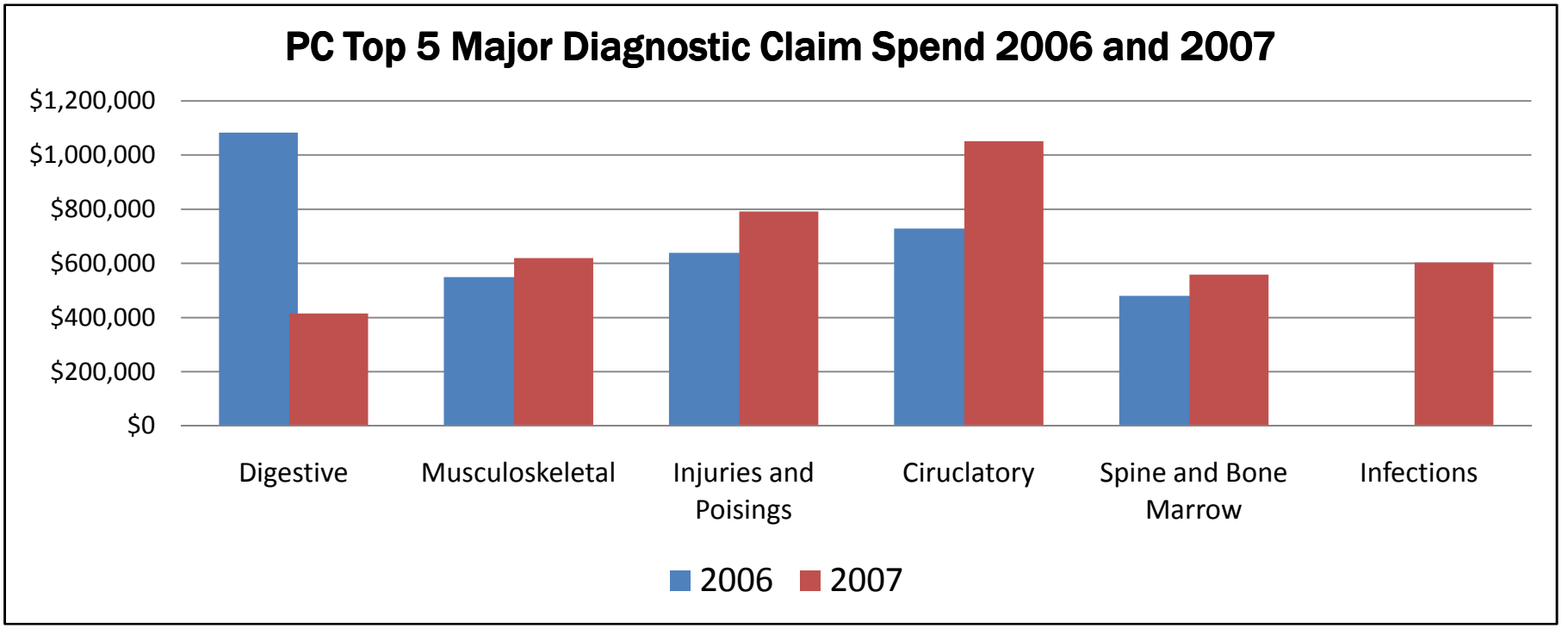
Claim Spend by Major Diagnostic Category (MDC)-Excellus



Top 5 MDC

	2005	2006	2007	2008	Total Spend
Musculoskeletal	$1,786,907	$1,743,077	$1,920,150	$395,270	$5,845,404
Neoplasms	$1,438,973	$1,111,916	$1,537,593	$380,955	$4,469,437
Circulatory	$1,654,044	$2,022,451	$1,296,738	$397,583	$5,370,816
Ill Defined Conditions	$1,472,504	$1,503,032	$1,631,564	$345,846	$4,952,946
Injury and Poisonings	$1,021,045	$1,207,451	$1,470,664	$334,287	$4,033,447

Claim Spend by Major Diagnostic Category (MDC)-Preferred Care



Top MDC

	2006	2007	Total Spend
Digestive	$1,082,898	$415,108	$1,498,006
Musculoskeletal	$549,373	$619,896	$1,169,269
Injuries and Poising	$639,174	$791,474	$1,430,648
Circulatory	$728,975	$1,051,609	$1,780,584
Spine and Bone Marrow	$480,701	$559,013	$1,039,714

Excellus High Cost Claimants (HCC)- Over $25K

Excellus	2005	2006	2007	Q 1 2008
Total # of Claims	84	82	95	18
Range of Claim Cost	$25,465 - $169,688	$25,059 - $338,481	$25,120 - $451,267	$25,294 - $122,028
Total HCC Spend	$4,180,267	$4,715,778	$5,069,837	$972,162

Preferred Care High Cost Claimants (HCC)- Over $30K

Preferred Care	2005	2006	2007
Total # of Claims	21	20	19
Range of Claim Cost	$27,736-$110,795	$33,072-$285,011	$30,899-$131,953
Total HCC Spend	$1,058,585	$1,437,368	$1,044,616

Specific Utilization Measures

Major Diagnostic Category /High Cost Claims

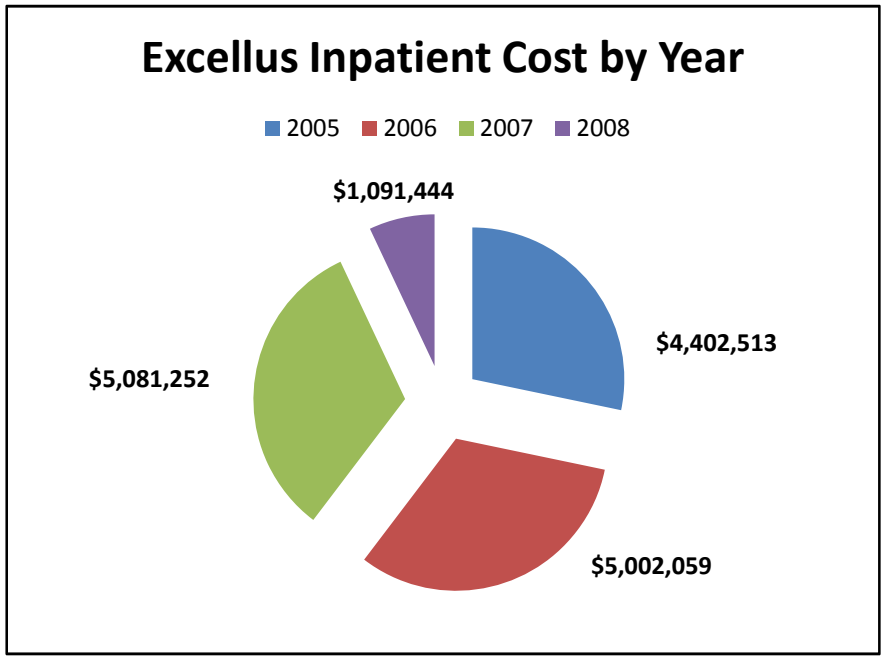
Major Diagnostic Category expenses show incremental increase in cost for the period reviewed.

Musculoskeletal and Circulatory are #1 and #2 highest claim spend annually for Excellus and Circulatory and Digestive are #1 and #2 for Preferred Care.

The MDC's above as well as the other three are consistent with other large group MDC cost and utilization ranking

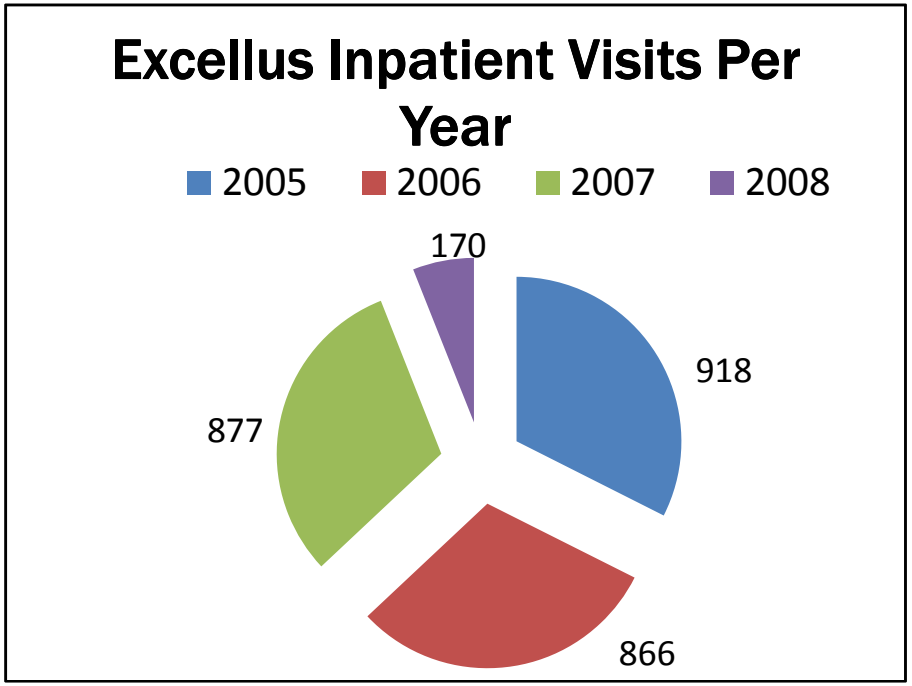
High cost claimants were steady for the period examined – both in number and total dollars spent

Excellus Inpatient Cost/Visits

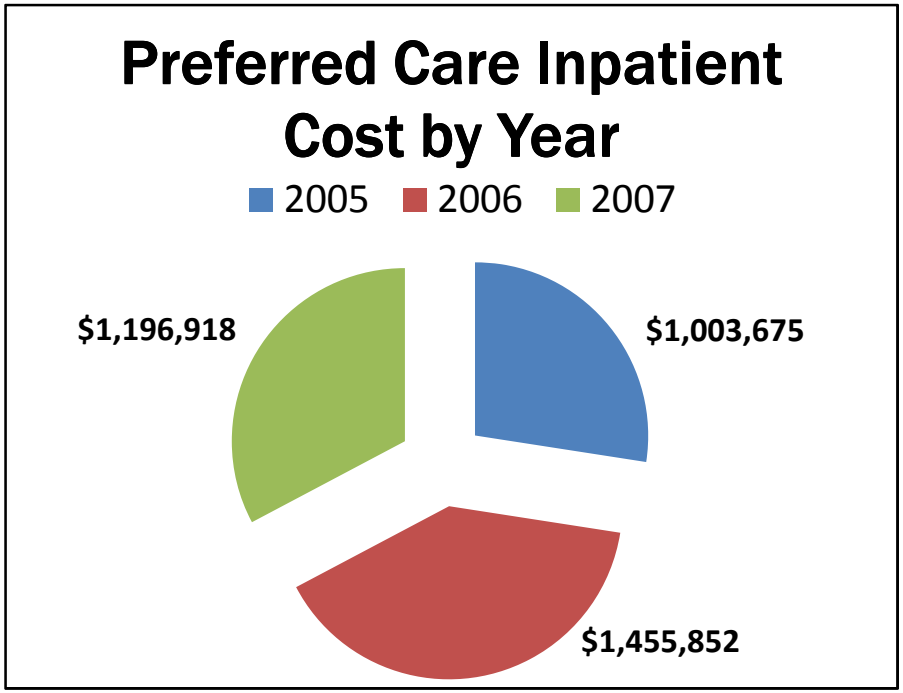


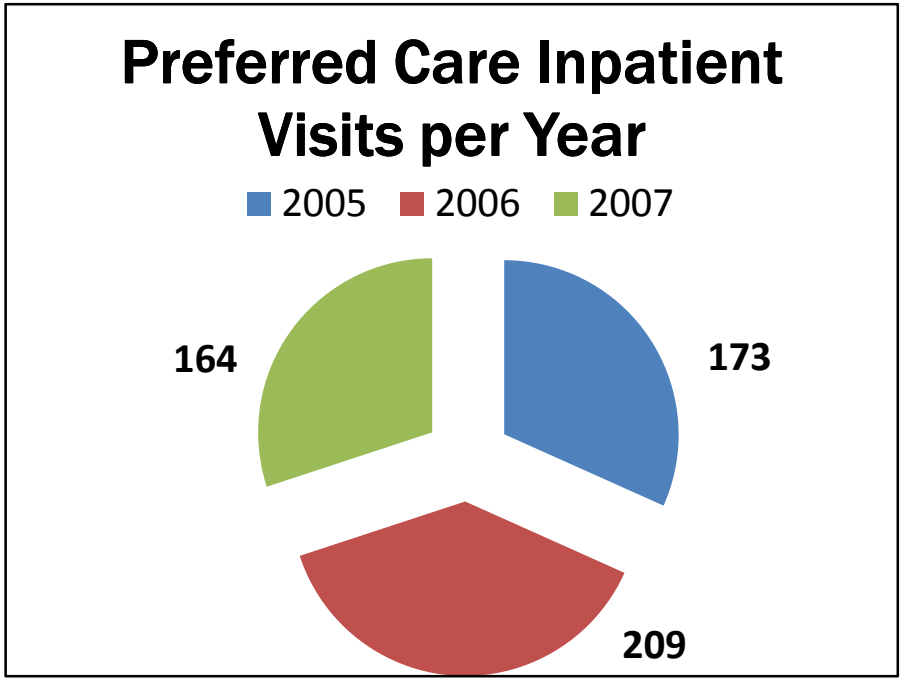
Estimated 2008: $4,365,775

Estimated 2008: 680

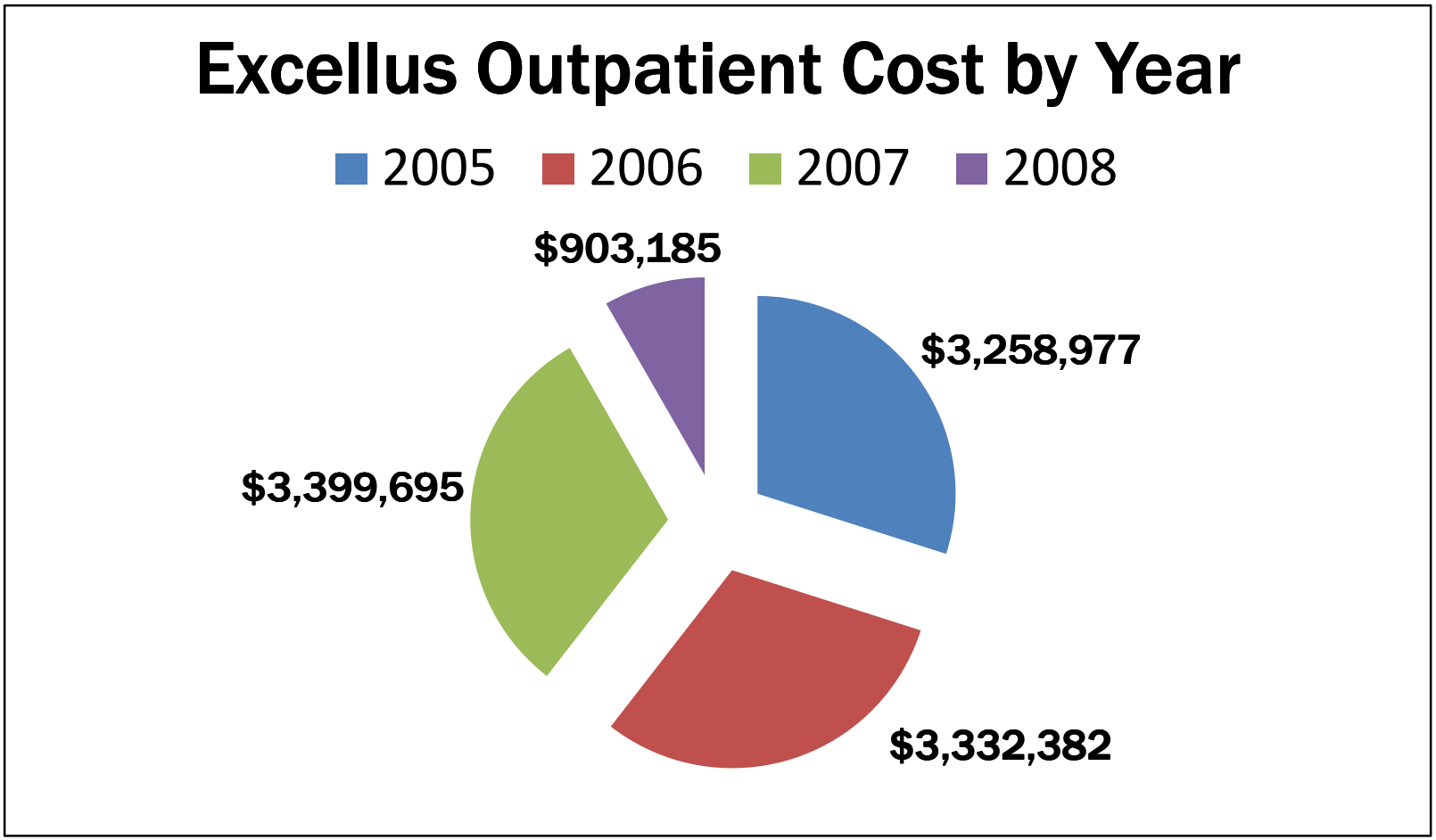


Preferred Care Inpatient Cost/Visits



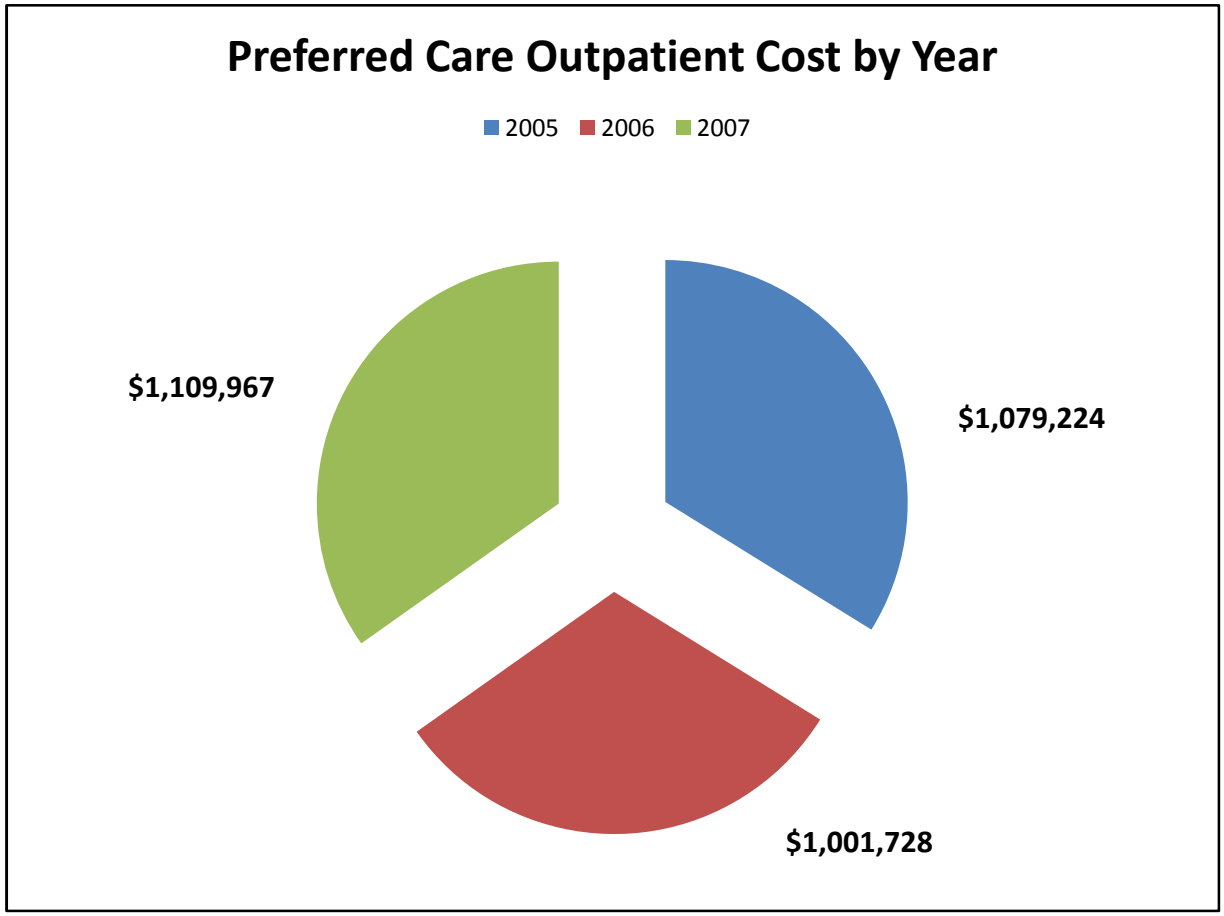


Excellus –Outpatient Cost by Year



Estimated 2008: $3,612,739

Preferred Care – Outpatient Cost by Year



Specific Utilization Measures

Inpatient Cost / Visits

Excellus and Preferred Care number of visits have shown a slight decline in number while the cost per year has increased

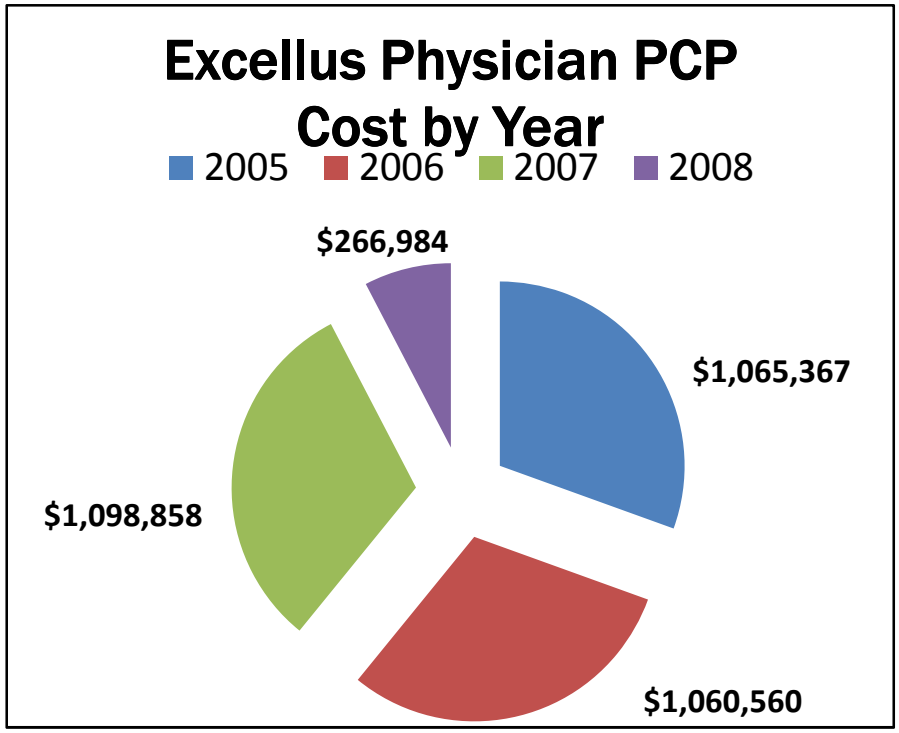
Outpatient Costs / Year

Excellus O/P costs increased by 2% each year from 2005 to 2007, while 2008 costs are projected to increase by 6%.

Preferred Care O/P costs have remained consistent over the three year period

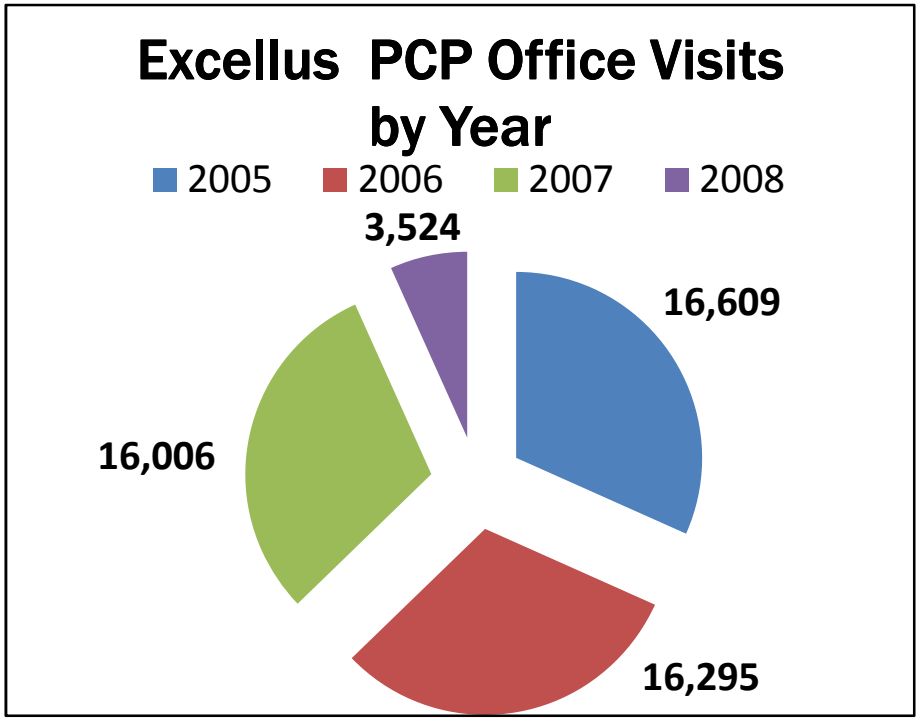
Migration of services and cost to the O/P setting is a growing trend – and typically will offset I/P utilization and cost

Excellus Primary Care Physician (PCP) Cost/Visits Per Year

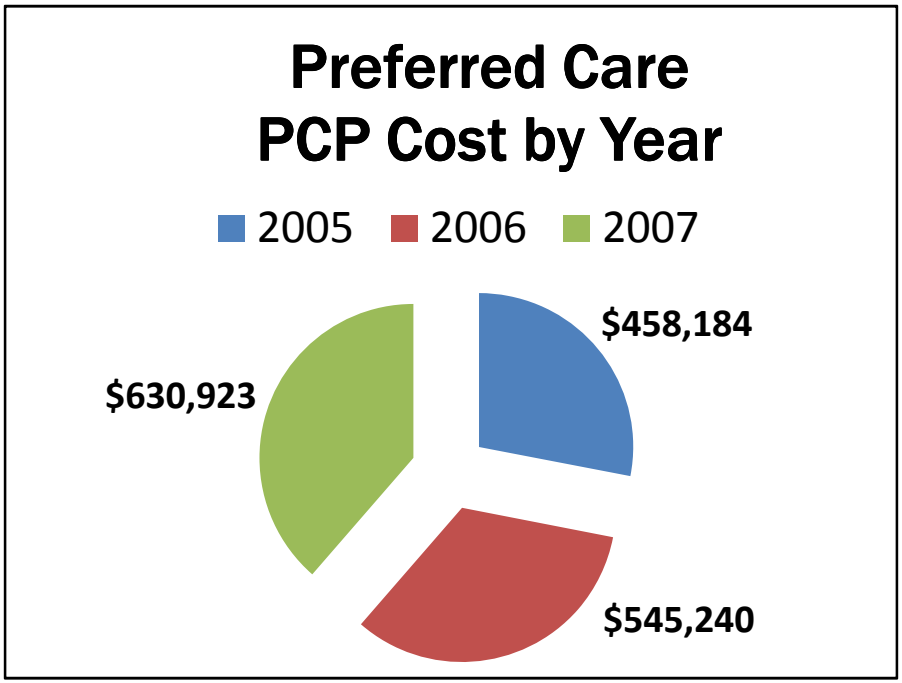


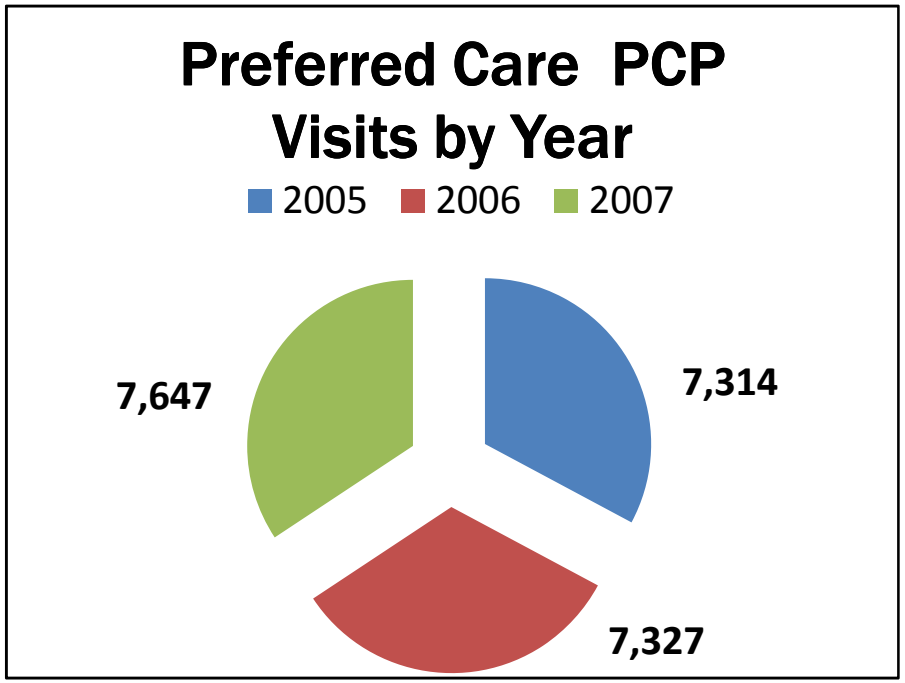
Estimated 2008: $1,067,936

Estimated 2008: 14,096



Preferred Care Primary Care Physician (PCP) Cost/ Visits Per Year





Specific Utilization Measures

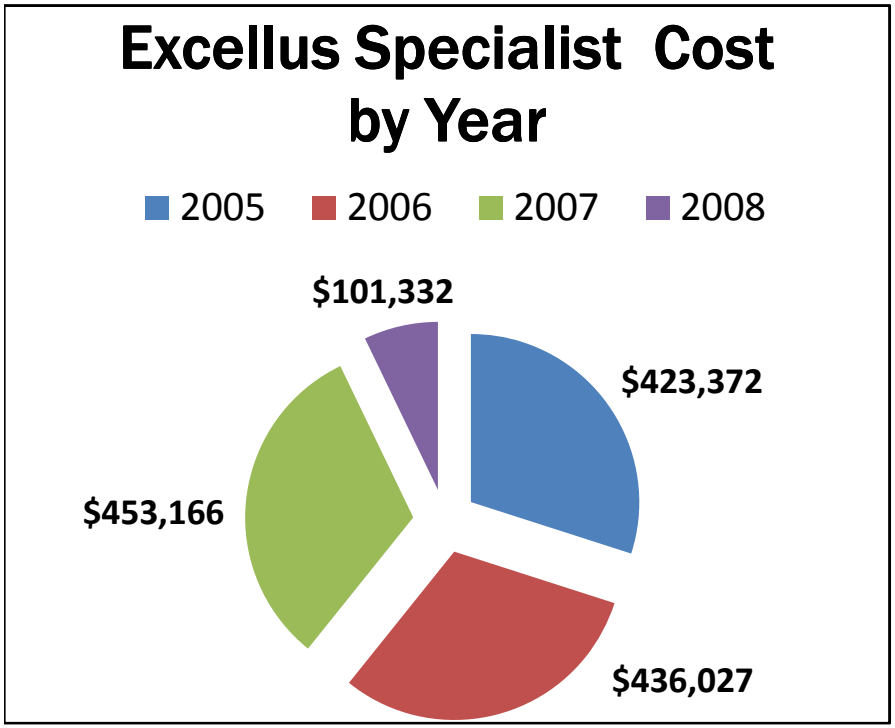
PCP Cost and Visits / Year

Excellus number of PCP visits have declined slightly. The year over year cost has remained relatively flat

Preferred Care PCP cost and number of visits has increased year over year

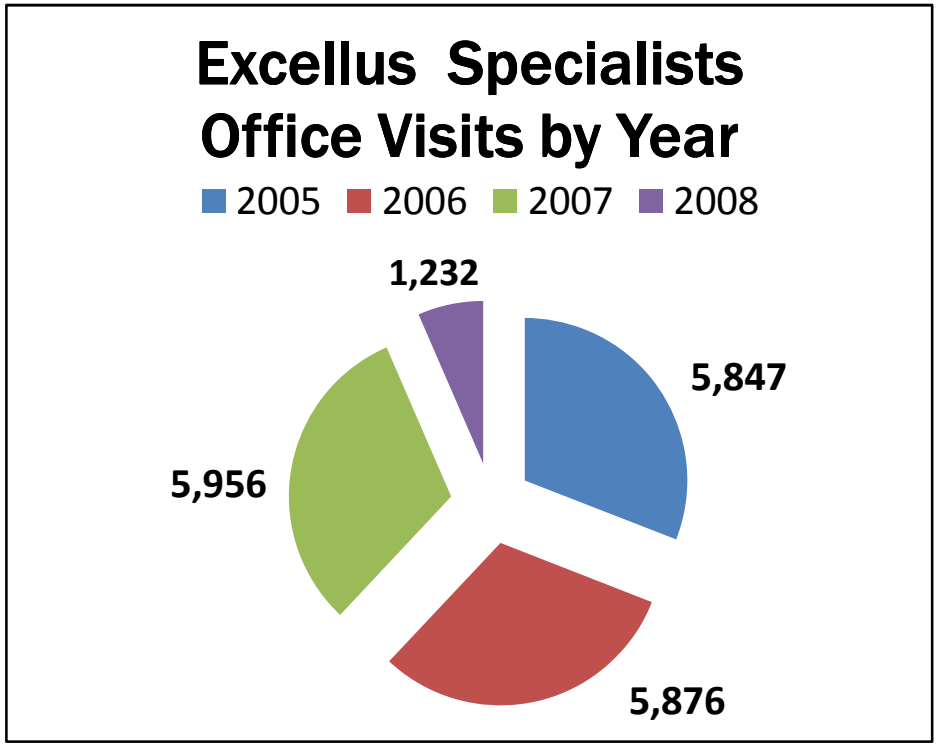
- dollars increased 37% from 2005 – 2007
- visits increased 4% for the same period

Excellus Specialist Cost and Number of Office Visits

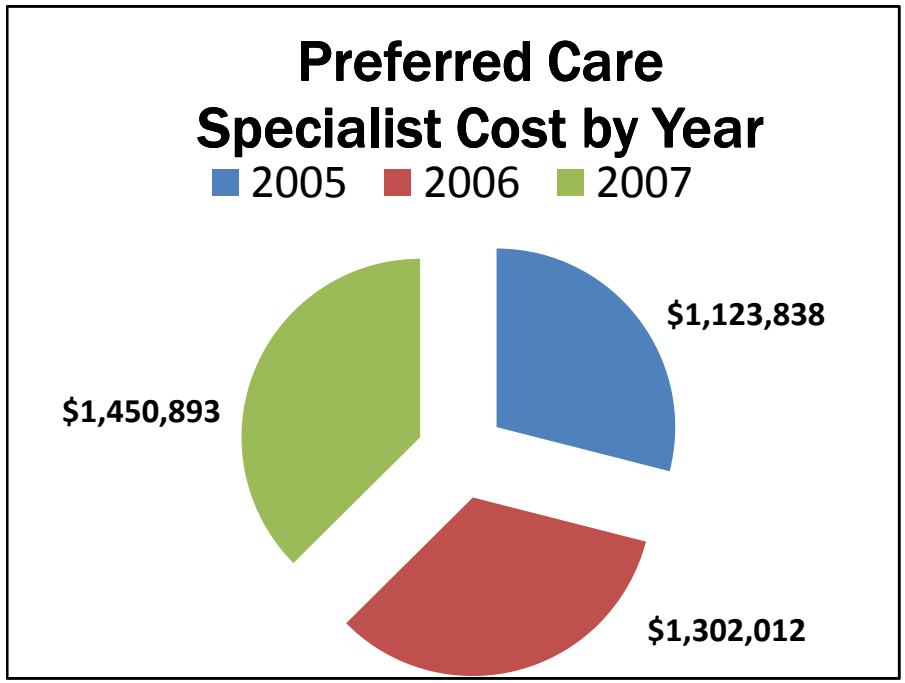


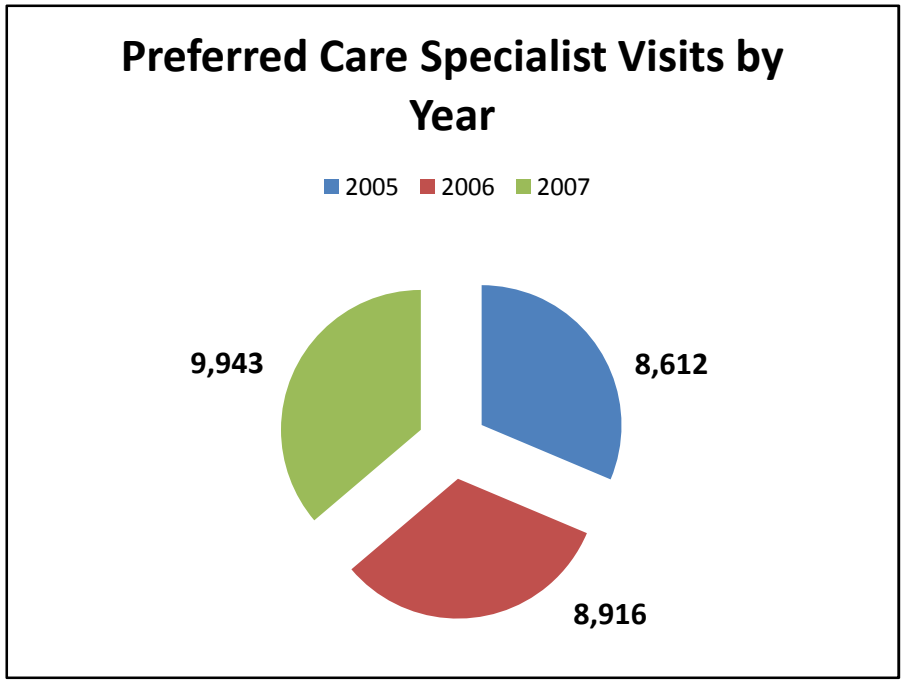
Estimated 2008: $405,328

Estimated 2008: 4,928



Preferred Care Specialist Cost/# of Office Visits





Specific Utilization Measures

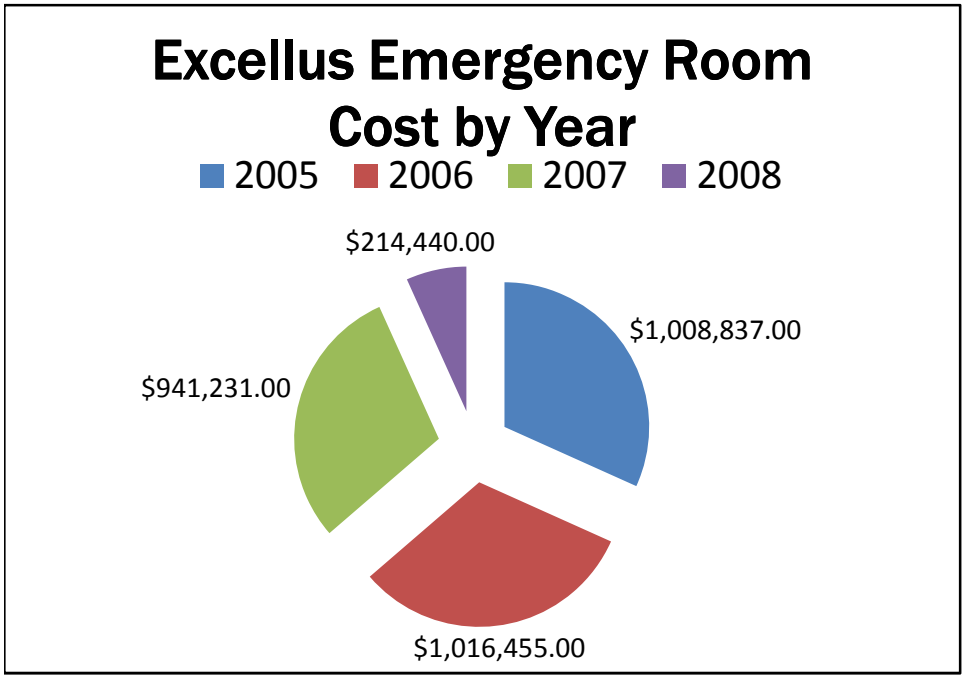
Specialist Cost and Visits / Year

Excellus number of specialist visits and annual cost have increased slightly from 2005 to 2007.

Preferred Care specialist cost and number of visits have increased gradually year over year

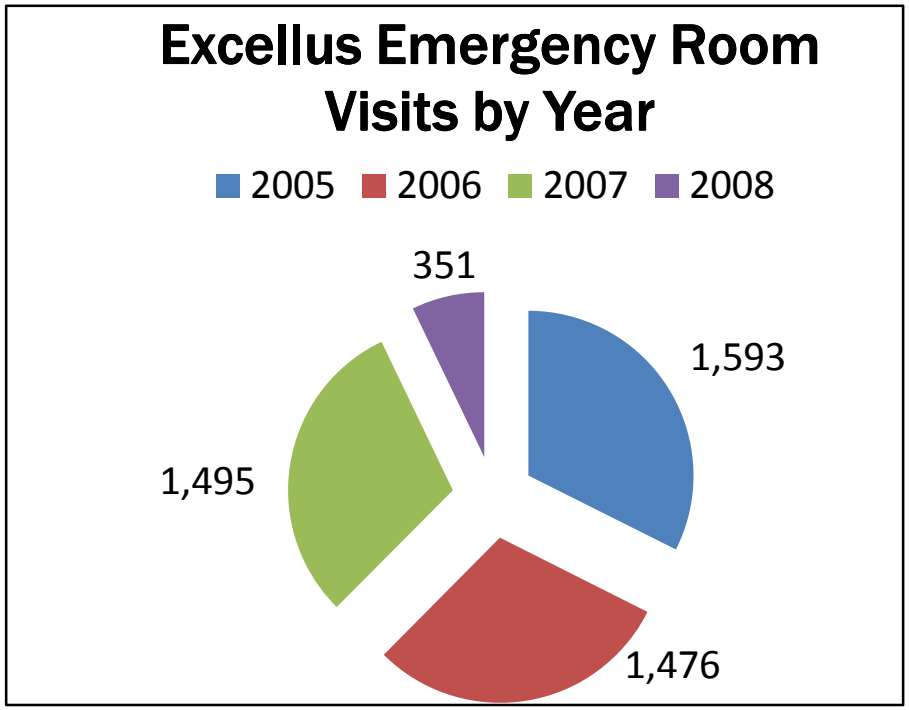
- dollars increased 29% from 2005 – 2007
- visits increased 15% for the same period

Excellus Emergency Room (ER) Costs and Visits

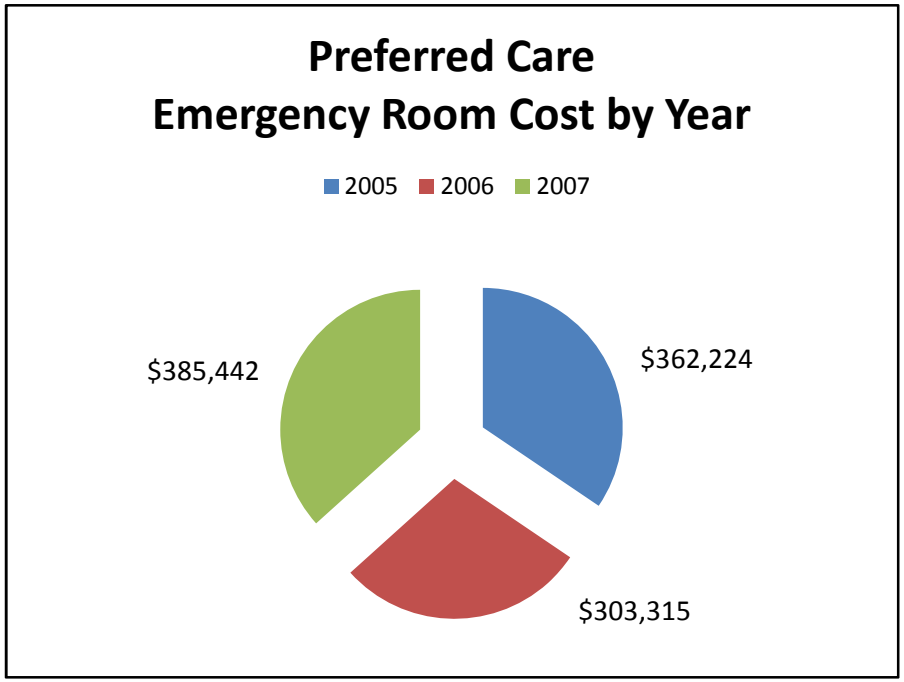


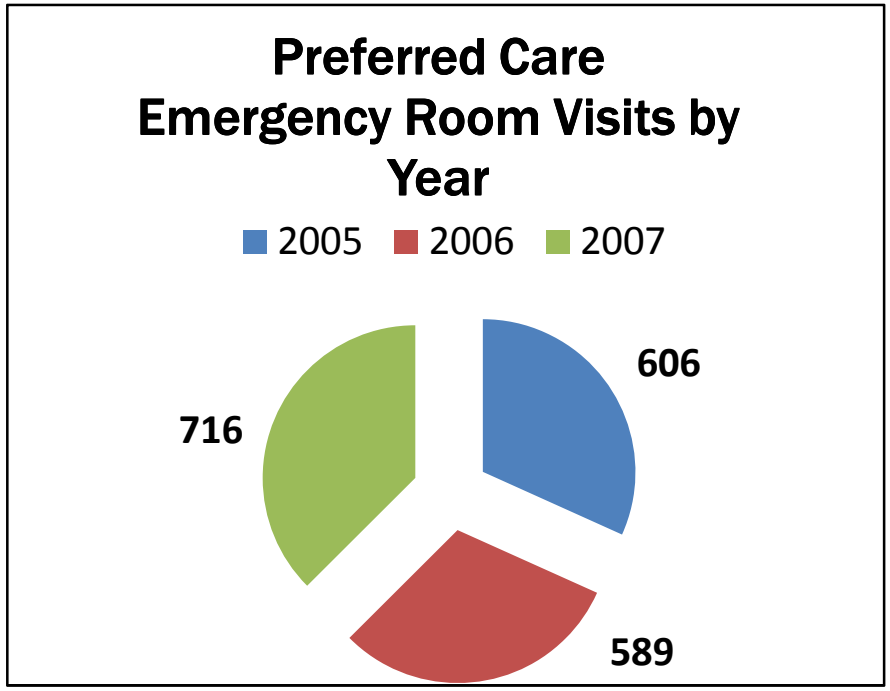
Estimated 2008: $857,760

Estimated 2008: 1,404



Preferred Care Emergency Room (ER) Costs and Visits





Specific Utilization Measures

ER Costs and Visits / Year

Excellus number of ER visits declined slightly for the period

- with the lowest number in 2006 and the highest in 2005.
- costs increased from 2005 to 2006, while in 2007 cost were 7% lower than in 2005.

Preferred Care number of ER visits and costs decreased in 2006

- Preferred Care number of visits declined by 17 from 2005 to 2006, while costs declined by 19%
- Costs have increased 6% from 2005-2007

2007 Benchmarking-Excellus Book of Business vs. COR

Compariative Data 2007 Plan Year

	Excellus PPO	City of Rochester
Members per Contract	2.1	2.2
Average Age	34.5	45
Medical Only: Plan Cost/Contract/Year	5183	9296
Medical Only: Total Cost/Member/Year	2773	4323
Adm/1,000/Year	74	108
ER visits / 1,000 / Year	193	184
Total Cost per Visit	823	630
PCP Office Visits / 1,000 / Year	1840	1971
Total Cost per Visit	75	69
Specialist Office Visits / 1,000 / Year	685	733
Total Cost per Visit	88	76
Ratio PCP Visits to Specialist Visits	3	3
membership/year		97429
Contracts/year		45301

**Excellus average is based on members and COR is based on contract holders*

- Data is Excellus enrollment only
- Excellus benchmarks are PPO book of business
- Leading indicators reflect greater utilization than Excellus PPO book of business
- Much of the increased COR utilization indicators can be attributed to richness in plan design
- Many of the total cost per visit indicators show lower cost

Drug Analysis Executive Summary

Our study projects the City of Rochester:

- Could save 28% over the next three years by self-funding their current Excellus and PreferredCare arrangements
- Could save an additional 1% (roughly $550,000 per year) by carving out the pharmacy and sourcing it with a best-in-class stand-alone PBM

Projections
City of Rochester

Cost/Savings Projections	City of Rochester Cost/Savings Projections (in 1,000s) 2009	2010	2011	Total
Current Arrangement (CA) Costs	$58,249	$68,433	$77,329	$204,012
Carrier Self-Funded (SF) Costs	44,081	49,058	53,616	146,754
Carrier SF vs. CA Savings	*14,169*	*19,375*	*23,713*	*57,257*
Carrier/PBM SF Costs	43,559	48,463	52,938	144,960
Carrier/PBM SF vs CA Savings	*14,690*	*19,970*	*24,391*	*59,052*

Pharmacy Marketing

Regardless of where we ultimately source the pharmacy benefits, these projections assume that we market the pharmacy benefits to Excellus, PreferredCare, and stand-alone PBMs. This will allow us to:

- Place external competitive leverage on Excellus and PreferredCare
- Compare the financial advantages of a pharmacy carve-out with the operational downsides (e.g. two cards)
- Lower the cost of pharmacy benefits for plan sponsors and participants
- Ensure study clients receive promised value through annual pharmacy performance guarantee audits

Data Reliance

In performing this analysis, we relied on claims data and other information provided to us by Excellus and PreferredCare

We checked this information for reasonableness, but did not perform formal audits

If the underlying information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete

Variability of Results

This study's projections are based on reasonable actuarial assumptions regarding future claims, admin fees, enrollment, and trends

To the extent experience varies from our assumptions, costs and savings will vary from our projections

Brown & Brown and DeepView Solutions make no guarantees that experience will match the projections in this analysis

Thank You

QUESTIONS?

Disclosure

DISCLOSURE

The analysis of the following plans is a summary. Please refer to the contract and plan description for a full list of coverages and exclusions.

Executive summaries and proposals, if presented to clients, are created by Brown & Brown. Neither the carrier nor Brown & Brown will be held responsible for typographical or clerical errors contained in said proposal.

This is provided for your internal use only. The contents are made available strictly to the client. No further use or distribution is authorized without our prior written consent.

It is imperative that we be informed of any employee or dependent that is hospitalized or otherwise disabled and not actively at work on the effective date of any new contract. Coverage may not be available for these individuals.

All insurance carriers have their own operating procedures. A change in carrier could affect certain benefits and coverages.

B&B representatives are available to explain any items presented. It is assumed that the recipients of this proposal will seek an explanation of any items that may be in question.

Broader Coverage May Be Available.

Carriers represented in this presentation are: Preferred Care AM Best Rating **B+ and Excellus BlueCross Blue Shield AM Best Rating A-.**

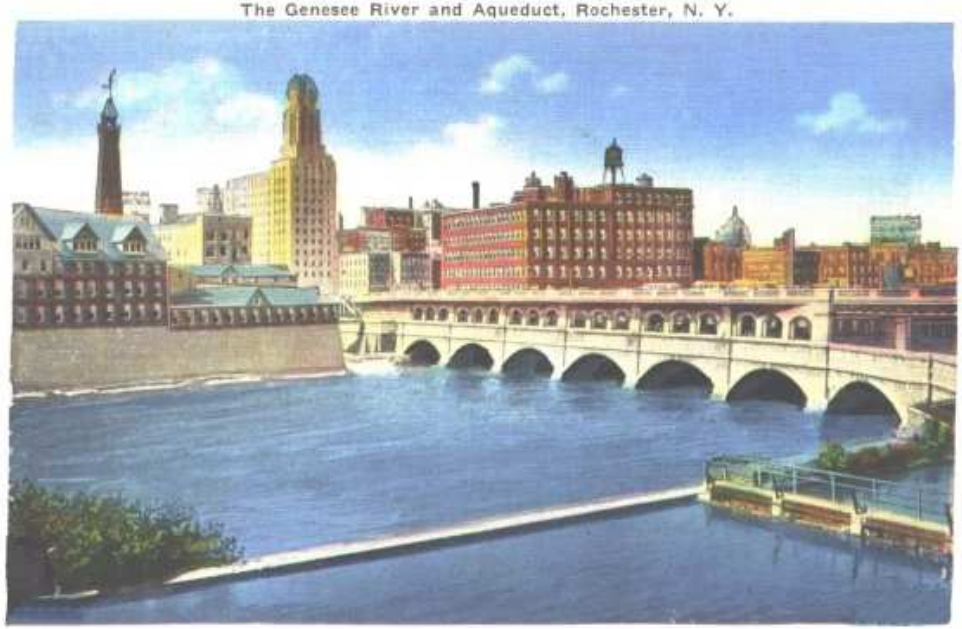
In addition to the commissions or fees received by us for assistance with the placement, servicing, claims handling, or renewal of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Brown & Brown, Inc., may also receive compensation for their role in providing insurance products or services to you pursuant to their separate contracts with insurance or reinsurance carriers.

Additionally, it is possible that we, or our corporate parents or affiliates, may receive contingent payments or allowances from insurers based on factors which are not client-specific, such as the performance and/or size of an overall book of business produced with an insurer. We generally do not know if such a contingent payment will be made by a particular insurer, or the amount of any such contingent payments, until the underwriting year is closed. We may also receive invitations to programs sponsored and paid for by insurance carriers to inform brokers regarding their products and services, including possible participation in company-sponsored events such as trips, seminars, and advisory council meetings, based upon the total volume of business placed with the carrier you select. We may, on occasion, receive loans or credit from insurance companies.

Should you have any questions, or require any additional information, please contact this office. If for any reason you prefer not to contact this office, you can submit a report concerning any entity related to Brown & Brown, Inc. through Ethicspoint by e-mail via www.ethicspoint.com, or by toll-free call to 866-384-4277.

This report was prepared with funds provided by the New York State Department of State under the Shared Municipal Services Incentive Grant Program.

The Genesee River and Aqueduct, Rochester, N. Y.



Summary of Findings for Labor / Management Benefit Committee

Brown & Brown Insurance
Employee Benefit Group

CIC BENEFITS GROUP, LLC

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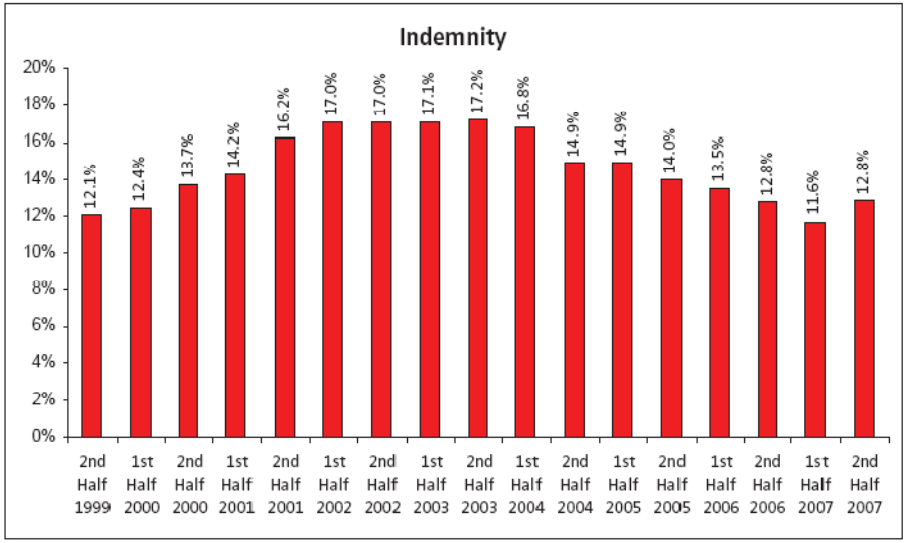
Executive Summary

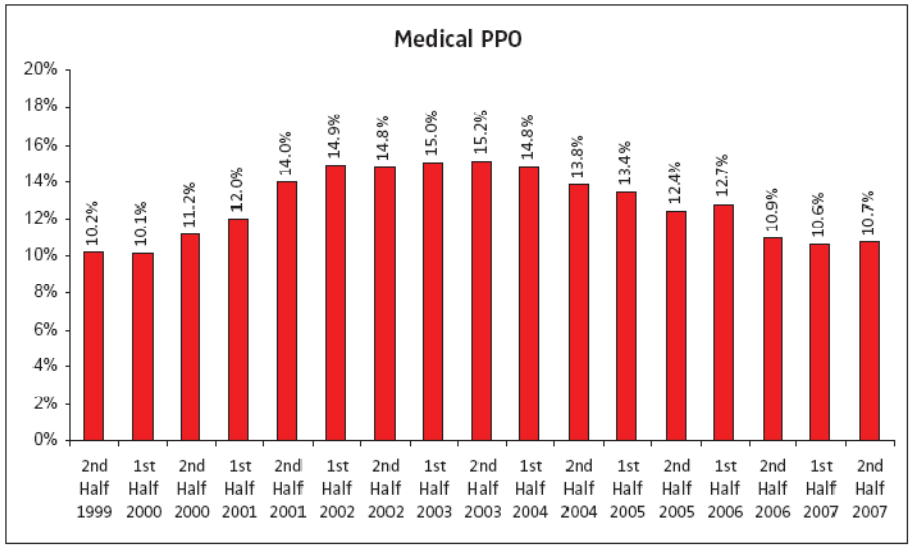
We are pleased to present our summary of findings for City of Rochester Labor / Management Benefits Committee. This presentation will provide a starting point and foundation to begin our process of managing the health plan. We will attempt to provide analysis and data that will guide us through our blue print process.

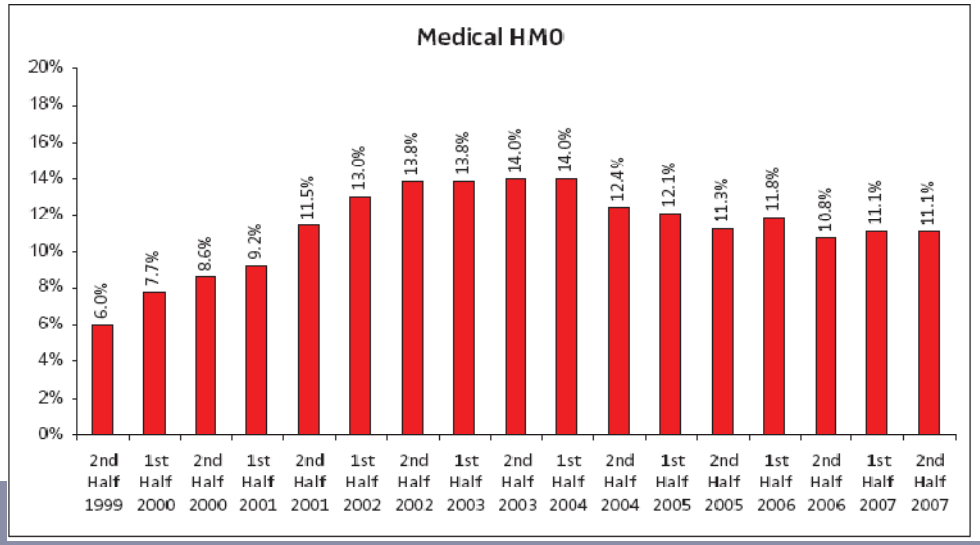
About the Report:

- ✓ The analysis and observations are based on Brown and Brown's experience with other employers in the region, industry and nation.
- ✓ Brown and Brown is able to draw comparisons to your plans based on multiple sources of accumulated benchmarking data.
- ✓ It will serve as a concise snapshot of the overall position and strategy of your medical plans and the tools and resources we will deploy to aid City of Rochester Labor Management Benefits Committee.

Health Care Trends







The Marketplace/Current Plan Designs

Health maintenance organization (HMO) – a managed care organization that provides, offers, or arranges for coverage of designated health services for plan members for a fixed, prepaid premium. Patients must choose doctors, hospitals, and other health care providers from the plan's provider list in order to be fully covered. Emphasis is placed on preventive care and cost management.

Characteristics of an HMO:
- ✓**Referrals Required**
- ✓**Limited Closed Panel Network**
- ✓**Primary Care Physician Selection required**
- ✓**No Coverage for Out of Network Services**

Preferred provider organization (PPO) – a managed care plan in which the network of doctors and hospitals provide services to plan members at discounted rates. Unlike HMOs, most PPOs do not require designation of a primary care physician to oversee patients' overall care, allowing members to consult specialists or out-of-network providers as they wish. Coverage is usually less for out-of-network providers.

Characteristics of a PPO:
- ✓**Referrals Not Required**
- ✓**Larger and typically national network**
- ✓**Primary Care Physician Selection NOT required**
- ✓**Typically provides coverage for Out of Network Services at a higher member cost**

The Marketplace/Current Plan Designs

Exclusive Provider Organization (EPO) – a managed care plan in which the network of doctors and hospitals provide services to plan members at discounted rates. Unlike HMOs, most EPO's do not require designation of a primary care physician to oversee patients' overall care, allowing members to consult specialists or other providers whenever they wish. Unlike PPO's, coverage is usually not provided for out of network services.

Characteristics of an EPO:

- ✓**Referrals Not Required**
- ✓**Larger and typically national network**
- ✓**Primary Care Physician Selection NOT required**
- ✓**No Coverage for Out of Network Services**

Market Overview

Experience Rating/Self Funding – Better than average risk

Community Rated- Groups < 50 employees that meet underwriting guidelines

- The Excellus community pool in the near future will contain employer groups with under 50 eligible employees. Larger employer groups have either left or will leave the community pool for experience rated or self funded financial arrangements.
- Preferred Care has proportionately more members in community rated products today, however with the recent introduction of EPO and PPO plans we expect a similar migration of membership into experience rated or self-funded programs.
- The new EPO/PPO platforms offer greater access to providers on a national basis, do not require referrals for specialist services and don't require selection of a primary care physician (PCP).
- EPO and PPO's are the choice of national carriers for their future benefit platforms.

Statistics:

- In 1999 19% of Excellus Rochester Region business was Experience rated or self funded while 81% was Community Rated.
- In 2008 approximately 70% of Excellus Rochester Region business is Experience Rated or Self Funded and 30% is Community rated.

Speaking Points – Market Overview

- ✓ The community pool continues to erode
- ✓ Those left in the pool will feel this erosion through increased rates and reduced plan selection
- ✓ Payors of health care premium (employers/employees/labor health & welfare funds) are moving to next generation plans – EPO or PPO to get out of a shrinking and out dated HMO benefit model
- ✓ Carriers are investing dollars in EPO and PPO plan platforms, not in HMO platforms
- ✓ EPO/PPO platforms provide access to larger networks of providers (typically national) and easier access to services (no referrals)
- ✓ Those that are not proactive in managing the current market changes are left to have their benefit options dictated to by the carrier market

Collective Bargaining Contract Language

AFSCME Local 1635-Active Employees

LABOR Collective Bargaining Employee Benefit Grid

BARGAINING UNIT

AFSCME LOCAL 1635 - Active Employees

July 1, 2005 - June 30, 2009

Date of Hire	Benefit Plan Available	Employee Contribution
before July 1,1981	BCBS w/ PBM and $5Rx	$1 single/month
		$2.75 family/month
on or after July 1,1981	BCBS w/ PBM (if previously enrolled)	15.0%
but before September 1,1989	Blue Choice Select (silent on Rx)	
	Preferred Care community (silent on Rx)	
	BC Value and PC Opportunity (as choice)	10.0%
on or after September 1, 1989	Community Comp II	10.0%
but before January 1, 1993	BC Value	
	Preferred Care Opportunity	
on or after January 1, 1993	Community Comp II	25.0%
but before July 1, 2006	BC Value	

Collective Bargaining Contract Language

Rochester Police Locust Club - Active Employees

July 1, 2001 - June 30, 2005

Date of Hire	Benefit Plan Available	Employee Contribution
before July 1,2000	BCBS w/ PBM* w/ $5Rx	9.0% grandfathered 7/23/07
	BC Extended (silent on Rx)	9.0%
	BC Select (silent on Rx)	6.0%
	PC Comprehensive (silent on Rx)	9.0%
	PC Community (silent on Rx)	6.0%
	BC Value	
	PC Opportunity	
on or after July 1,2000	Blue Choice Select (silent on Rx)	6.0%
but before July 1, 2007	Preferred Care community (silent on Rx)	6.0%
on or after July 1, 2007	BC Value	6.0%
	PC Opportunity	6.0%

* closed to new enrollees as of 10/1/2007

Collective Bargaining Contract Language

Rochester Fire Fighters Association- Active Employees

July 1, 2003 - June 30, 2008

Date of Hire	Benefit Plan Available	Employee Contribution
before July 1,1997	BCBS w/ PIP and $5Rx	7.5%
	BC Select (silent on Rx)	7.5%
	PC Community (silent on Rx)	7.5%
on or after July 1,1997	Blue Choice Select (silent on Rx)	15.0%
	Preferred Care community (silent on Rx)	15.0%
effective October 1, 2004 all member option to take	BC Value	15% or 7.5%
	PC Opportunity	15% or 7.5%

Rochester Fire Fighters Association- Non-Uniformed Group

July 1, 2005 - June 30, 2009

Benefits provided as negotiated between AFSCME Local 1635 and City of Rochester

Collective Bargaining Contract Language

Operating Engineers Local 832S-Active Employees

July 1, 2006 - June 30, 2010

Date of Hire	Benefit Plan Available	Employee Contribution
before July 1,1981	Community Comp II BC Select (silent on Rx) PC Community (silent on Rx)	$1 single/month $2.75 family/month
on or after July 1,1981 but before July 1, 1993	Community Comp II BC Select (silent on Rx) PC Community (silent on Rx)	15.0% 15.0%
on or after July 1,1993 but before July 1, 2003	Community Comp II BC Select (silent on Rx) PC Community (silent on Rx) BC Value PC Opportunity	25.0%
on or after July 1, 2003 but before July 1, 2006	Community Comp II BC Value PC Opportunity	25.0%
on or after July 1, 2006	Community Comp II BC Value PC Opportunity	25% single 35% non-single coverage

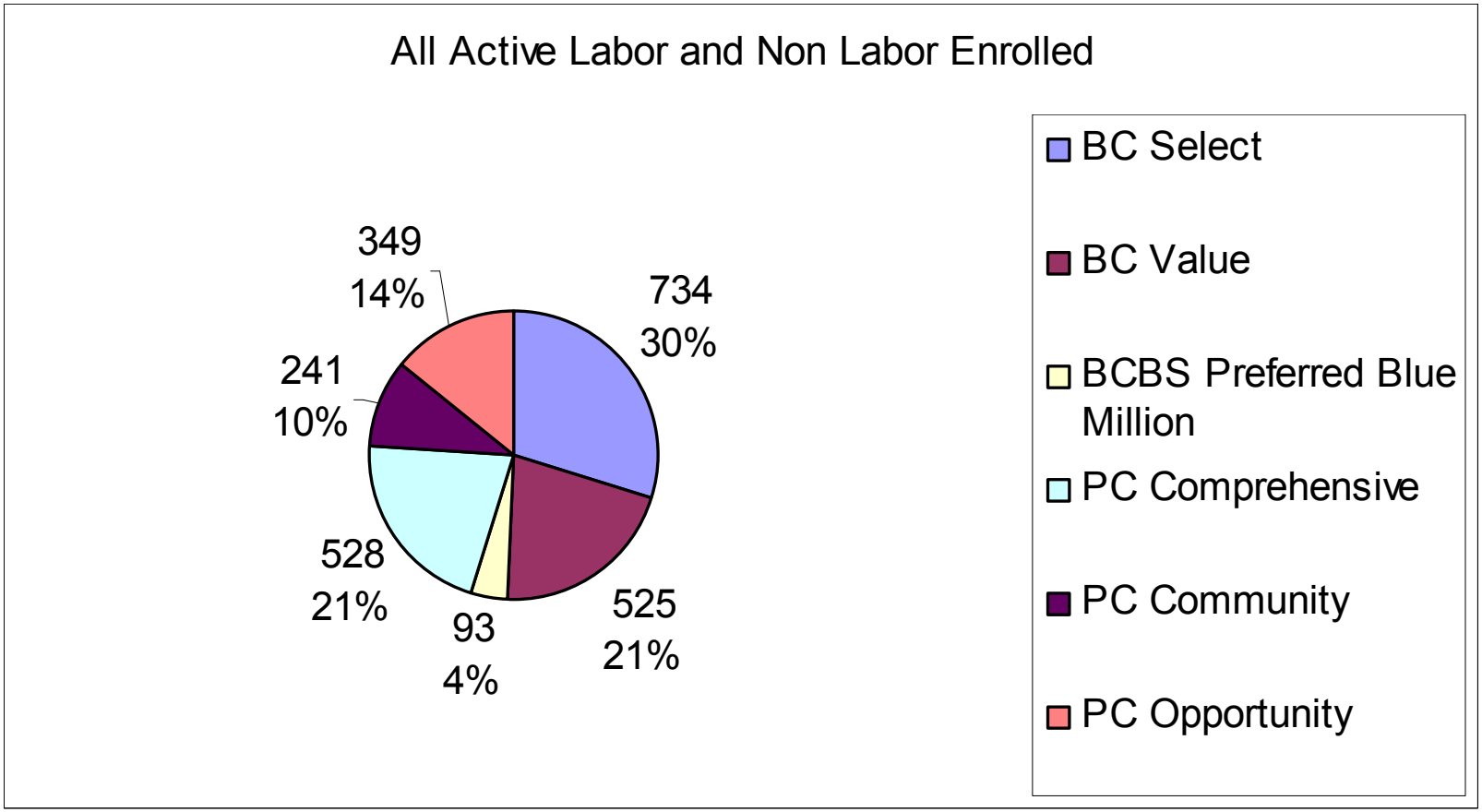
Non-Bargained Cafeteria Plan Contribution Levels

Renewal Date January 1

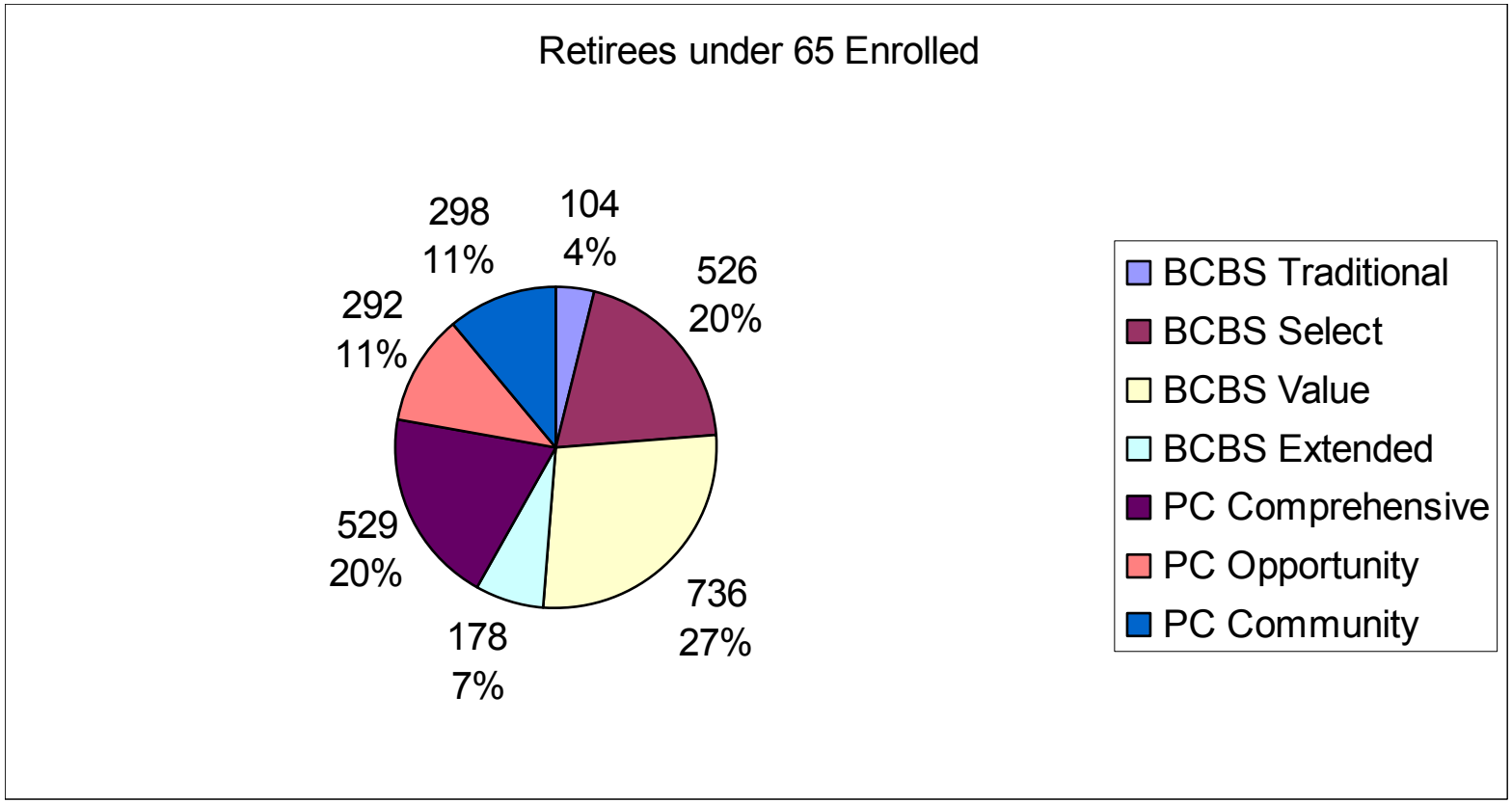
Tier 1 - hired before 1/1/93
Tier 2 - hired on or after 1/1/92 but before 1/1/98
Tier 3 - hired on or after 1/1/98 and before 1/1/02
Tier 4 - hired on or after 1/1/02

Tier	Benefit Plan Available	Employee Contribution
One (1)	Community Comp II Blue Point II Extended Blue Point II Select Blue Point II Value Preferred Care Comprehensive Preferred Care Community Preferred Care Opportunity	$1 single/month $2 two person or family/month
Two (2)	Community Comp II Blue Point II Extended Blue Point II Select Blue Point II Value Preferred Care Comprehensive Preferred Care Community Preferred Care Opportunity	8%
Three (3)	Community Comp II Blue Point II Extended Blue Point II Select Blue Point II Value Preferred Care Comprehensive Preferred Care Community Preferred Care Opportunity	10%
Four (4)	Community Comp II Blue Point II Extended Blue Point II Select Blue Point II Value Preferred Care Comprehensive Preferred Care Community Preferred Care Opportunity	25%

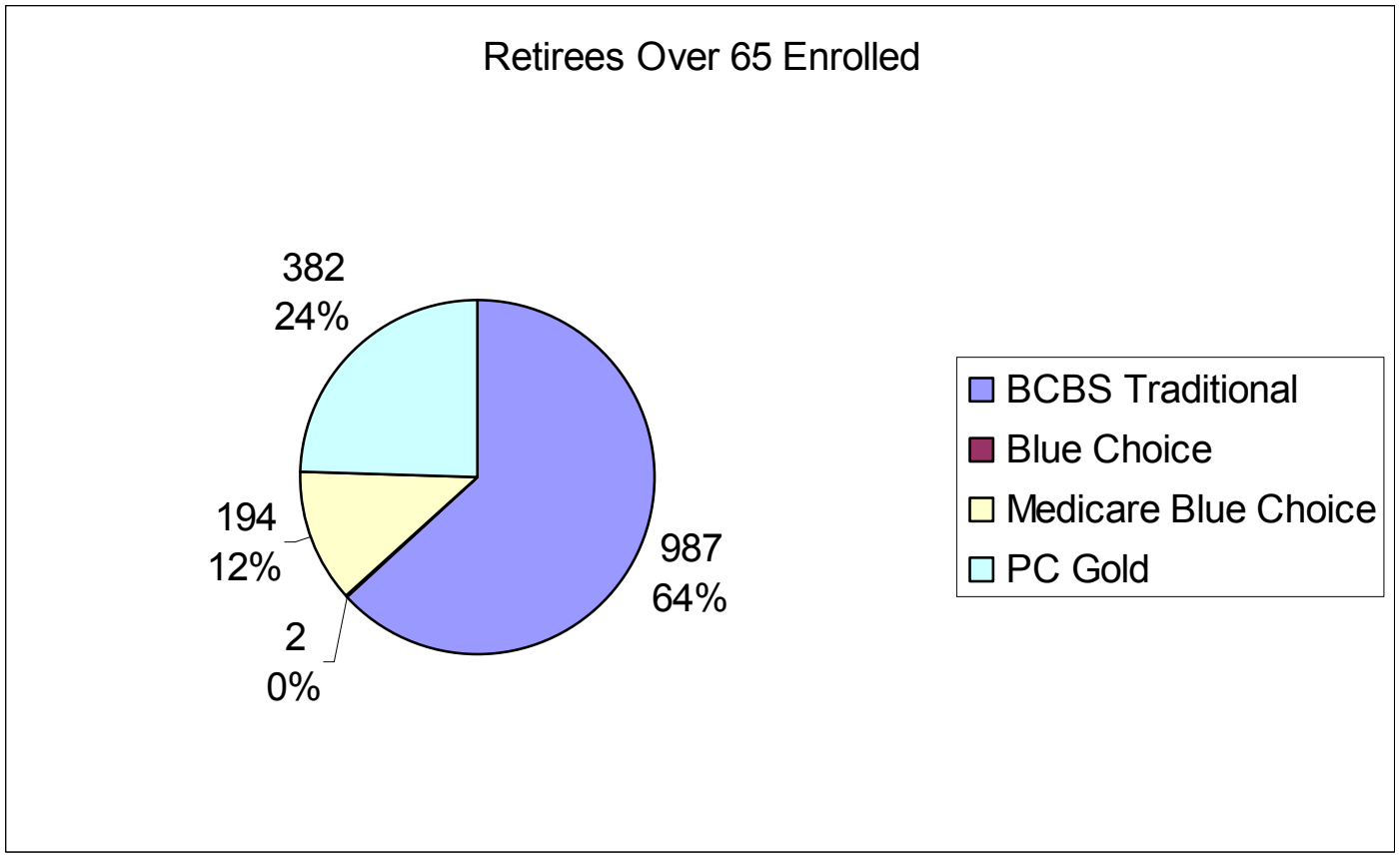
Enrollment by plan Active Employees



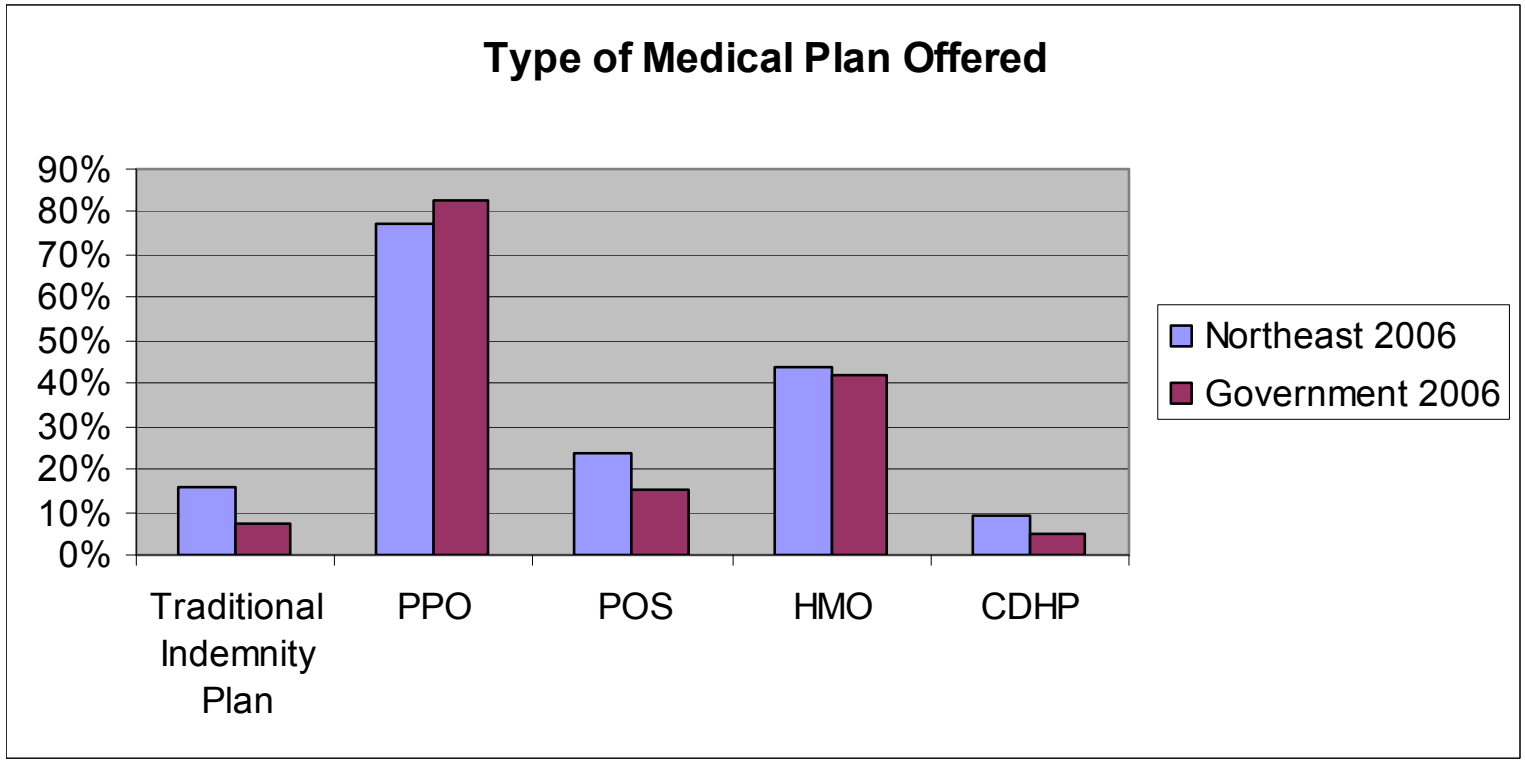
Enrollment by plan under 65 Retirees



Enrollment by plan over 65 Retirees



Benchmarking



Source: 2006 Mercer National Survey of Employer-Sponsored Health Plans

Benchmarking-Plan Design

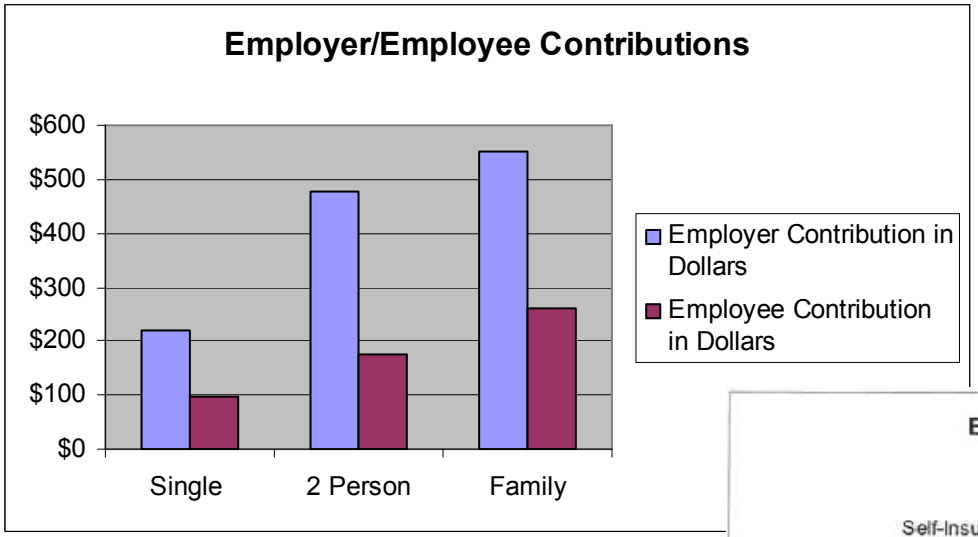
PPO Plan Design:

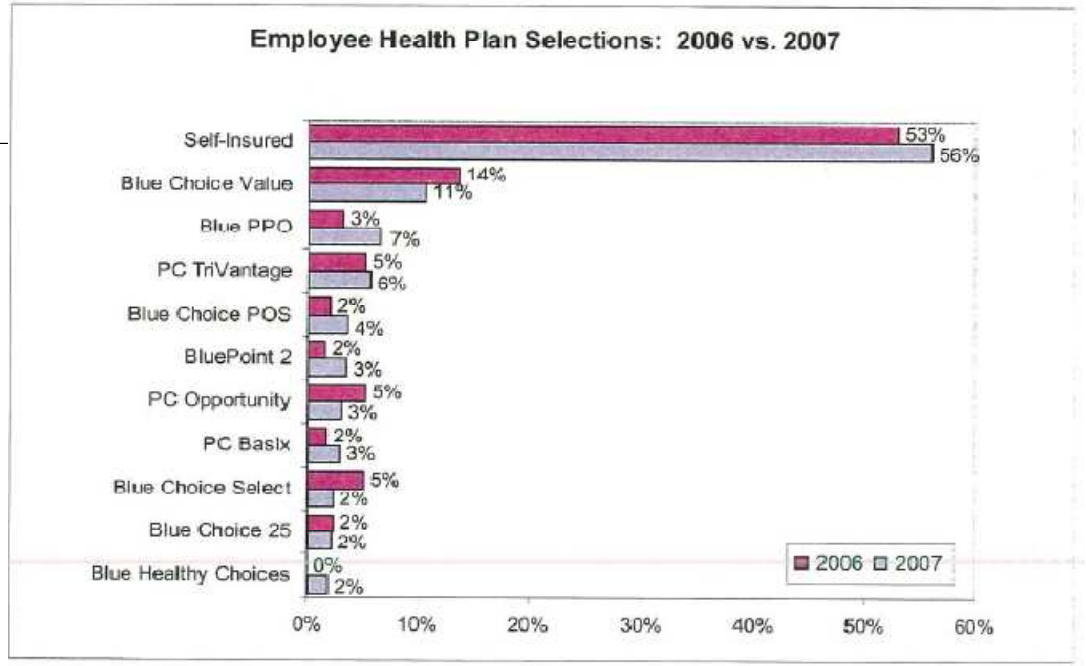
PPO Plans	Northeast 2006	Government 2006	Rochester Area*
Require In-Network Deductible	45%	75%	20%
Median Individual Deductible Amount	$250	$300	$250
Require Copay for In-Net Office Visits	76%	85%	95%
Require Coinsurance for In-Net office visits	26%	14%	5%
Require Coinsurance for In-Net hospital	32%	62%	15%
In-Net office visit copay	$15	$20	$15-$25
Rx Copay Amounts	$10/20/35	$10/25/40	$10/25/40

Source: 2006 Mercer National Survey of Employer-Sponsored Health Plans

*Based on B&B book of Business

Benchmarking





Source: 2007 Rochester Business Alliance Health Benefits Survey

2008 Estimated Cost Analysis

Active Employees:

Active Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
AFSCME	1077	$9,393,381	$1,575,499	$7,817,882
IUOE	8	$85,916	$13,902	$72,013
FireFighter	472	$5,041,230	$494,373	$4,546,857
Police	689	$8,162,907	$649,936	$7,512,971
Non-Union	405	$4,242,772	$285,013	$3,957,758
Total	**2651**	**$26,926,205**	**$3,018,724**	**$23,907,481**

2008 Average annual cost per employee: $10,157.00

2007 Benchmark: $8,991.00 (Mercer National Benefit Survey-Government)

Enrollment assumptions based on March 2008 carrier information and contribution data provided by City

2008 Estimated Cost Analysis

Retired Under 65:

Retired Employees under 65	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
AFSCME	224	$2,685,747	$80,634	$2,605,113
FireFighter	240	$2,883,749	$162,514	$2,721,235
Police	406	$6,069,456	$328,267	$5,741,189
Non-Union	127	$1,536,316	$102,828	$1,433,488
RZ1	4	$30,210	$0	$30,210
Total	**1001**	**$13,205,478**	**$674,244**	**$12,531,234**

2008 Average annual cost per retiree: $13,192.00

Enrollment assumptions based on March 2008 carrier information and contribution data provided City

2008 Estimated Cost Analysis

Retired over 65 :

Retired Employees over 65	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
AFSCME	513	$1,780,436	$100,044	$1,680,391
FireFighter	429	$1,425,028	$152,498	$1,272,530
Police	236	$916,730	$106,196	$810,534
Non-Union	182	$550,780	$24,982	$525,797
RZ1	205	$559,376	$66,920	$492,455
Total	**1565**	**$5,232,350**	**$450,641**	**$4,781,709**

2008 Average annual cost per retiree: $3,343.00

Enrollment assumptions based on March 2008 carrier information and contribution data provided City

2008 Estimated Total Cost Analysis

Active Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
AFSCME	1077	$9,393,381	$1,575,499	$7,817,882
IUOE	8	$85,916	$13,902	$72,013
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RZ1	205	$559,376	$66,920	$492,455
Total	**1565**	**$5,232,350**	**$450,641**	**$4,781,709**

Estimated Total Annual Cost	5217	$45,364,033	$4,143,608	$41,220,425

Total Annual Cost: $45,364,033

Annual Employee Cost: $4,143,608

Annual Employer Cost: $41,220,425

Enrollment assumptions based on March 2008 carrier information and contribution data provided City

Benefit Plan Considerations

Benefit Platform

- Current HMO platform base outdated
- The current HMO pool will continue to deteriorate with adverse selection driving premium rates
- Proof is in the market – Excellus discontinuing or closing HMO plans in mass for 2008 (over 20 plans total) with more likely to follow as HMO market shrinks
- New generation plans offer better alternative for benefit strategy plan management and member satisfaction
  - Exclusive Provider Organization (EPO) and Preferred Provider Organization (PPO)

Benefit Plan Considerations

Benefit Platform

- Current HMO plans offered very similar across all groups
  - Core benefits across all plans similar
  - Variations between plans largely copay based
  - Range of $5 - $20 for PCP visits on HMOs
  - Range of $5/15/30 to $10/25/40 on Rx
  - Inpatient copayments $0-$100 per admission
- Excellus BCBS and Preferred Care local provider networks almost identical
- No true benefit plan offering strategy – “supermarket model” of late 1990’s
- Traditional Indemnity plans also old platform
  - Some limited benefit coverage
  - Very expensive in cost – questionable return in benefit value
  - RX benefit on many plans at $5 copay

Benefit Plan Considerations

Financial Arrangement

- ***Community Rating***
  - Set premiums on a 12 month or level premium basis
  - Risk spread over large pool of local employer groups
  - Carrier at risk for claims (if claims are higher for rating period, carrier can not recoup premium for difference, they will raise rates for the pool accordingly for the next rating period - no run out claim cost on termination)
  - NO DATA on cost drivers for specific groups

Benefit Plan Considerations

Financial Arrangement

- ***Experience Rating***
  - Set premiums on a group specific12 month basis
  - Carrier at risk for claims (if claims are higher for period, carrier can not recoup premium for difference, they will raise group specific rates accordingly for the next rating period – no run out claim cost on termination)
  - Built in pooling point (stop-loss) mechanism
  - DATA PROVIDED on cost drivers for specific groups – this is one of the main reasons groups leave the community pool – having the tools to make benefit decisions based on actual cost drivers

Benefit Plan Considerations

Financial Arrangement

- ***Self-Funding***
  - Pay claims as you go, size of group means predictable risk
  - No carrier margins, group specific trend – just your own claim dollars
  - DATA PROVIDED on cost drivers for specific groups – this is one of the main reasons groups leave the community pool – having the tools to make benefit decisions based on actual cost drivers
  - Stop-Loss protects against large claim impact
  - Group pays run-out claims if change of administrator / carrier
  - Plan design flexibility
    - No state mandates
    - Carrier can not “mandate” changes (your plan)
  - Cash Flow Advantage and the ability to hold reserves

Medical Plan Observations

- ✓ **Alternative Funding Research:** Given the current condition of the community and the trend of plan design adjustments, the City of Rochester Labor Management Benefits Committee should consider alternative funding options.

- ✓ **Plan Features:** Current HMO plans are quickly becoming outdated as benefit plans move to more current platforms (EPO or PPO). The City of Rochester Labor Management Benefits Committee should review these new plan options.

- ✓ **Enable Change**: Within the organizations through education and communication. Reinforce how employees are using or not using the plans today, the reality of actual cost, the financial investment of Labor / City and the importance of changing behavior.

Next Steps

- Carrier Claims Data Analysis
- July 1, 2008 Renewal
- Plan Design Discussion - “clean sheet”

Thank You

QUESTIONS?

Disclosure

DISCLOSURE

The analysis of the following plans is a summary. Please refer to the contract and plan description for a full list of coverages and exclusions.

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It is imperative that we be informed of any employee or dependent that is hospitalized or otherwise disabled and not actively at work on the effective date of any new contract. Coverage may not be available for these individuals.

All insurance carriers have their own operating procedures. A change in carrier could affect certain benefits and coverages.

B&B representatives are available to explain any items presented. It is assumed that the recipients of this proposal will seek an explanation of any items that may be in question.

Broader Coverage May Be Available.

Carriers represented in this presentation are: Preferred Care AM Best Rating **B+ and Excellus BlueCross Blue Shield AM Best Rating A-.**

In addition to the commissions or fees received by us for assistance with the placement, servicing, claims handling, or renewal of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Brown & Brown, Inc., may also receive compensation for their role in providing insurance products or services to you pursuant to their separate contracts with insurance or reinsurance carriers.

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Monroe County

Data Analysis 2005-2008
Monroe County

Brown & Brown Insurance
Employee Benefit Group

CIC BENEFITS GROUP, LLC

Table of Contents

Total Population Utilization

2005	Medical Claims	RX Claims	Total Claims	Paid Premium	Loss Ratio
Excellus	$23,511,497	$9,041,022	$32,552,519	$40,730,819	
Total	$23,511,497			$40,730,819	79.92%

2006	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio
Excellus	$25,320,406	$9,959,094	$35,279,500	$41,683,544	
Total	$25,320,406			$41,683,544	84.64%

2007	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio
Excellus	$27,670,753	$10,620,518	$38,291,271	$40,871,853	
HRA				$67,420	
Total	$27,670,753			$40,939,273	93.53%

2008 thru 5/30	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio
Excellus	$11,829,737	$4,530,334	$16,360,071	$18,190,239	
HRA (Est)				$28,092	
Total	$11,829,737			$18,218,331	89.80%

Financial Analysis – Key Points

Average Claim trend (medical and RX) utilization increase for 2005 – 2006 – 2007 and annualized 2008 increase of 20.6%

Average premium trend (medical and Rx) increased 11.5% over the same period

Health Reimbursement Account established in 2007 has allowed for significant premium savings vs. lower copay POS Plans

The HRA also cushions members from the actual impact to utilization that could occur from higher copayments

Financial Analysis – Key Points

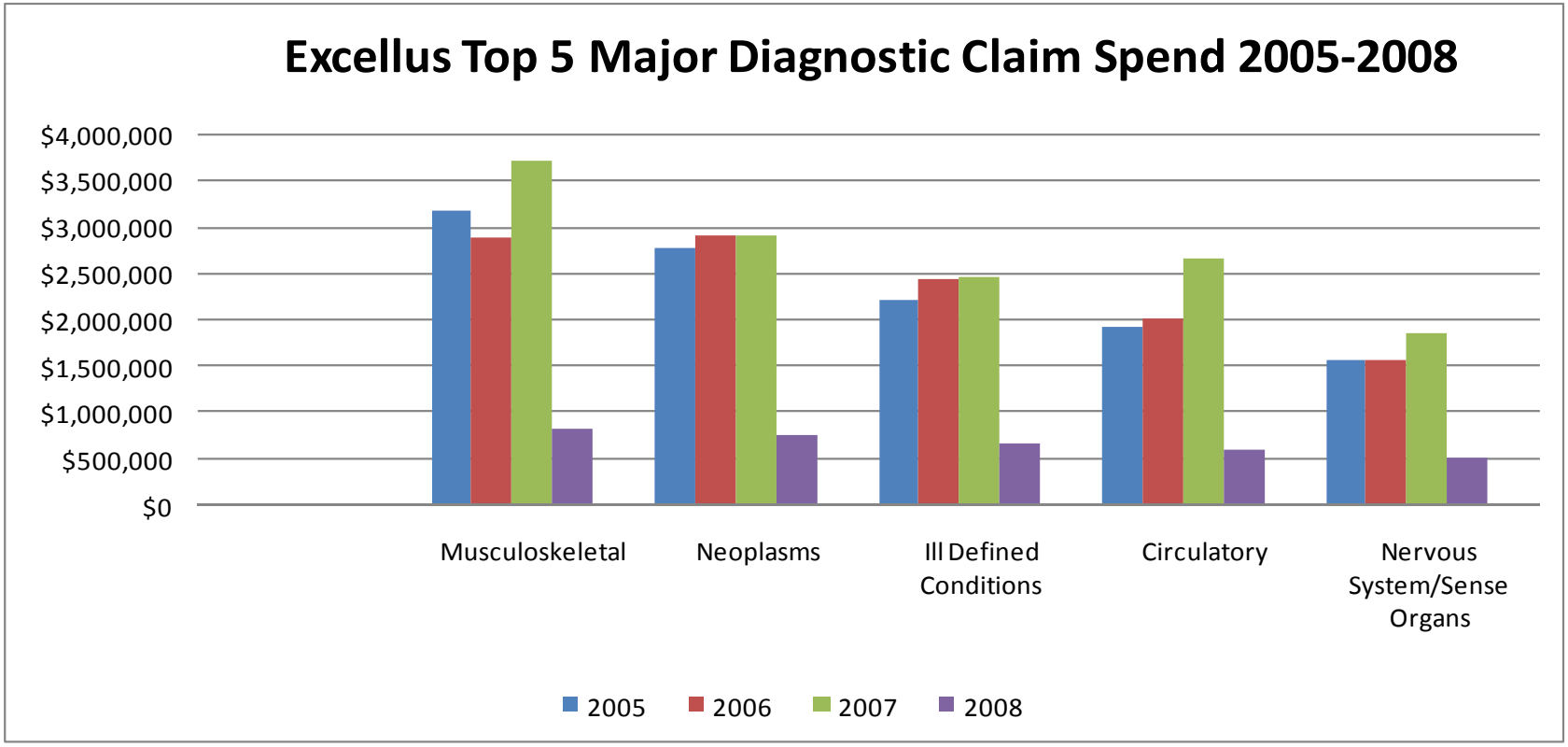
The HRA, while allowing for significant savings in POS plan buy – down, does not reduce actual claim utilization.

Conversely, the actual premium cost for the plans is lowered, however, actual utilization and member behavior is not changed.

Monroe County has been successful in shifting enrollment into lower cost POS plans over the last several years.

This shift has effectively moderated premium increase however actual claims utilization has continued to trend upward.

Claim Spend by Major Diagnostic Category (MDC)-Excellus



TOP 5 MDC

	2005	2006	2007	2008	Total Spend
Musculoskeletal	$3,166,897	$2,872,648	$3,704,024	$810,210	$10,553,779
Neoplasms	$2,762,576	$2,889,472	$2,901,012	$734,315	$9,287,375
Ill Defined Conditions	$2,196,292	$2,419,660	$2,440,660	$663,038	$7,719,650
Circulatory	$1,918,657	$2,006,908	$2,650,328	$575,443	$7,151,336
Nervous System/Sense Organs	$1,548,865	$1,544,305	$1,851,957	$496,580	$5,441,707

Specific Utilization Measures

Major Diagnostic Category

Major Diagnostic Category expenses show consistency over the period reviewed.

Musculoskeletal and Neoplasm are #1 and #2 highest claim spend annually.

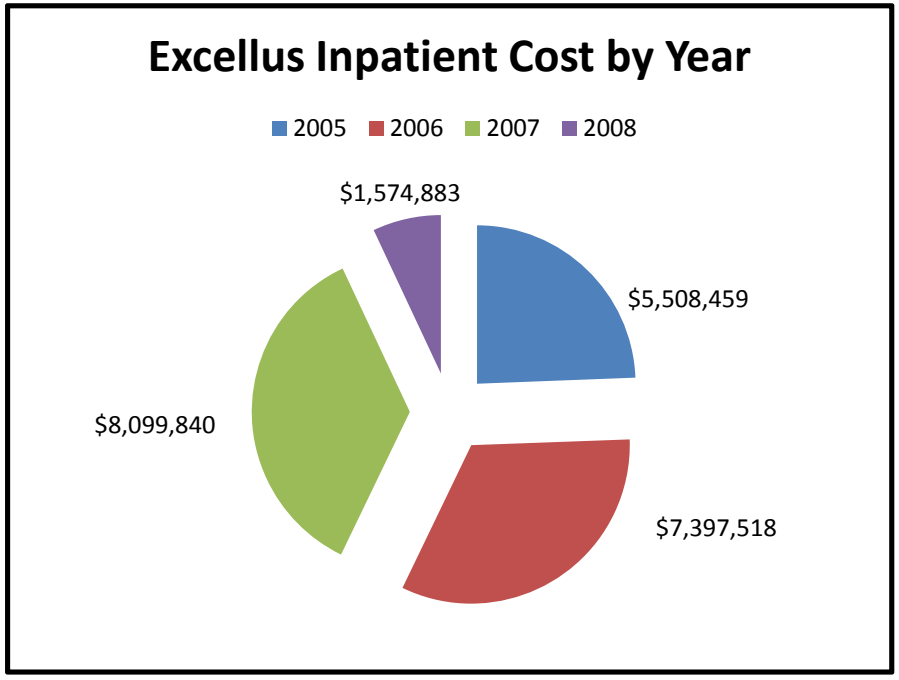
The MDC's above as well as the others are consistent with other large group MDC cost and utilization ranking.

Number of high cost claimants for the period of 2005 to 2007 increased by 23 and 33, respectively. Total dollars increased 33% from 05 to 06 and 13% from 06 to 07.

Excellus High Cost Claimants (HCC)- Over $25K

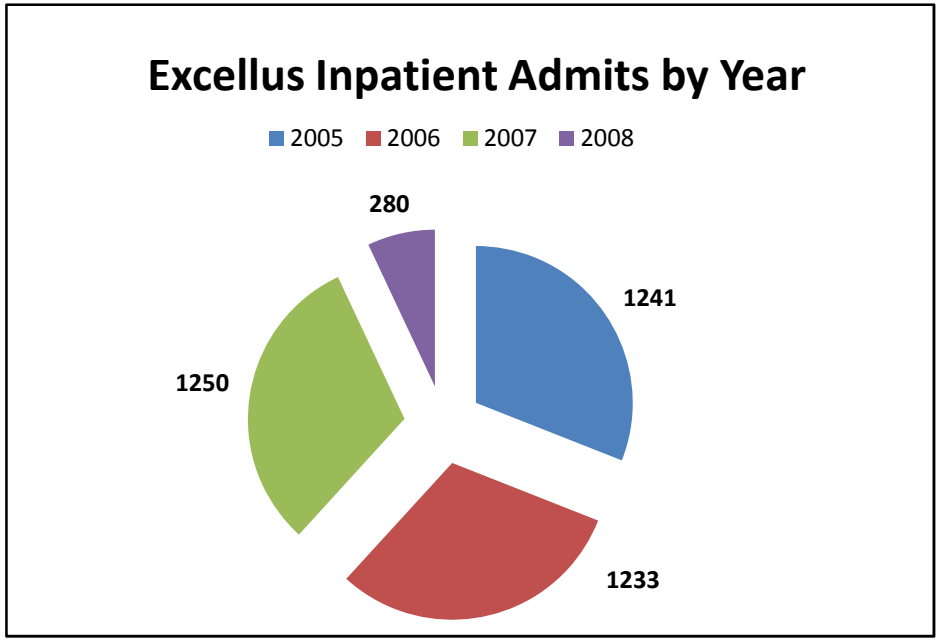
Excellus	2005	2006	2007	Q 1 2008
Total # of Claims	110	133	166	26
Range of Claim Cost	$25,006 - $387,649	$25,158 - $942,115	$25,269 - $722,174	$25,304 -$257,361
Total HCC Spend	$5,289,408	$7,948,934	$9,114,653	$1,347,505

Excellus Inpatient Cost/Visits

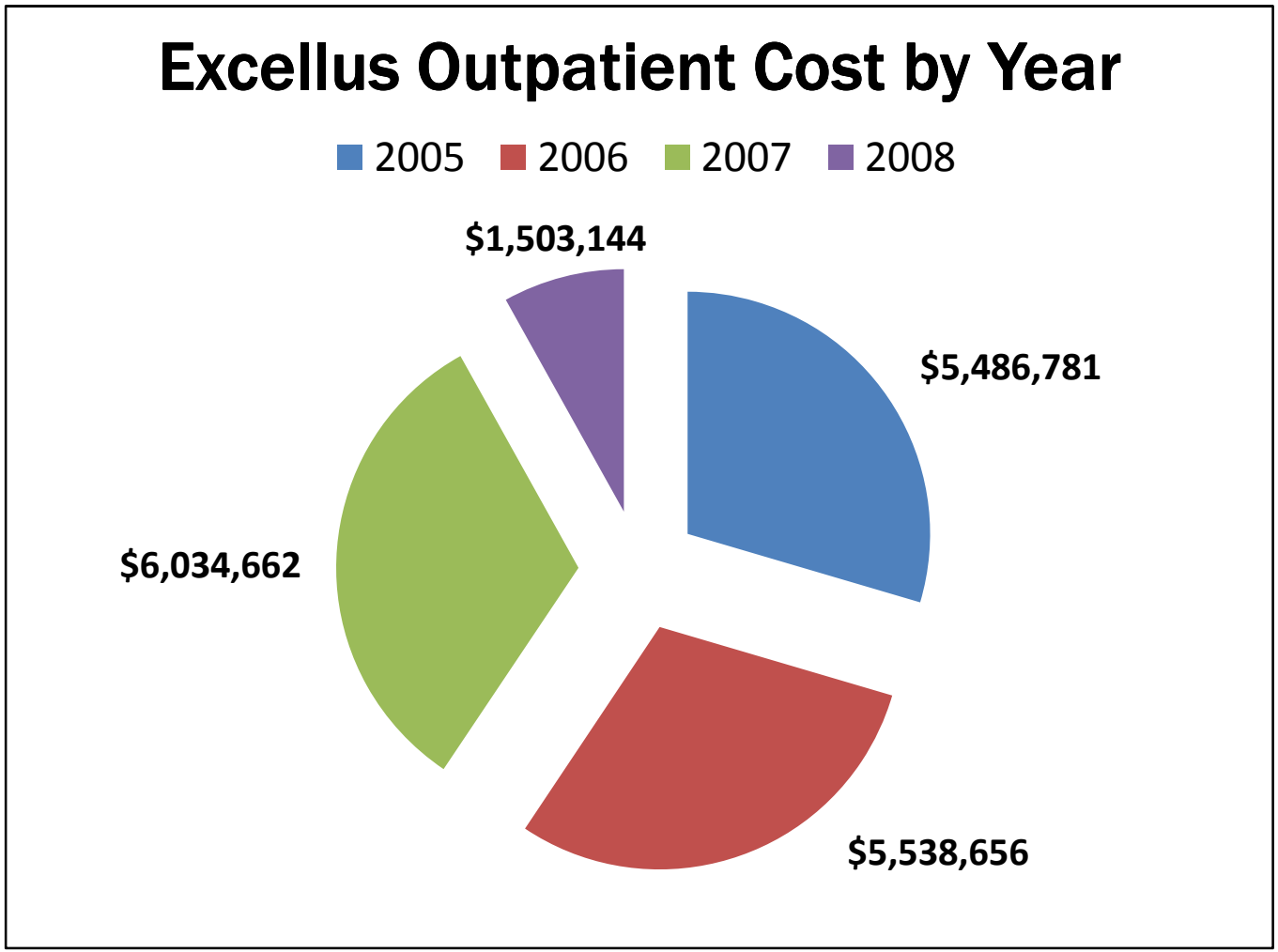


Estimated 2008: $6,299,532

Estimated 2008: 1120



Excellus –Outpatient Cost by Year



Estimated 2008: $6,012,756

Specific Utilization Measures

Inpatient Cost / Visits

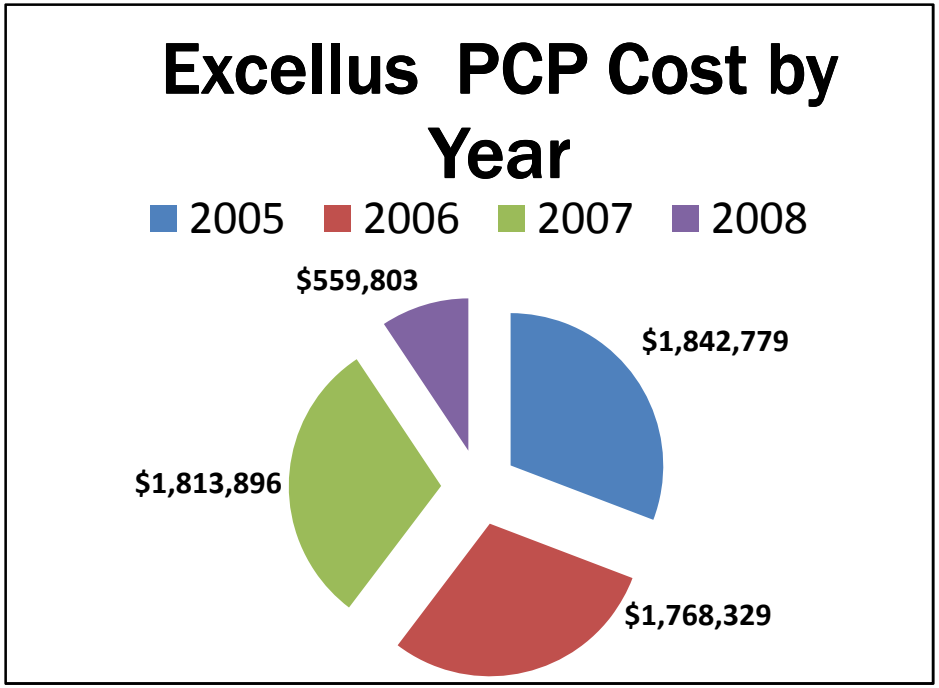
Excellus inpatient costs increased 47% from 2005 to 2007. For the same period number of visits only changed slightly indicating an increased severity of diagnosis. Additionally number of High Cost Claims and cost associated with those claims has increased, driving inpatient cost.

Outpatient Costs / Year

O/P costs trend have increased 9% from 2005 to 2007

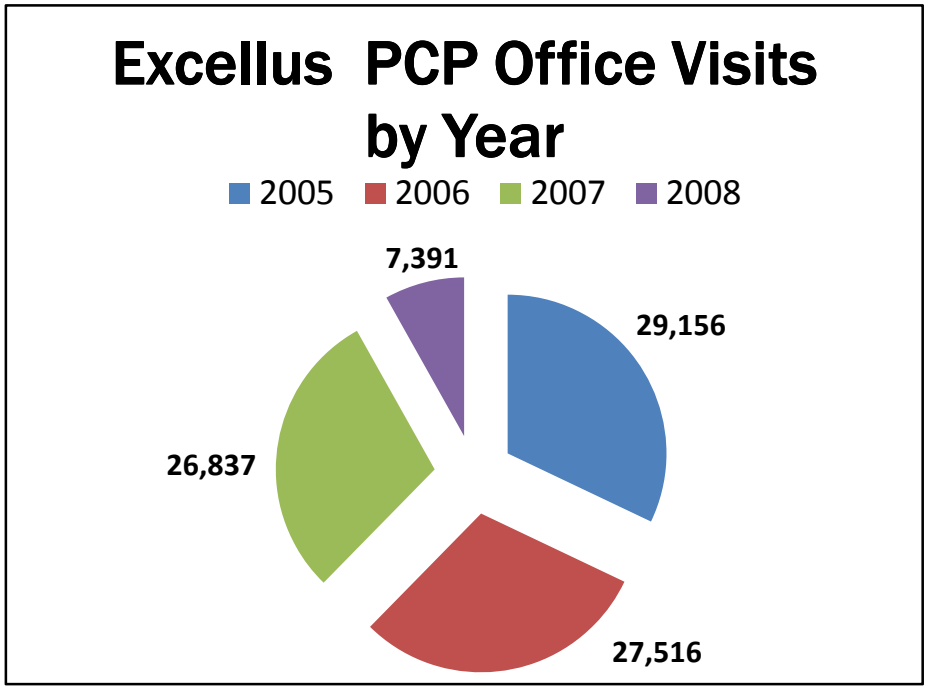
Migration of services and cost to the O/P setting is a growing trend – and typically positive in offsetting I/P utilization and cost

Excellus Primary Care Physician (PCP) Cost/Visits Per Year



Estimated 2008: $2,239,212

Estimated 2008: 29,564



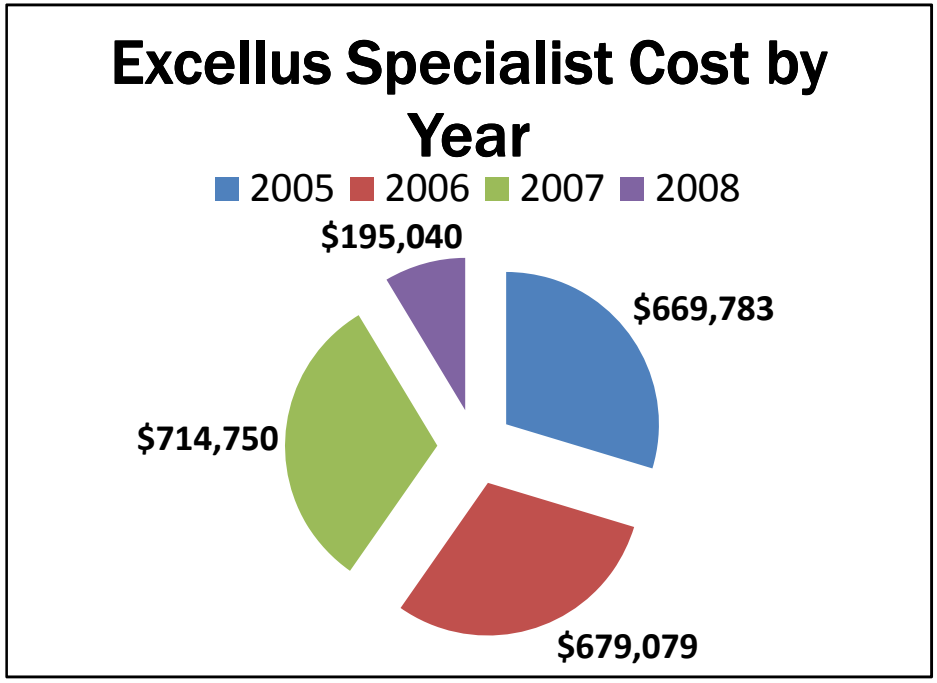
Specific Utilization Measures

PCP Cost and Visits / Year

Excellus number of PCP visits have declined 8% from 2005 to 2007. This equates to 2,319 visits less in 2007 than in 2005.

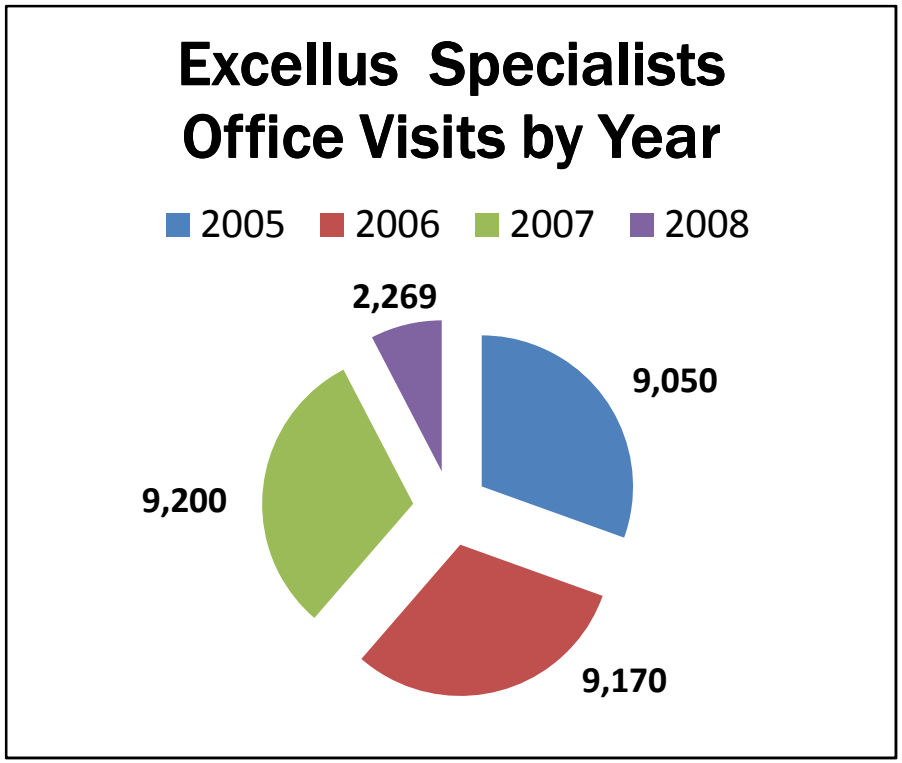
The year over year cost has decreased slightly, from 2005 to 2007- in 2006 total cost declined by 4% over 2005. In 2007 costs increased 2.5% over 2006. Although cost 2008 are estimated to increase by 23% from 2007 to 2008 while number of visits are estimated to increase by 10%

Excellus Specialist Cost and Number of Office Visits



Estimated 2008: $780,160

Estimated 2008: 9,076

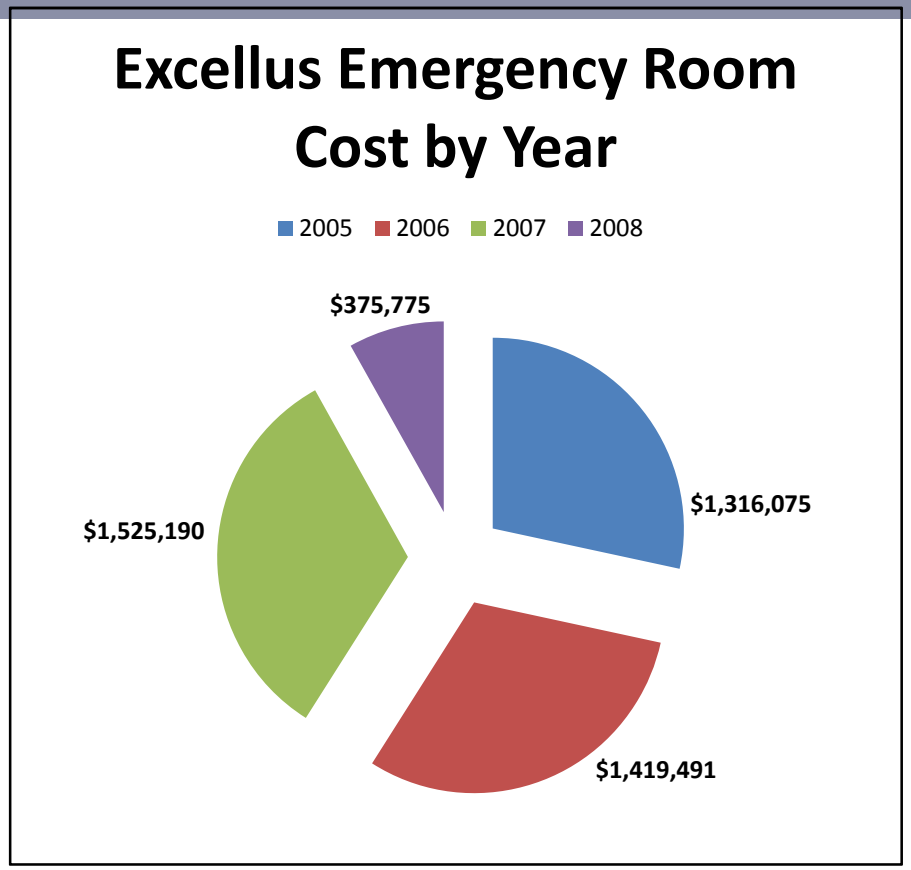


Specific Utilization Measures

Specialist Cost and Visits / Year

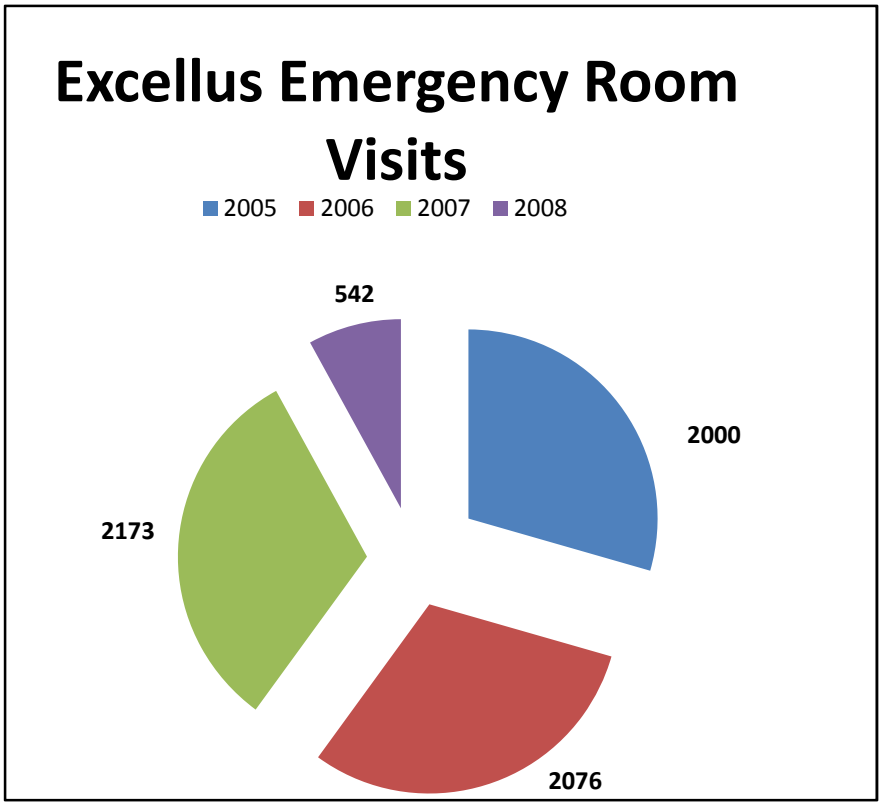
Excellus number of specialist visits have increased slightly year over year. Costs have also increased over the same period by 6%.

Excellus Emergency Room (ER) Costs and Visits



Estimated 2008: $1,503,100

Estimated 2008: 2168



Specific Utilization Measures

ER Costs and Visits / Year

Excellus number of ER visits is within 173/year for the period

- with the lowest number (2000) in 2005 and the highest (2173) in 2007.
- costs have increased each year – 2007 cost is 13.7% higher that in 2005.
- Estimated 2008 costs and visits show a slight decline from 2007 which may indicate employees using urgent care facilities for care

2007 Benchmarking-Excellus Book of Business vs. Monroe County

Comparative Date 2007 Plan Year	Excellus PPO	Monroe County
Members per Contract	2.1	2.0
Average Age*	34.5	45
Medical Only: Plan Cost/Contract/Year	5183	6245
Medical Only: Total Cost/Member/Year	2773	3129
Adm/1,000/Year	74	96
ER visits / 1,000 / Year	193	166
Total Cost per Visit	823	702
PCP Office Visits / 1,000 / Year	1840	2052
Total Cost per Visit	75	68
Specialist Office Visits / 1,000 / Year	685	703
Total Cost per Visit	88	78
Ratio PCP Visits to Specialist Visits	3	3
membership/year		156974
contracts/year		78670

- Excellus benchmarks are PPO book of business
- Leading indicators reflect greater utilization than Excellus PPO book of business
- Much of the increased County utilization indicators can be attributed to richness in plan design, i.e. lower copays which drive higher volume of services
- While several of the indicators show increased number of visits, total cost per visit is lower than benchmark.

*Excellus average age based on members and County is based on contract holders

Drug Analysis Executive Summary

Based on the initial Excellus Renewal and book of business trends, our study projects Monroe County:

- Could save 4% over the next three years by self-funding their current Excellus arrangement
- Could save an additional 1% (roughly $600,000 per year) by carving out the pharmacy and sourcing it with a best-in-class stand-alone PBM

Projections
Monroe County

Cost/Savings Projections	Monroe County Cost/Savings Projections (in 1,000s) 2009	2010	2011	Total
Current Arrangement (CA) Costs	$54,621	$63,272	$71,494	$189,387
Carrier Self-Funded (SF) Costs	54,602	60,851	66,668	182,121
Carrier SF vs. CA Savings	*20*	*2,421*	*4,826*	*7,266*
Carrier/PBM SF Costs	54,027	60,196	65,922	180,144
Carrier/PBM SF vs CA Savings	595	3,076	5,572	9,242

Pharmacy Marketing

Regardless of where we ultimately source the pharmacy benefits, these projections assume that we market the pharmacy benefits to Excellus and stand-alone PBMs. This will allow us to:

- Place external competitive leverage on Excellus
- Compare the financial advantages of a pharmacy carve-out with the operational downsides (e.g. two cards)
- Lower the cost of pharmacy benefits for plan sponsors and participants
- Ensure study clients receive promised value through annual pharmacy performance guarantee audits

Data Reliance

In performing this analysis, we relied on claims data and other information provided to us by Excellus

We checked this information for reasonableness, but did not perform formal audits

If the underlying information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete

Thank You

QUESTIONS?

Disclosure

DISCLOSURE

The analysis of the following plans is a summary. Please refer to the contract and plan description for a full list of coverages and exclusions.

Executive summaries and proposals, if presented to clients, are created by Brown & Brown. Neither the carrier nor Brown & Brown will be held responsible for typographical or clerical errors contained in said proposal.

This is provided for your internal use only. The contents are made available strictly to the client. No further use or distribution is authorized without our prior written consent.

It is imperative that we be informed of any employee or dependent that is hospitalized or otherwise disabled and not actively at work on the effective date of any new contract. Coverage may not be available for these individuals.

All insurance carriers have their own operating procedures. A change in carrier could affect certain benefits and coverages.

B&B representatives are available to explain any items presented. It is assumed that the recipients of this proposal will seek an explanation of any items that may be in question.

Broader Coverage May Be Available.

Carriers represented in this presentation are: **Excellus BlueCross Blue Shield AM Best Rating A-, www.excellus.com.**

In addition to the commissions or fees received by us for assistance with the placement, servicing, claims handling, or renewal of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Brown & Brown, Inc., may also receive compensation for their role in providing insurance products or services to you pursuant to their separate contracts with insurance or reinsurance carriers.

Additionally, it is possible that we, or our corporate parents or affiliates, may receive contingent payments or allowances from insurers based on factors which are not client-specific, such as the performance and/or size of an overall book of business produced with an insurer. We generally do not know if such a contingent payment will be made by a particular insurer, or the amount of any such contingent payments, until the underwriting year is closed. We may also receive invitations to programs sponsored and paid for by insurance carriers to inform brokers regarding their products and services, including possible participation in company-sponsored events such as trips, seminars, and advisory council meetings, based upon the total volume of business placed with the carrier you select. We may, on occasion, receive loans or credit from insurance companies.

Should you have any questions, or require any additional information, please contact this office. If for any reason you prefer not to contact this office, you can submit a report concerning any entity related to Brown & Brown, Inc. through Ethicspoint by e-mail via www.ethicspoint.com, or by toll-free call to 866-384-4277.

This report was prepared with funds provided by the New York State Department of State under the Shared Municipal Services Incentive Grant Program.

Monroe County

Summary of Findings for Monroe County

Brown & Brown Insurance
Employee Benefit Group

CIC BENEFITS GROUP, LLC

Table of Contents

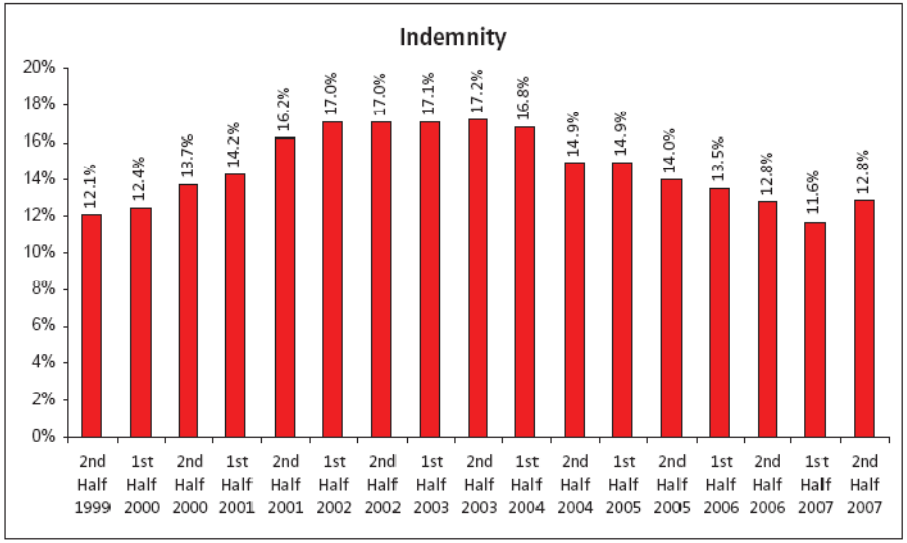
Executive Summary

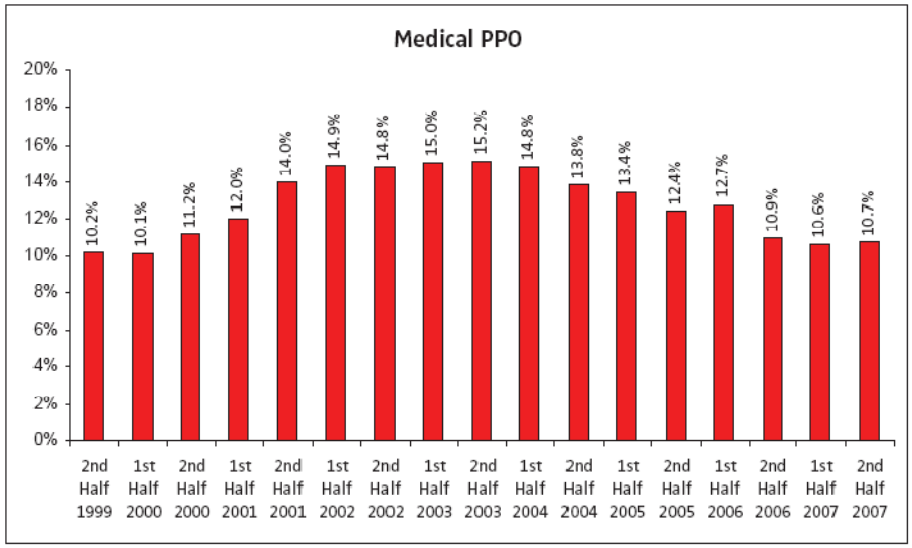
We are pleased to present our summary of findings for Monroe County. This presentation will provide a starting point for the collaborative feasibility study.

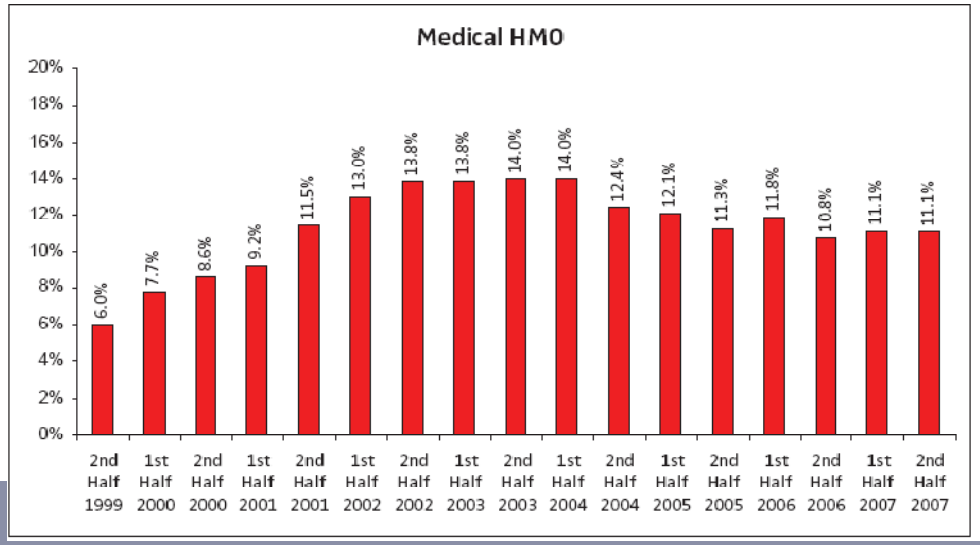
About the Report:

- ✓ The analysis and observations are based on Brown and Brown's experience with other employers in the region, industry and nation.
- ✓ Brown and Brown is able to draw comparisons to your plans based on multiple sources of accumulated benchmarking data.
- ✓ It will serve as a concise snapshot of the overall position and strategy of your medical plans and the tools and resources we will deploy to aid Monroe County.

Health Care Trends







The Marketplace/Current Plan Designs

Health maintenance organization (HMO) – a managed care organization that provides, offers, or arranges for coverage of designated health services for plan members for a fixed, prepaid premium. Patients must choose doctors, hospitals, and other health care providers from the plan's provider list in order to be fully covered. Emphasis is placed on preventive care and cost management.

Characteristics of an HMO:
- ✓**Referrals Required**
- ✓**Limited Closed Panel Network**
- ✓**Primary Care Physician Selection required**
- ✓**No Coverage for Out of Network Services**

Preferred provider organization (PPO) – a managed care plan in which the network of doctors and hospitals provide services to plan members at discounted rates. Unlike HMOs, most PPOs do not require designation of a primary care physician to oversee patients' overall care, allowing members to consult specialists or out-of-network providers as they wish. Coverage is usually less for out-of-network providers.

Characteristics of a PPO:
- ✓**Referrals Not Required**
- ✓**Larger and typically national network**
- ✓**Primary Care Physician Selection NOT required**
- ✓**Typically provides coverage for Out of Network Services at a higher member cost**

The Marketplace/Current Plan Designs

Exclusive Provider Organization (EPO) – a managed care plan in which the network of doctors and hospitals provide services to plan members at discounted rates. Unlike HMOs, most EPO's do not require designation of a primary care physician to oversee patients' overall care, allowing members to consult specialists or other providers whenever they wish. Unlike PPO's, coverage is usually not provided for out of network services.

Characteristics of an EPO:

- ✓**Referrals Not Required**
- ✓**Larger and typically national network**
- ✓**Primary Care Physician Selection NOT required**
- ✓**No Coverage for Out of Network Services**

Market Overview

Experience Rating/Self Funding – Better than average risk

Community Rated- Groups < 50 employees that meet underwriting guidelines

- The Excellus community pool in the near future will contain employer groups with under 50 eligible employees. Larger employer groups have either left or will leave the community pool for experience rated or self funded financial arrangements.
- Preferred Care has proportionately more members in community rated products today, however with the recent introduction of EPO and PPO plans we expect a similar migration of membership into experience rated or self-funded programs.
- The new EPO/PPO platforms offer greater access to providers on a national basis, do not require referrals for specialist services and don't require selection of a primary care physician (PCP).
- EPO and PPO's are the choice of national carriers for their future benefit platforms.

Statistics:

- In 1999 19% of Excellus Rochester Region business was Experience rated or self funded while 81% was Community Rated.
- In 2008 approximately 70% of Excellus Rochester Region business is Experience Rated or Self Funded and 30% is Community rated.

Speaking Points – Market Overview

- ✓ The community pool continues to erode
- ✓ Those left in the pool will feel this erosion through increased rates and reduced plan selection
- ✓ Payors of health care premium (employers/employees/labor health & welfare funds) are moving to next generation plans – EPO or PPO to get out of a shrinking and out dated HMO benefit model
- ✓ Carriers are investing dollars in EPO and PPO plan platforms, not in HMO platforms
- ✓ EPO/PPO platforms provide access to larger networks of providers (typically national) and easier access to services (no referrals)
- ✓ Those that are not proactive in managing the current market changes are left to have their benefit options dictated to by the carrier market

Collective Bargaining Contract Language

CSEA Employees

Hired Prior to January 1, 1986	Blue Point Select 1 - 4% ee contribution Blue Point Select 2 - 4% ee contribution BCBS Traditional $3/6 Rx - 4% ee contribution Blue Point Value - 4% ee contribution (members without County coverage must have select or traditional for one year)
Hired after January 1, 1986 prior to April 15, 2005	Blue Point Select 1 - 8% ee contribution Blue Point Select 2 - 8% ee contribution BCBS Traditional $3/6 Rx - 15% ee contribution Blue Point Value - 4% ee contribution (members without County coverage must have select or traditional for one year)
Hired after April 15, 2005	Blue Point Value- 15% ee contribution Blue Point Select 1 - 8% ee contribution difference between BP2 Select and 85% of BP Value Blue Point Select 2 - difference between BP2 Select and 85% of BP Value BCBS Traditional $3/6 Rx - difference between BCBS Traditional and 85% of BP Value
Before April 15, 2005	Any employee enrolled in Traditional BCBS who changes to a different plan receives a on-time cash incentive payment - amount varies based on change of coverage effective date.
Pre-65 Retirees Hired before April 15, 2005	100% paid for BP Value or BP Select plans Can elect Traditional BCBS with same contribution as active (5 years continuous service)

Collective Bargaining Contract Language

(FSW) Federation of Social Workers

Hired Prior to January 1, 1986	Blue Point Select - 6.2% ee contribution		
	BCBS Traditional $3/6 Rx - 6.25% ee contribution		
	Blue Point Value - 4% ee contribution		(HRA provided $200/$400 Annual Funding)
Hired after January 1, 1986	Blue Point Select - 8% ee contribution		
prior to January 1, 2006	BCBS Traditional $3/6 Rx - 12% ee contribution		
	Blue Point Value - 4% ee contribution		(HRA provided $200/$400 Annual Funding)
Hired after January 1, 2006	Blue Point Select - 15% ee contribution		
	Blue Point Value - 4% ee contribution		
	BCBS Traditional closed to new enrollment 12/31/2005		
Retirees	Years of Service	Retiree Pays	
Hired prior to January 1, 2006	5-9	15%	
5 years continuous service	10-14	10%	
	15 or more	0%	
Traditional Coverage	Years of Service	Retiree Pays	
in area	5-9	36.25%	
	10-14	32.50%	
	15 or more	25.00%	
Traditional Coverage	Years of Service	Retiree Pays	
out of area	5-9	15%	
	10-14	10%	
	15 or more	0%	
Hired on or after January 1, 2006	**Blue Point Value**		
	Years of Service	Retiree Pays	
	5-9	18.40%	
	10-14	13.60%	
	15 or more	4.00%	
	Blue Point Select		
	Years of Service	Retiree Pays	
	5-9	27.75%	
	10-14	23.50%	
	15 or more	15.00%	

Collective Bargaining Contract Language

DSA (Deputy Sheriff's Association

Hired prior to September 1, 2006	Blue Point Value	$25 / pay period effective 1/2008
	Blue Point Select	Diffence between Value contribution and Select cost
	BCBS Traditional	Only employees enrolled as of 12/31/2005 may keep 15% employee contribution
$2000 cash opt-out HRA funded $100 single / $200 all other		
Hired on or after September 1, 2006	Blue Point Value	$40 / pay period effective after 1/2008
Retirees		
Hired before September 1, 2006	Blue Point Value	$0 employee contribution - 5 years continuous service(retire prior to 1/1/2011)
Hired on or after September 1, 2006	Blue Point Value	Same contirbution as active employees - 10 years continuous service

Collective Bargaining Contract Language

PBA (Monroe County Sheriff's Police Benevolent Association)

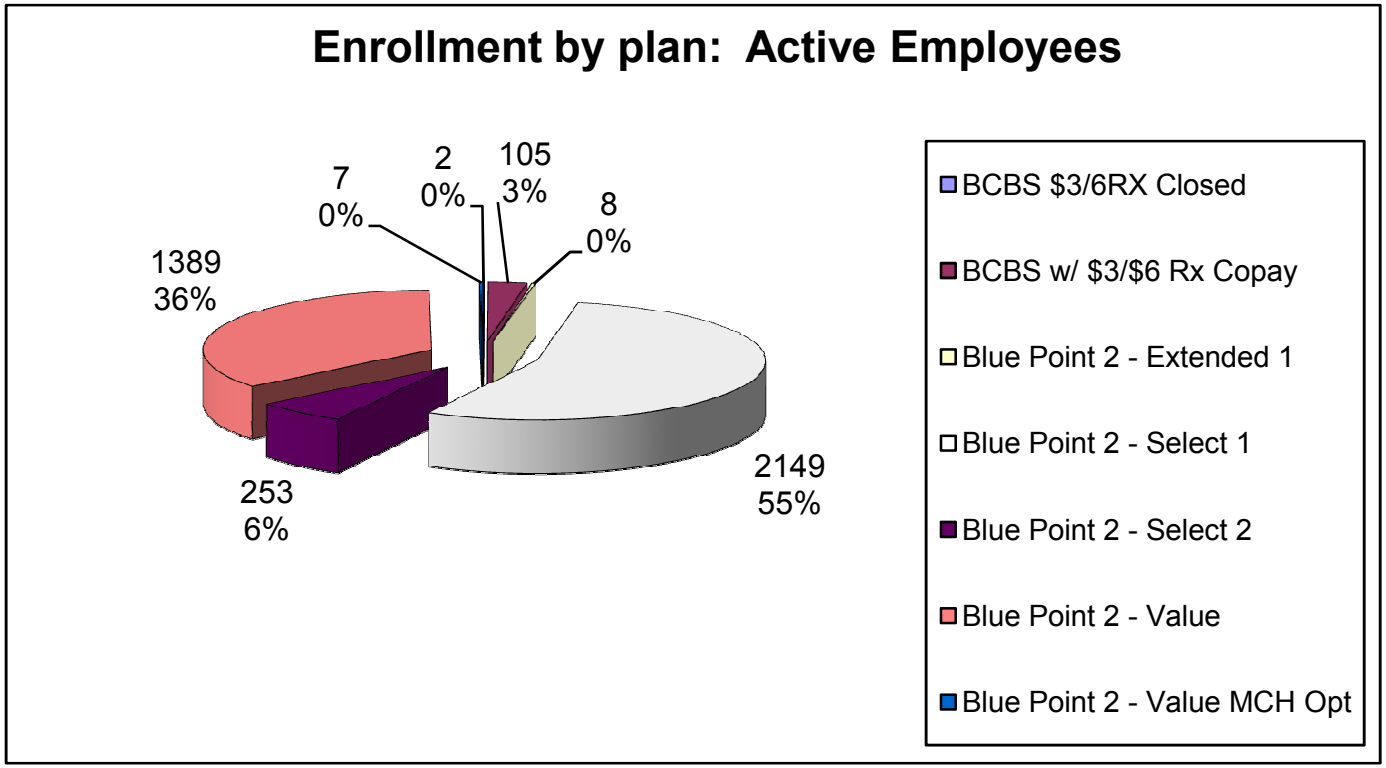
Hired prior to January 1, 2006	Blue Point Value	$15 / pay period effective 1/2008
	Blue Point Extended	Difference between Value contribution and Extended cost
	Blue Point Select	Diffence between Value contribution and Select cost
	BCBS Traditional	Only employees enrolled as of 12/31/2005 may keep
		15% employee contribution
$2000 cash opt-out HRA funded $100 single / $200 all other		
Hired on or after January 1, 2006	Blue Point Value	$30 / pay period effective after 1/2008
Retirees		
Hired before January 1, 2006	Blue Point Value	$0 employee contribution - 5 years continuous service(retire prior to 1/1/2011)
Hired on or after January 1, 2006	Blue Point Value	Same contirbution as active employees - 10 years continuous service

Collective Bargaining Contract Language

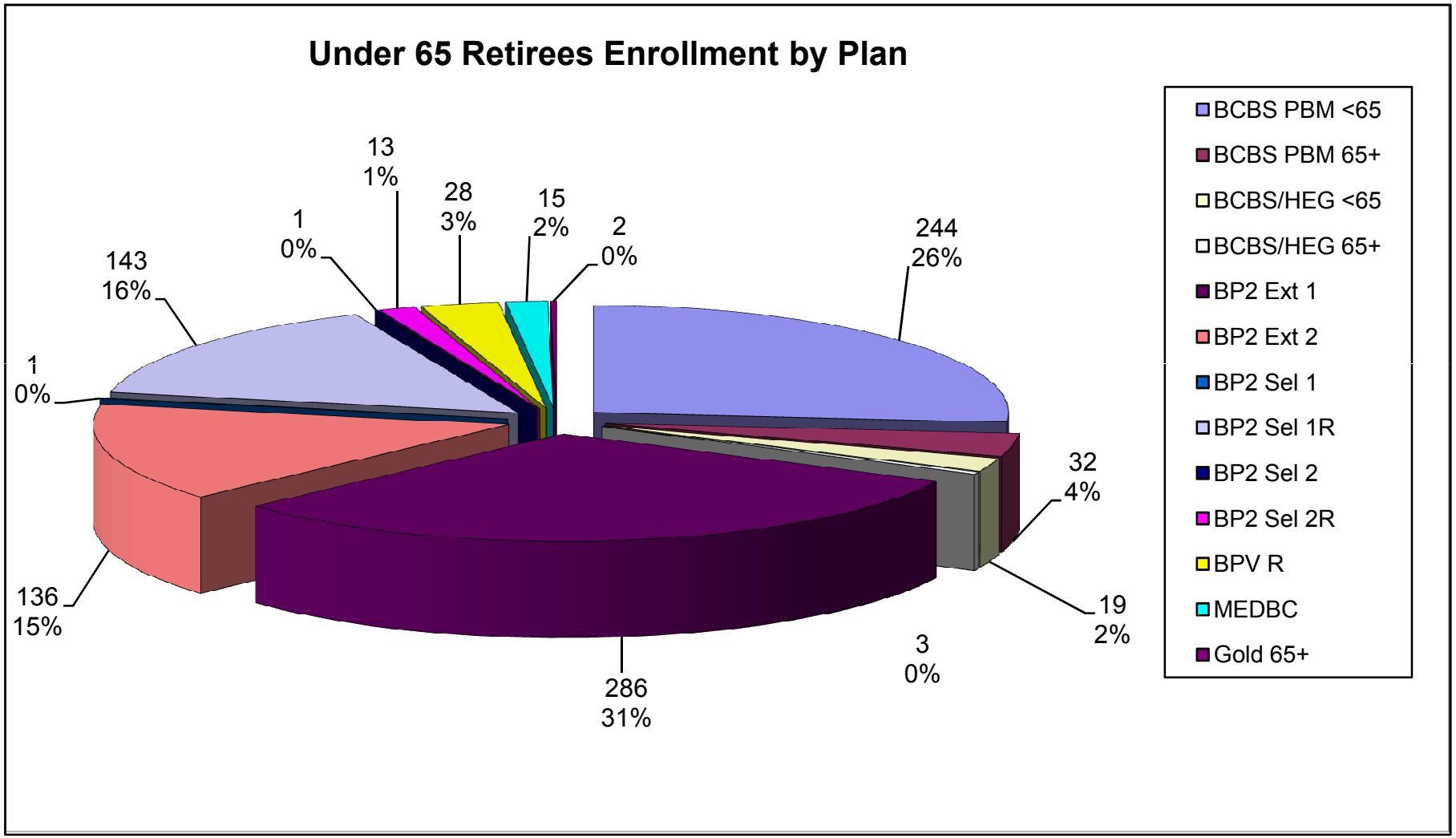
MCLEA (Monroe County Law Enforcement Association)

Hired prior to January 1, 2007	Blue Point Value	$15 / pay period effective 1/2008
	Blue Point Extended	Difference between Value contribution and Extended cost
	Blue Point Select	Diffence between Value contribution and Select cost
	BCBS Traditional	Only employees enrolled as of 12/31/2005 may keep 15% employee contribution
$2000 cash opt- out HRA funded $100 single / $200 all other		
Hired on or after January 1, 2007	Blue Point Value	$30 / pay period effective after 1/2008
Retirees		
Hired before January 1, 2007	Blue Point Value	$0 employee contribution - 5 years continuous service(retire prior to 1/1/2011)
Hired on or after January 1, 2007	Blue Point Value	Same contirbution as active employees - 10 years continuous service

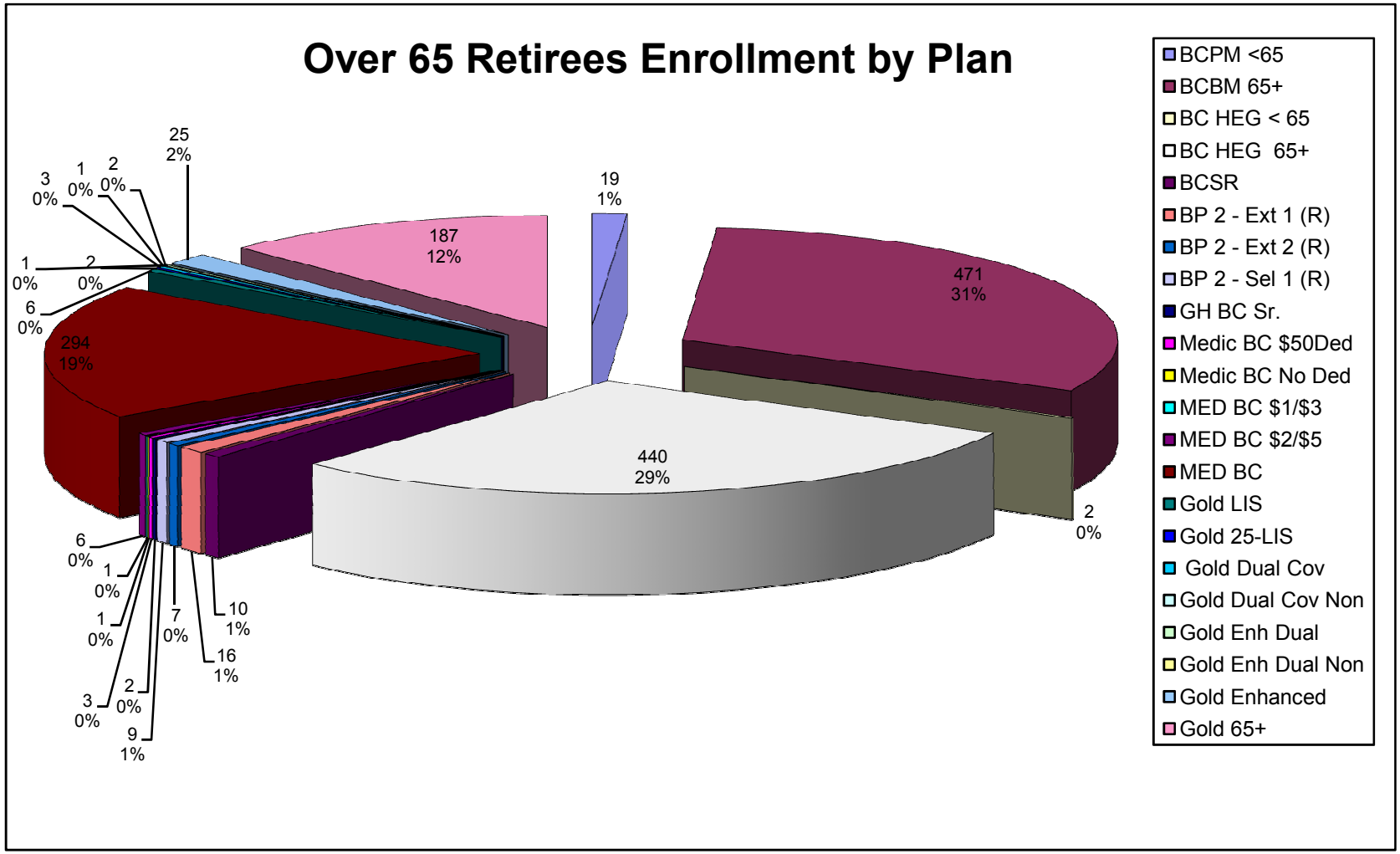
Enrollment by plan Active Employees



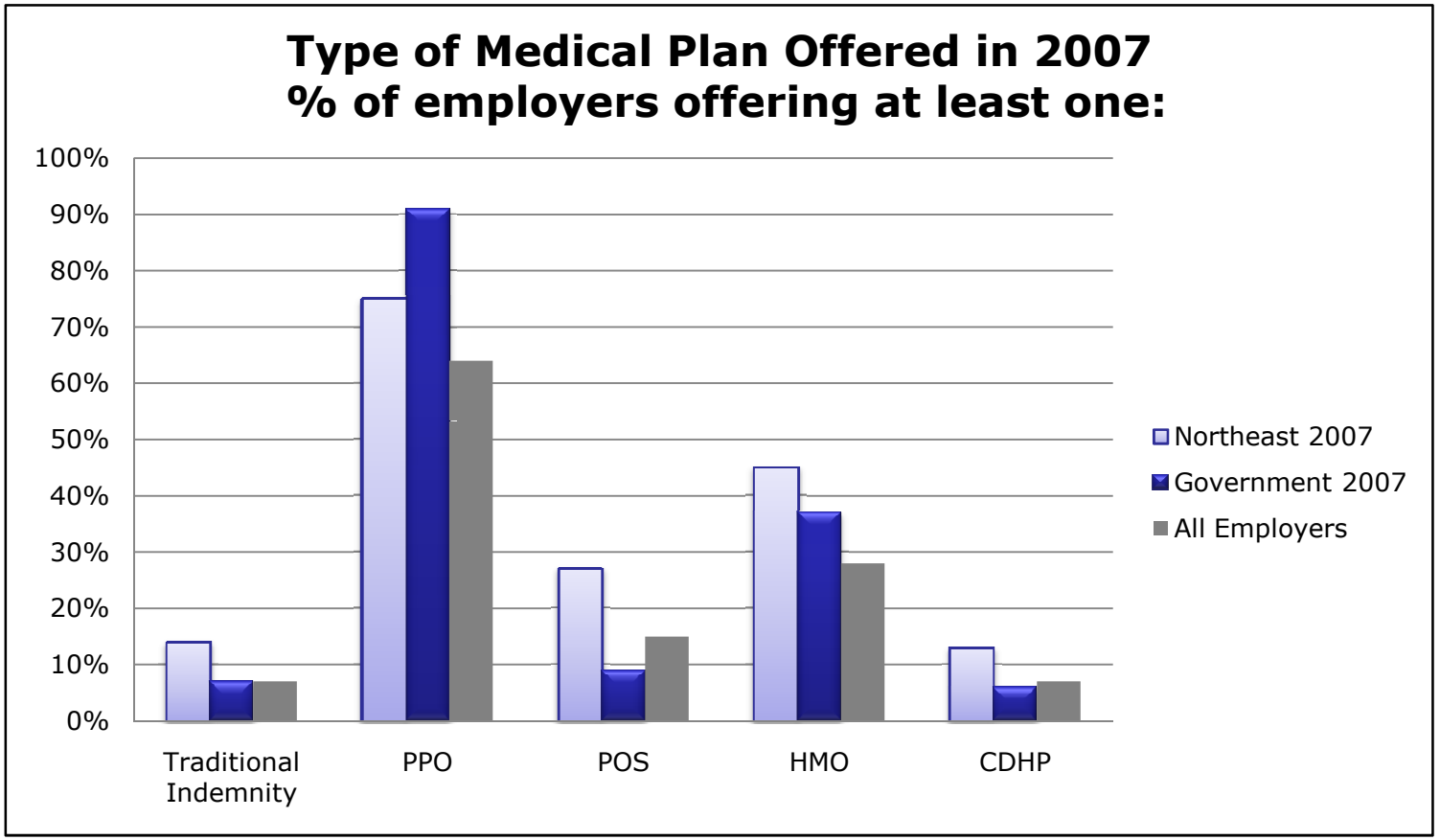
Enrollment by plan under 65 Retirees



Enrollment by plan over 65 Retirees



Benchmarking



Source: 2007 Mercer National Survey of Employer-Sponsored Health Plans

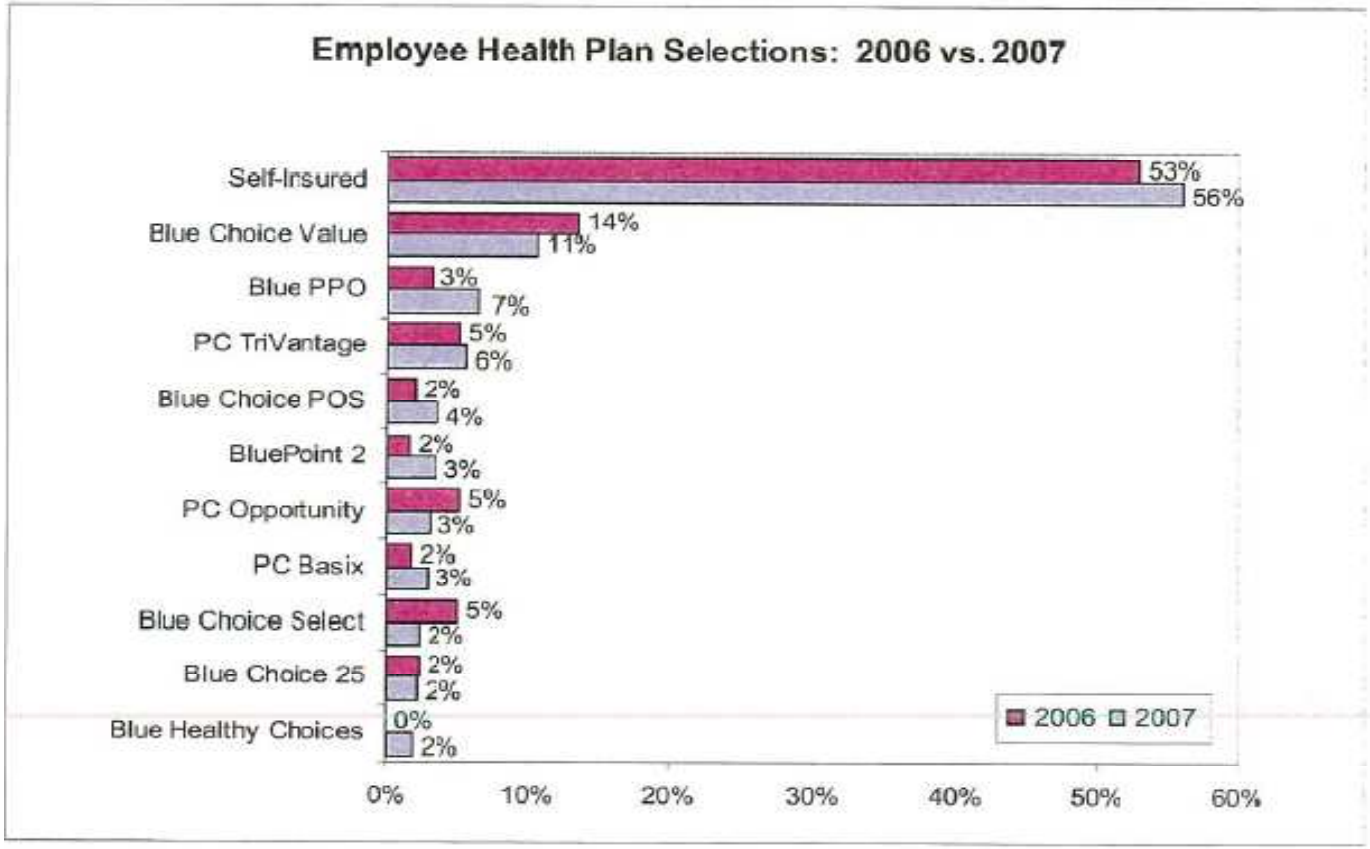
Benchmarking-Plan Design

PPO Plans	Northeast 2007	Government 2007	Rochester Area*
Require Copay for In-Net Office Visits	99%	96%	95%
Require Hospital Deductible for In-Net hospital	49%	51%	15%
Median Hospital deductible/Copay	$250	$300	$250
% of Employers requiring ER Copay	95%	99%	99%
Median ER Copay	$50	$75	$75
Office Visit Copay	$20	$15	$15-$25
% of employers with higher copay for specialist visit	38%	47%	52%
Specialist Visit Copay	$30	$30	$30-$50
Rx Copay Amounts	$10/20/40	$5/20/40	$10/25/40
RX Plan Level: 1 Level	3%	1%	1%
RX Plan Level: 2 Level	13%	13%	8%
RX Plan Level: 3 Level	81%	83%	90%

Source: 2007 Mercer National Survey of Employer-Sponsored Health Plans

*Based on 2007 B&B book of Business

Benchmarking



Source: 2007 Rochester Business Alliance Health Benefits Survey

2008 Estimated Cost Analysis

Active Employees:

Active Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
CSEA Active	1768	$12,974,006	$1,081,661	$11,892,345
FSW Active	780	$5,430,130	$389,997	$5,040,133
DSA Active	433	$3,156,614	$305,234	$2,851,380
PBA	239	$1,816,631	$104,730	$1,711,902
MGMT Confidential	116	$828,032	$64,589	$763,443
LEA	112	$801,473	$59,054	$742,419
MGMT Professional	323	$801,473	$59,054	$742,419
Sheriff Command	32	$267,687	$12,565	$255,122
Elected Off Act	24	$222,287	$23,548	$198,739
IAFF	20	$179,007	$21,570	$157,437
IUOE	17	$131,108	$10,953	$120,155
Dept Head Active	14	$99,985	$6,585	$93,400
Sheriff Exec	6	$61,204	$4,681	$56,522
CSEA Inactive	9	$59,742	$3,788	$55,954
DSA InActive	6	$50,747	$3,360	$47,387
FSW Inactive	5	$48,804	$3,556	$45,249
FSW PT w/Benefits	5	$31,608	$15,804	$15,804
Total	**3909**	**$26,960,535.60**	**$2,170,729.68**	**$24,789,805.92**

2008 Average annual cost per employee: $6,897.04

2007 Benchmark: $6,891 (Mercer National Benefit Survey-Government POS Plans)

Enrollment assumptions based on census data provided by Monroe County

2008 Estimated Cost Analysis

Retired Under 65:

Retirees under 65	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
CSEA <65	1016	$3,973,156	$1,970	$3,975,126
DSA <65	145	$1,616,719	$0	$1,616,719
FSW< 65	147	$1,171,857	$31,248	$1,140,609
PBA < 65	71	$871,416	$0	$871,416
Mgmt Professional < 65	71	$805,252	$7,532	$797,721
Mgmt Confidential < 65	25	$204,363	$2,163	$202,200
IAFF < 65	10	$125,539	$0	$125,539
IUOE < 65	10	$106,360	$3,319	$103,041
Dept Head <65	9	$96,823	$0	$96,823
Sheriff Command < 65	6	$83,096	$0	$83,096
LEA < 65	8	$73,254	$0	$73,254
Elected Officials <65	4	$53,021	$0	$53,021
Sheriff Exec < 65	1	$19,208	$0	$19,208
Total	**1523**	**$9,200,063.52**	**$46,231.56**	**$9,157,771.80**

2008 Average annual cost per retiree: $6,040.75

Enrollment assumptions based on census data provided by Monroe County

2008 Estimated Cost Analysis

Retired over 65 :

Retirees over 65	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
CSEA > 65	414	$4,897,780	$10,095	$4,887,685
FSW >65	207	$799,087	$14,326	$784,761
Mgmt Professional > 65	108	$632,578	$0	$632,578
DSA >65	117	$514,827	$0	$514,827
Mgmt Confidential > 65	33	$160,320	$0	$160,320
Elected Officials >65	10	$59,128	$0	$59,128
IUOE > 65	7	$45,459	$0	$45,459
Dept Head >65	5	$27,058	$0	$27,058
IAFF > 65	3	$26,061	$0	$26,061
PBA > 65	2	$10,065	$0	$10,065
LEA > 65	1	$771	$0	$771
Total	**907**	**$7,173,134.76**	**$24,420.84**	**$7,148,713.92**

2008 Average annual cost per retiree: $7,908.54

Enrollment assumptions based on census data provided by Monroe County

2008 Estimated Total Cost Analysis

Active Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
CSEA Active	1768	$12,974,006	$1,081,661	$11,892,345
FSW Active	780	$5,430,130	$389,997	$5,040,133
DSA Active	433	$3,156,614	$305,234	$2,851,380
PBA	239	$1,816,631	$104,730	$1,711,902
MGMT Confidential	116	$828,032	$64,589	$763,443
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Dept Head Active	14	$99,985	$6,585	$93,400
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Total	3909	$26,960,535.60	$2,170,729.68	$24,789,805.92

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CSEA <65	1016	$3,973,156	$1,970	$3,975,126
DSA <65	145	$1,616,719	$0	$1,616,719
FSW< 65	147	$1,171,857	$31,248	$1,140,609
PBA < 65	71	$871,416	$0	$871,416
Mgmt Professional < 65	71	$805,252	$7,532	$797,721
Mgmt Confidential < 65	25	$204,363	$2,163	$202,200
IAFF < 65	10	$125,539	$0	$125,539
IUOE < 65	10	$106,360	$3,319	$103,041
Dept Head <65	9	$96,823	$0	$96,823
Sheriff Command < 65	6	$83,096	$0	$83,096
LEA < 65	8	$73,254	$0	$73,254
Elected Officials <65	4	$53,021	$0	$53,021
Sheriff Exec < 65	1	$19,208	$0	$19,208
Total	1523	$9,200,063.52	$46,231.56	$9,157,771.80

Retirees over 65	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
CSEA > 65	414	$4,897,780	$10,095	$4,887,685
FSW >65	207	$799,087	$14,326	$784,761
Mgmt Professional > 65	108	$632,578	$0	$632,578
DSA >65	117	$514,827	$0	$514,827
Mgmt Confidential > 65	33	$160,320	$0	$160,320
Elected Officials >65	10	$59,128	$0	$59,128
IUOE > 65	7	$45,459	$0	$45,459
Dept Head >65	5	$27,058	$0	$27,058
IAFF > 65	3	$26,061	$0	$26,061
PBA > 65	2	$10,065	$0	$10,065
LEA > 65	1	$771	$0	$771
Total	907	$7,173,134.76	$24,420.84	$7,148,713.92

Estimated Total Annual Cost	6339	$43,333,733.88	$2,241,382.08	$41,096,291.64

Total Annual Cost: $43,333,733

Annual Employee Cost: $2,241,382

Annual Employer Cost: $41,096,291

Monroe County contributes 95% to total costs

Enrollment assumptions based on census data provided by Monroe County

Benefit Plan Considerations

Benefit Platform

- Current POS platform similar to HMO platform
- The current POS platform continues to see declining membership due to newer generation plans
- New generation plans offer better alternative for benefit strategy plan management and member satisfaction
  - Exclusive Provider Organization (EPO) and Preferred Provider Organization (PPO)

Benefit Plan Considerations

Benefit Platform

- Current POS plans offered very similar across all groups
  - Core benefits across all plans similar
  - Variations between plans largely copay based
  - Range of $15-$20 for PCP visits on POS
  - Inpatient copayments $0-$100 per admission
- Benefit plan strategy based on HMO model of the late 1990
- Traditional Indemnity plans also old platform
  - Some limited benefit coverage
  - Very expensive in cost – questionable return in benefit value
  - Low rx copay on many plans $2 or $3/$6

Benefit Plan Considerations

Financial Arrangement

- ***Experience Rating***
  - Set premiums on a group specific12 month basis
  - Carrier at risk for claims (if claims are higher for period, carrier can not recoup premium for difference, they will raise group specific rates accordingly for the next rating period – no run out claim cost on termination)
  - Built in pooling point (stop-loss) mechanism
  - DATA PROVIDED on cost drivers for specific groups – this is one of the main reasons groups leave the community pool – having the tools to make benefit decisions based on actual cost drivers

Benefit Plan Considerations

Financial Arrangement

- ***Self-Funding***
  - Pay claims as you go, size of group means predictable risk
  - No carrier margins, group specific trend – just your own claim dollars
  - DATA PROVIDED on cost drivers for specific groups – this is one of the main reasons groups leave the community pool – having the tools to make benefit decisions based on actual cost drivers
  - Stop-Loss protects against large claim impact
  - Group pays run-out claims if change of administrator / carrier
  - Plan design flexibility
    - No state mandates
    - Carrier can not “mandate” changes (your plan)
  - Cash Flow Advantage and the ability to hold reserves

Medical Plan Observations

- ✓ **Plan Features:** Current POS plans are quickly becoming outdated as benefit plans move to more current platforms (EPO or PPO). Monroe County should explore alternative benefit platforms.

- ✓ **Enable Change**:
  - ✓Within the organization through education and communication.
  - ✓Reinforce how employees are using or not using the plans today, the reality of actual cost, the financial investment of the County and the importance of changing behavior.

- ✓**Alternative Funding Research:** Given a review of the current experience data and having several years of creditable data, the County should consider self funding options.

Thank You

QUESTIONS?

Disclosure

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This report was prepared with funds provided by the New York State Department of State under the Shared Municipal Services Incentive Grant Program.

Rochester City School District

Data Analysis 2005-2008
Rochester City School District

Brown & Brown Insurance
Employee Benefit Group

CIC BENEFITS GROUP, LLC

Table of Contents-UPDATE

Total Population Utilization

2005	Medical Claims	RX Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$23,427,694	$6,924,266	$30,351,960	$27,240,890	111.42%	
Preferred Care	$7,514,392	$1,844,508	$9,358,900	$10,749,631	87.06%	
Stop Loss	$0	$0	$0	$26,750		104.12%
HRA Contribution/Admin	$664,063	$0	$0	$122,318		
Total	$31,606,149	$8,768,774	$39,710,860	$38,139,589		

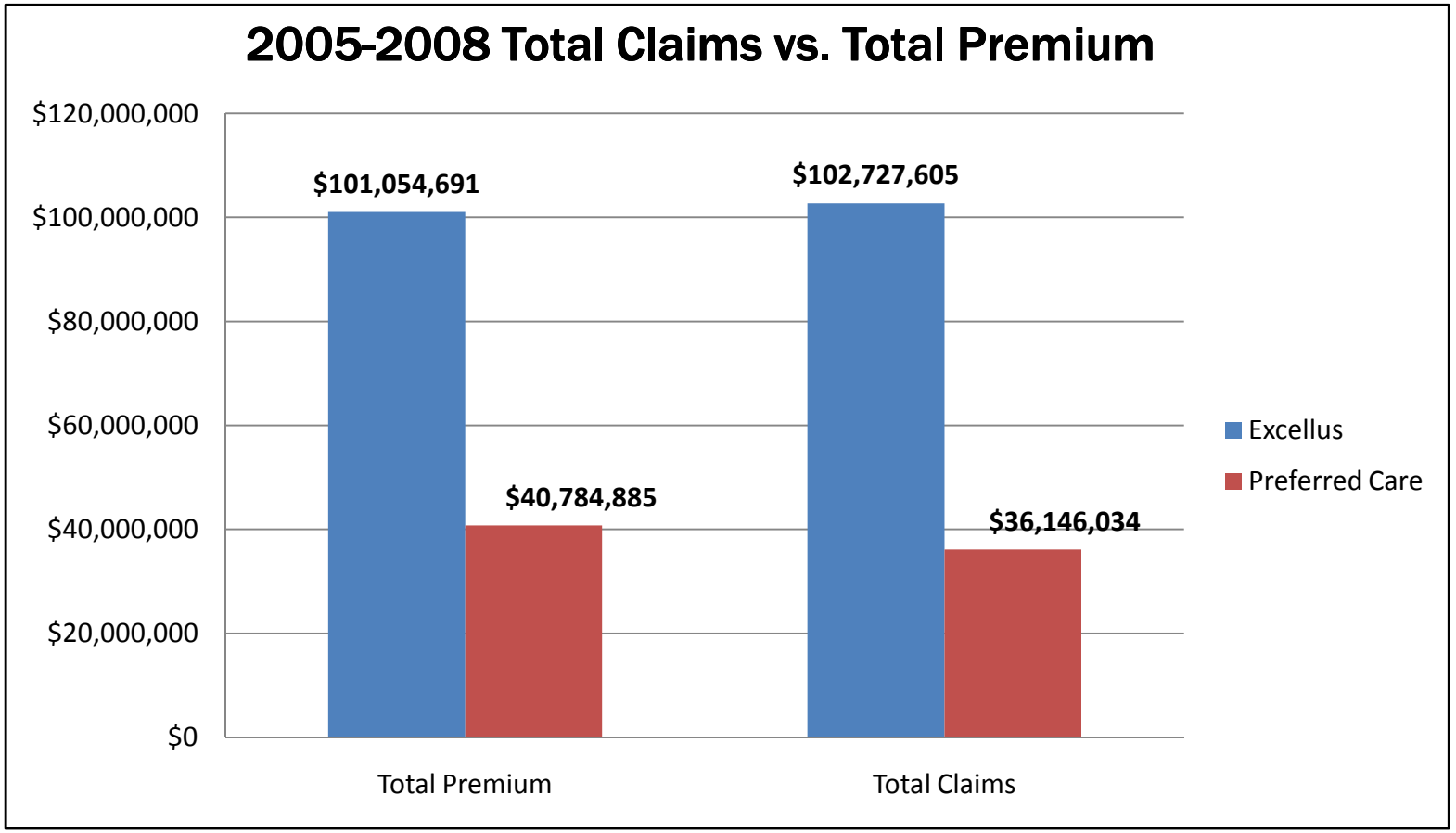
2006	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$23,272,288	$7,731,007	$31,003,295	$30,545,704	98.52%	
Preferred Care	$8,734,633	$2,178,973	$10,913,606	$13,076,644	119.82%	
Stop Loss	$0	$0	$0	$41,826		104.46%
HRA Contribution/Admin	$741,190	$0	$0	$123,870		
Total	$32,748,111	$9,909,980	$41,916,901	$43,788,044		

2007	Medical Claims	Rx Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$24,702,849	$8,080,610	$32,783,459	$34,091,686	103.99%	
Preferred Care	$9,800,944	$2,517,440	$12,318,384	$12,318,384	100.00%	
Stop Loss	$0	$0	$0	$31,692		103.27%
HRA Contribution/Admin	$646,076	$0	$0	$136,893		
Total	$35,149,869	$10,598,050	$45,101,843	$46,578,655		

2008 thru 03/31/08	Medical Claims	RX Claims	Total Claims	Paid Premium	Loss Ratio	Combined Loss Ratio
Excellus	$6,424,293	$2,164,598	$8,588,891	$9,064,893	94.75%	
Preferred Care	$2,850,322	$704,822	$3,555,144	$4,640,226	76.62%	
Stop Loss	$0	$0	$0	$11,250		87.89%
HRA Contribution/Admin*	$634,676	$0	$0	$100,517		
Total	$9,909,291	$2,869,420	$12,144,035	$13,816,886		

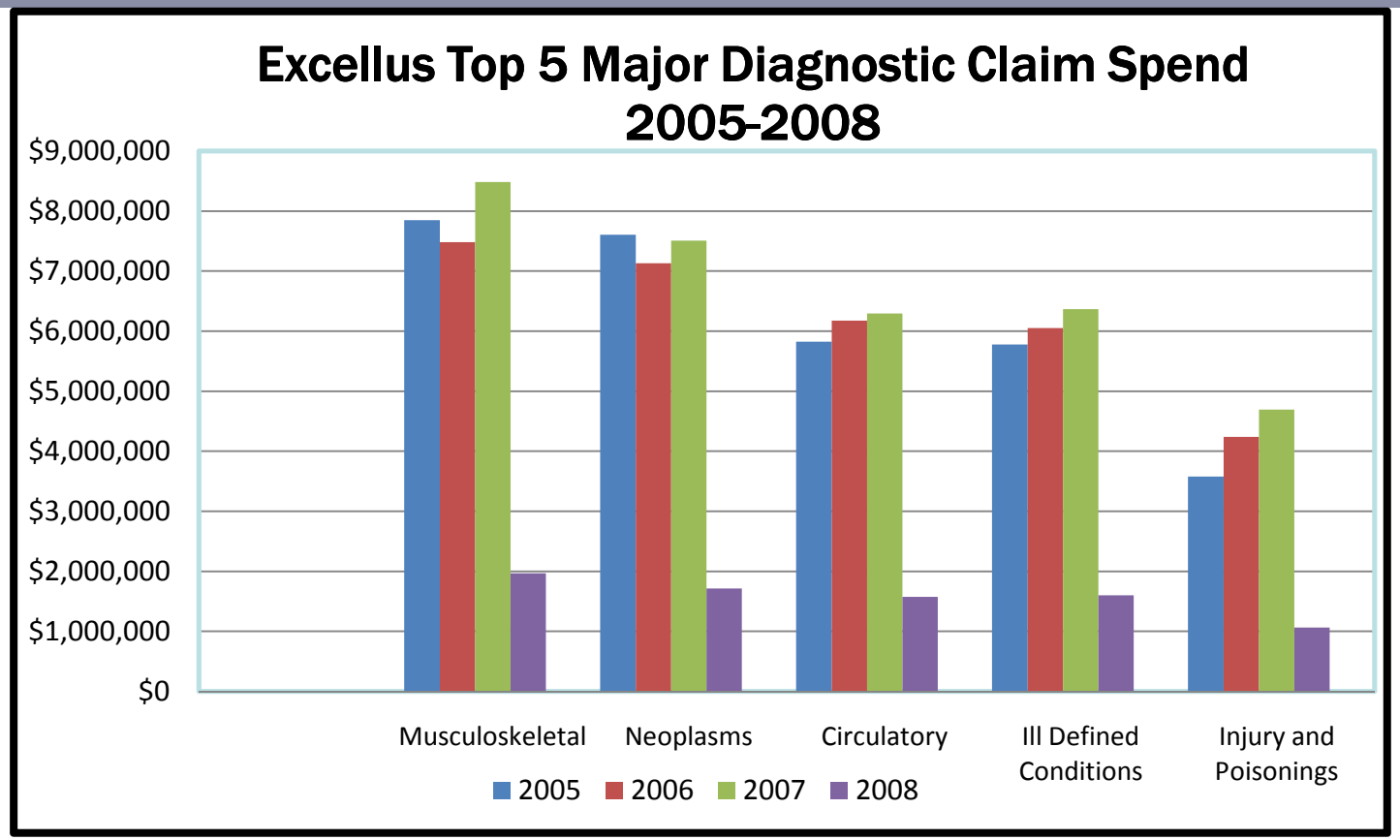
*through 9/2008

2005-2008 Total Claims vs. Total Premium



Total Premium: $141,839,576
Total Claims: $138,873,639

Claim Spend by Major Diagnostic Category (MDC)-Excellus



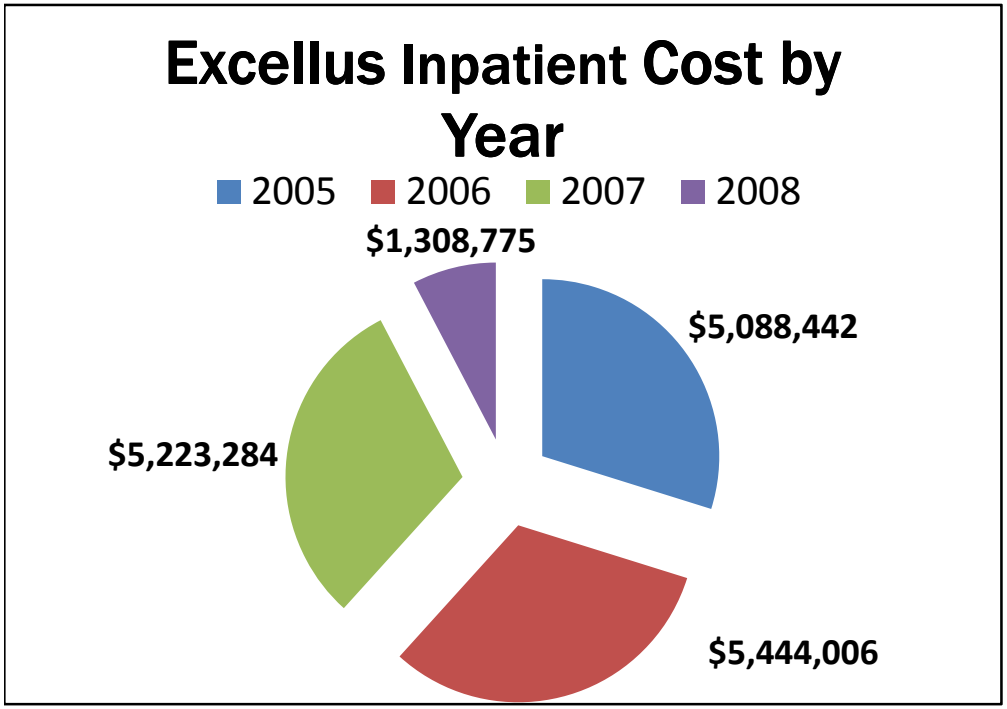
Top 5 MDC

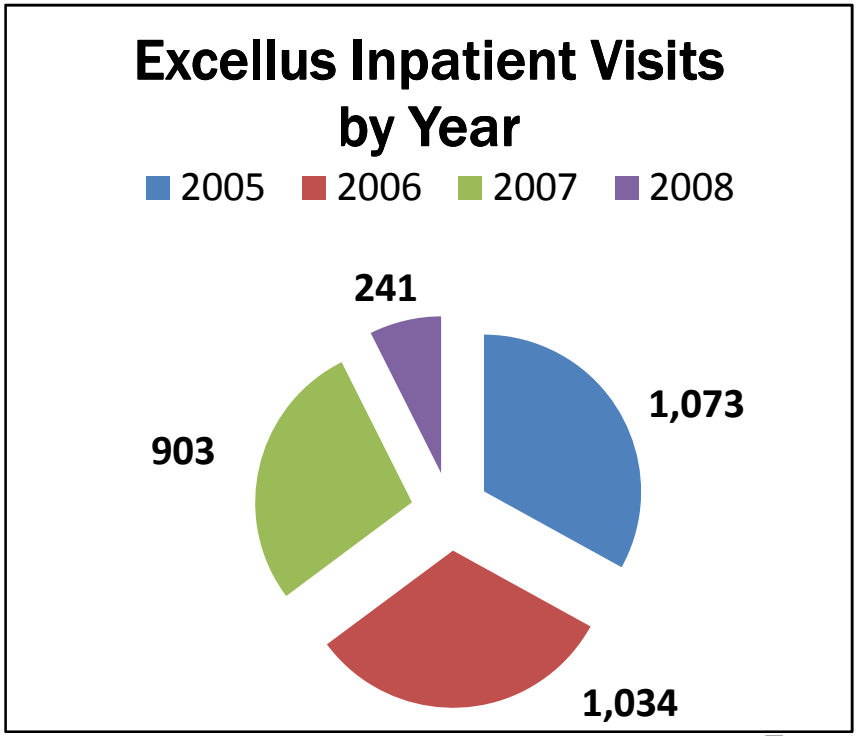
	2005	2006	2007	2008	Total Spend
Musculoskeletal	$7,849,931	$7,479,368	$8,482,935	$1,964,827	$25,777,061
Neoplasms	$7,604,493	$7,129,011	$7,509,229	$1,712,823	$23,955,556
Circulatory	$5,824,481	$6,176,657	$6,295,647	$1,569,932	$19,866,717
Ill Defined Conditions	$5,774,775	$6,050,696	$6,365,824	$1,598,204	$19,789,499
Injury and Poisonings	$3,576,482	$4,240,105	$4,690,193	$1,060,599	$13,567,379

Excellus High Cost Claimants (HCC)- Over $25K

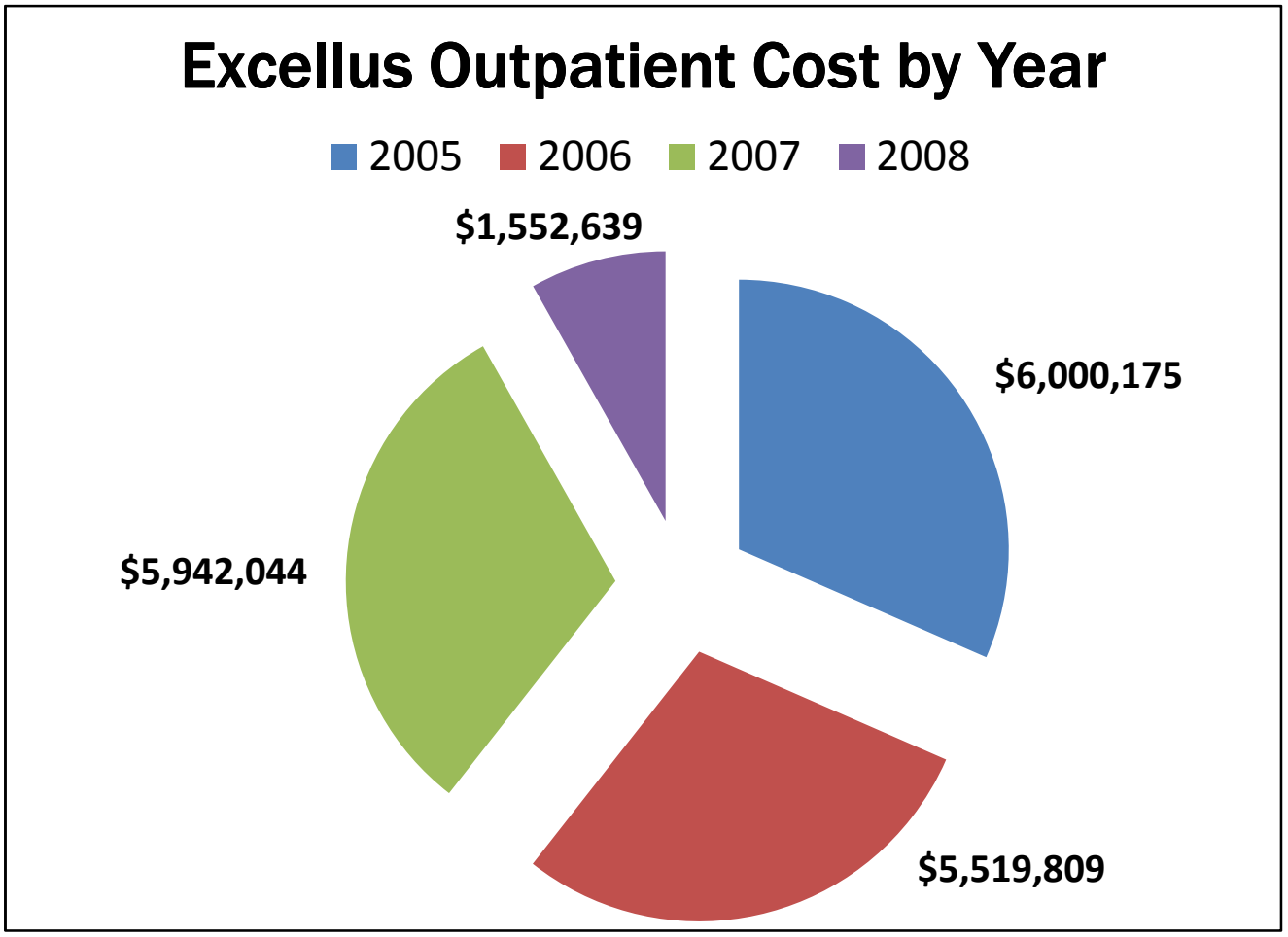
Excellus	2005	2006	2007	Q 1 2008
Total # of Claims	105	98	118	23
Range of Claim Cost	$25,147 - $218,445	$25,087 - $174,348	$25,241 - $133,641	$25,063 - $62,102
Total HCC Spend	$5,052,907	$4,921,508	$5,384,788	$856,981

Excellus Inpatient Cost/Visits

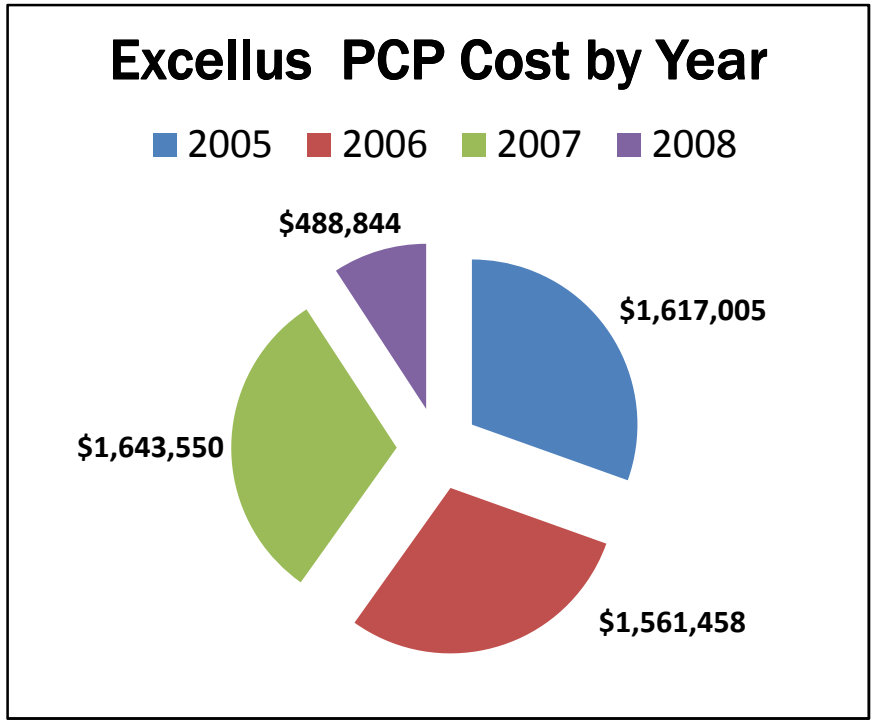


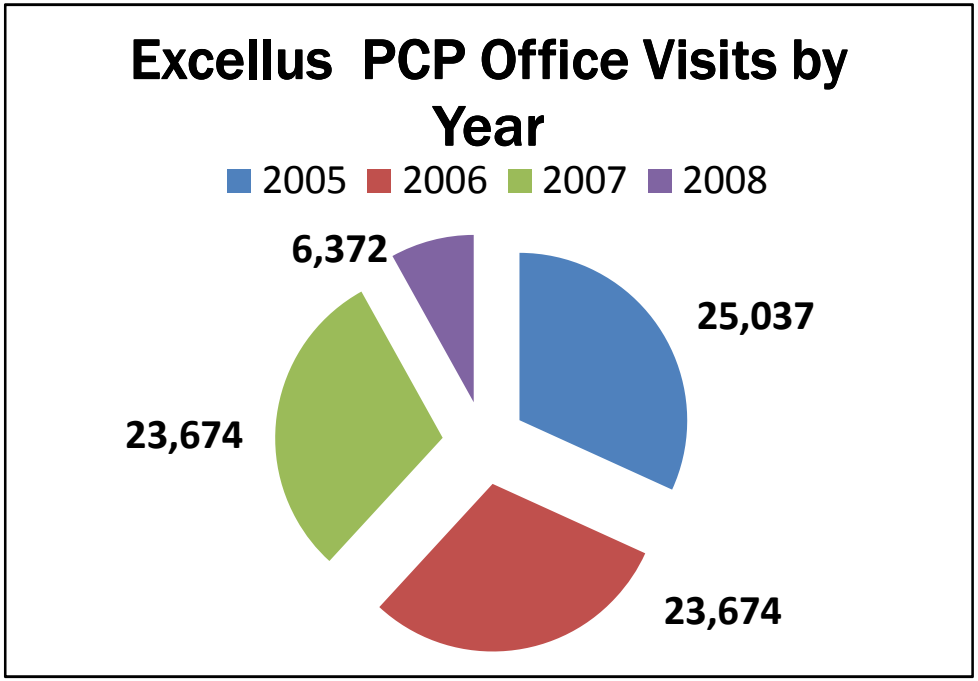


Excellus –Outpatient Cost by Year

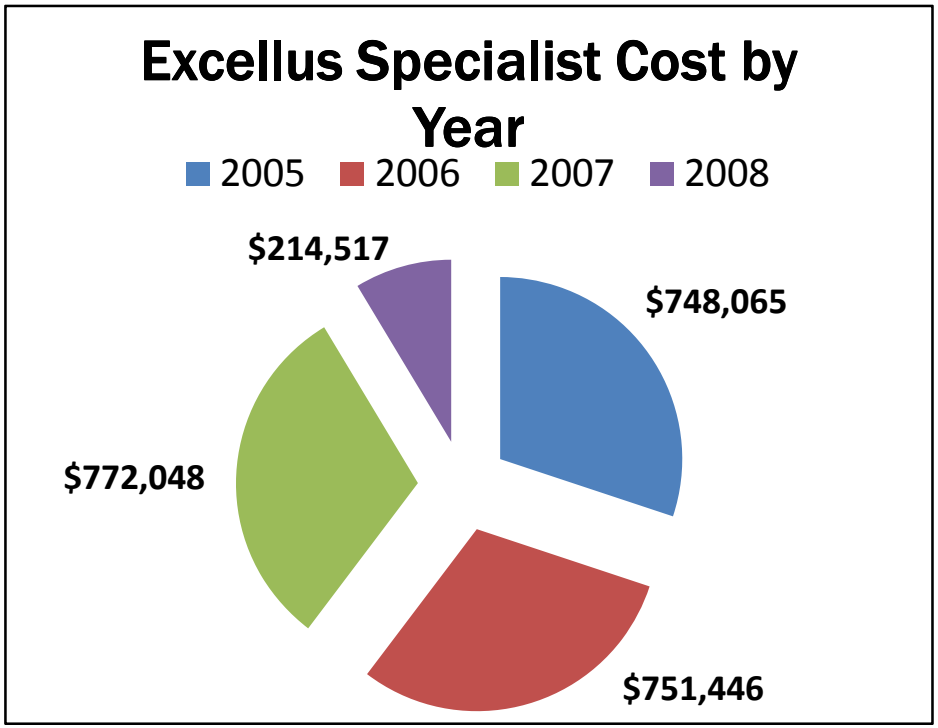


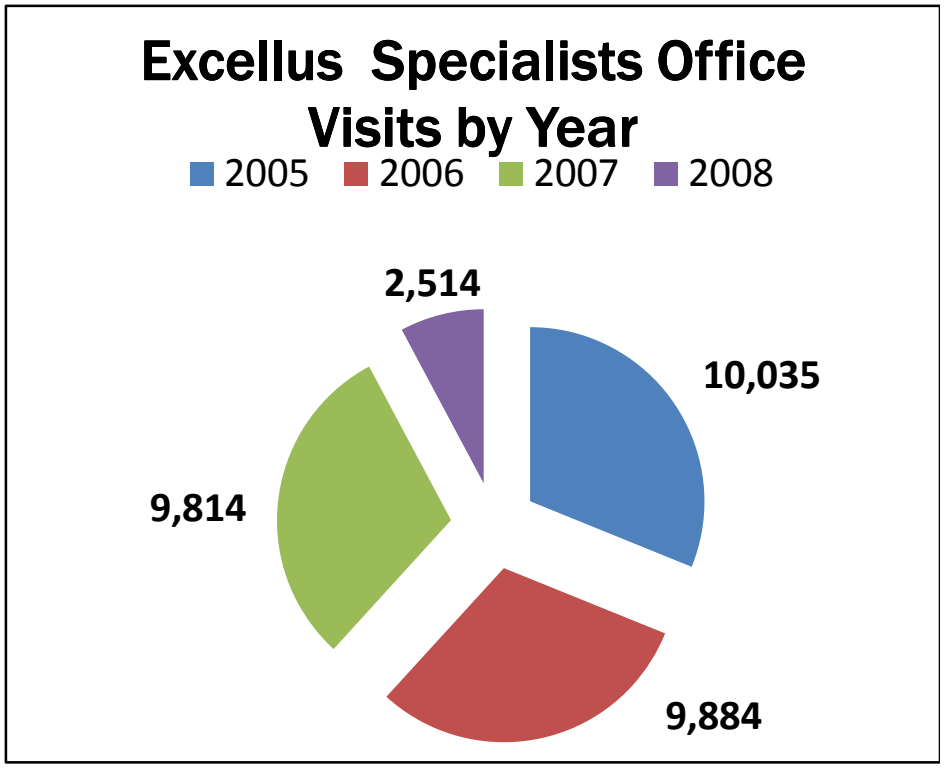
Excellus Primary Care Physician (PCP) Cost/Visits Per Year



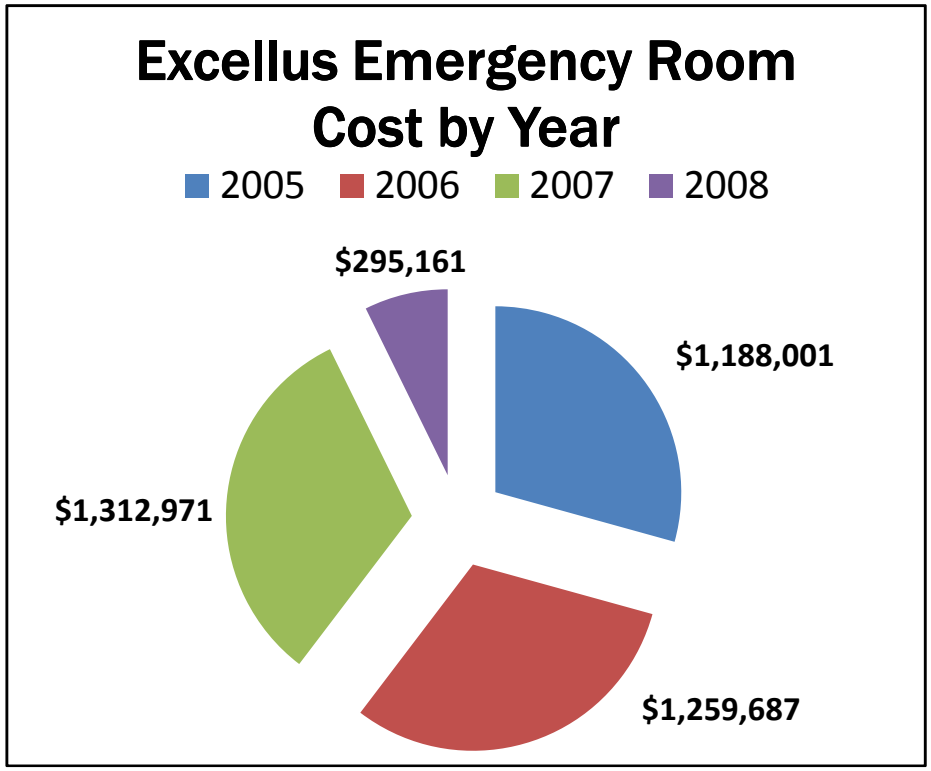


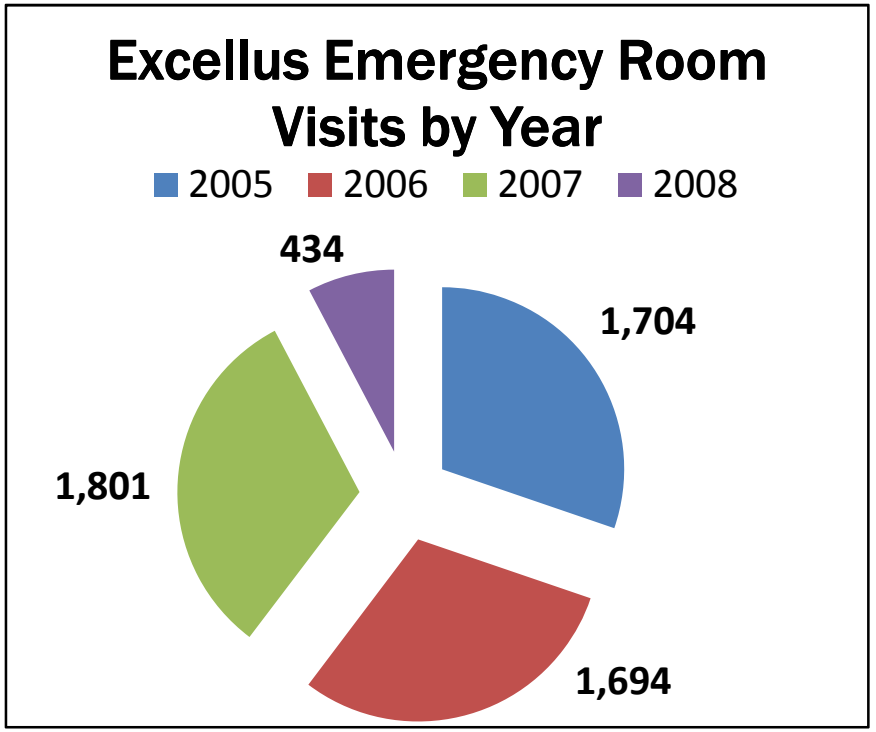
Excellus Specialist Cost and Number of Office Visits



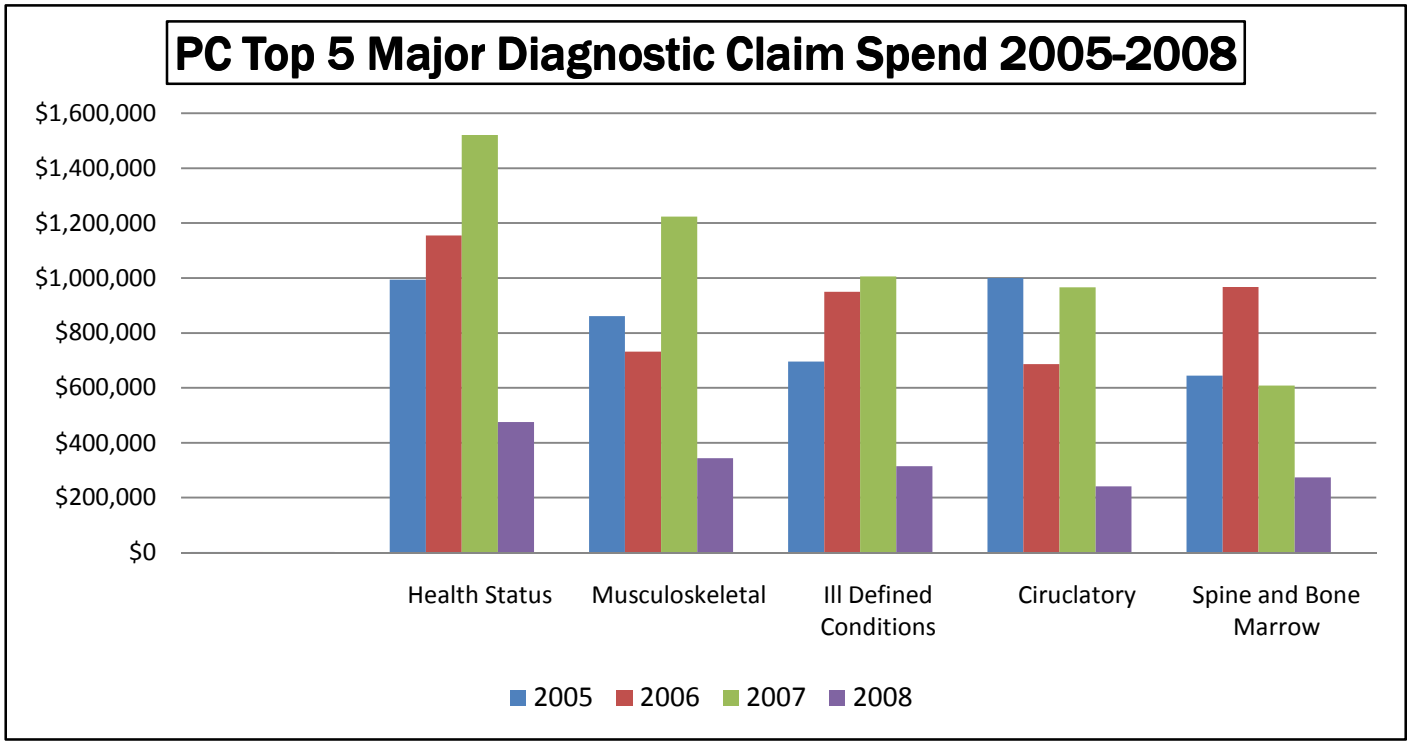


Excellus Emergency Room (ER) Costs and Visits





Claim Spend by Major Diagnostic Category (MDC)-Preferred Care



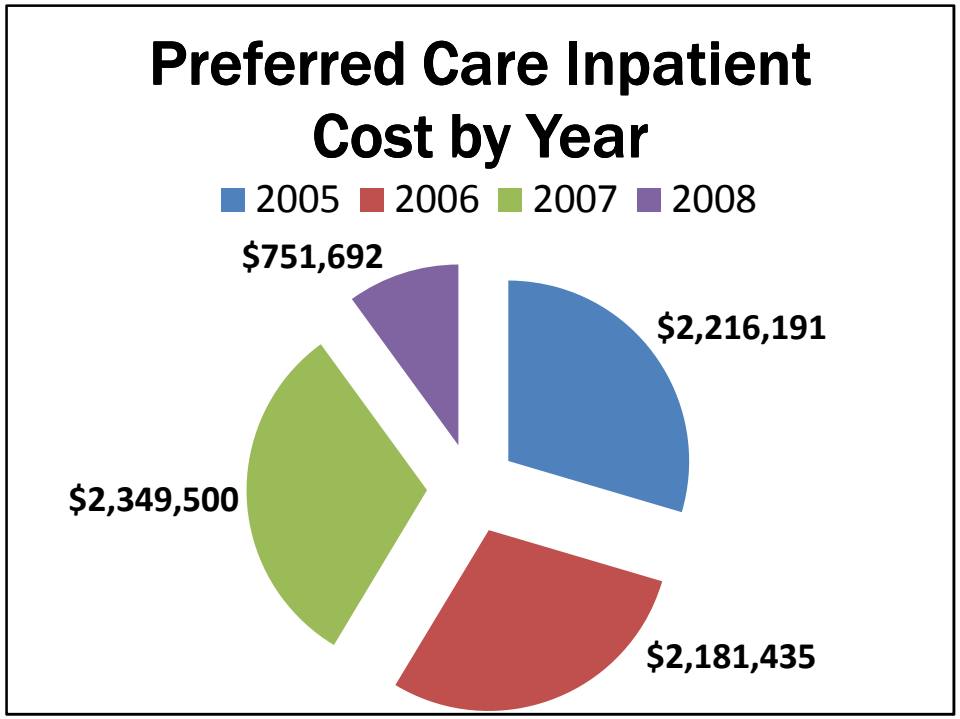
Top 5 MDC

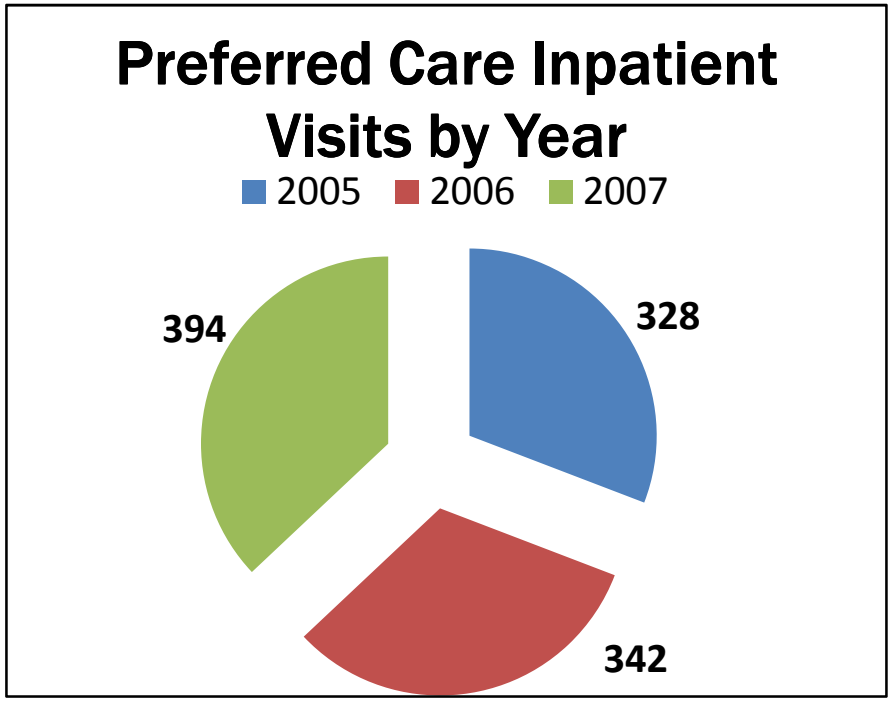
	2005	2006	2007	2008	Total Spend
Health Status	$993,993	$1,154,926	$1,520,513	$475,081	$4,144,513
Musculoskeletal	$860,634	$732,404	$1,223,301	$343,624	$3,159,963
Ill Defined Conditions	$695,900	$949,756	$1,005,522	$314,208	$2,965,386
Ciruclatory	$999,961	$686,061	$966,361	$241,004	$2,893,387
Spine and Bone Marrow	$644,686	$967,241	$607,728	$274,201	$2,493,856

Preferred Care High Cost Claimants (HCC)- Over $25K

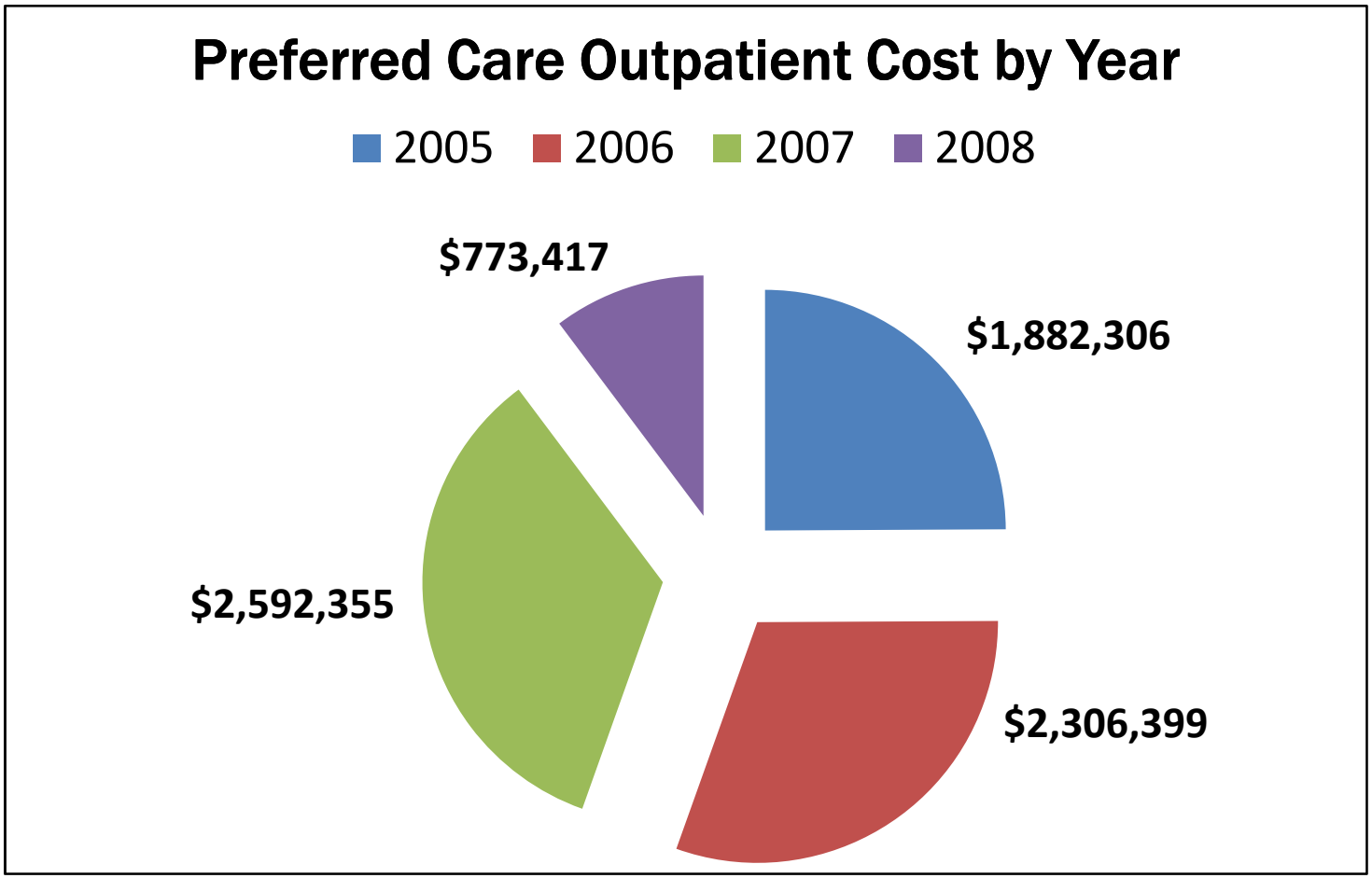
Preferred Care	2005	2006	2007	Q 1 2008
Total # of Claims	39	41	55	14
Range of Claim Cost	$25,104 - $309,964	$25,344 - $296,919	$25,100 - $173,819	$25,178 -$81,668
Total HCC Spend	$2,220,399	$2,383,083	$2,405,744	$623,163

Preferred Care Inpatient Cost/Visits

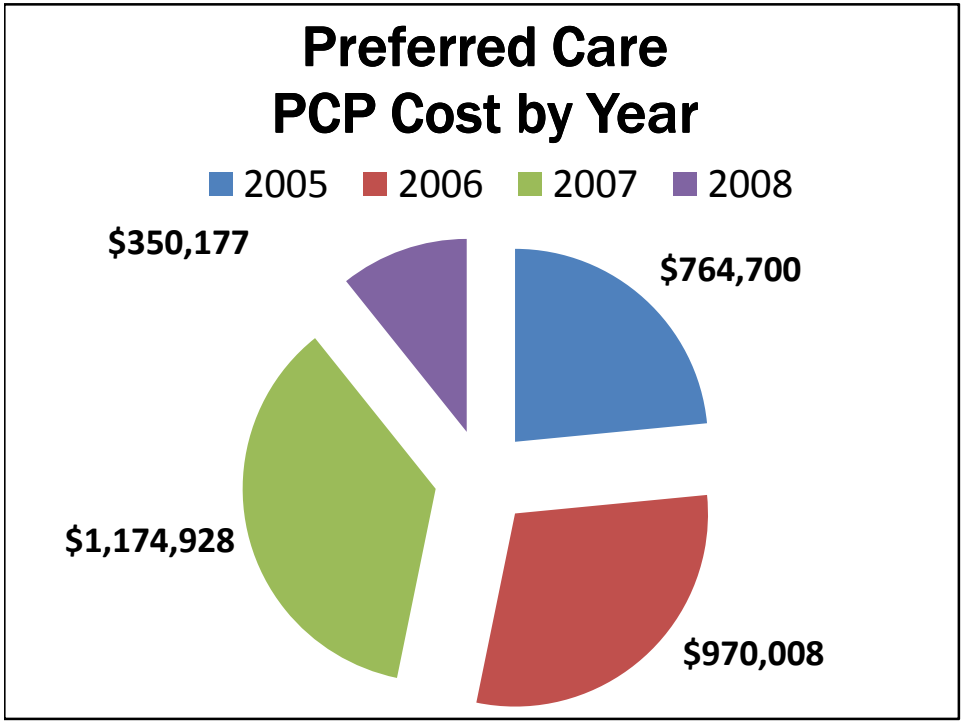


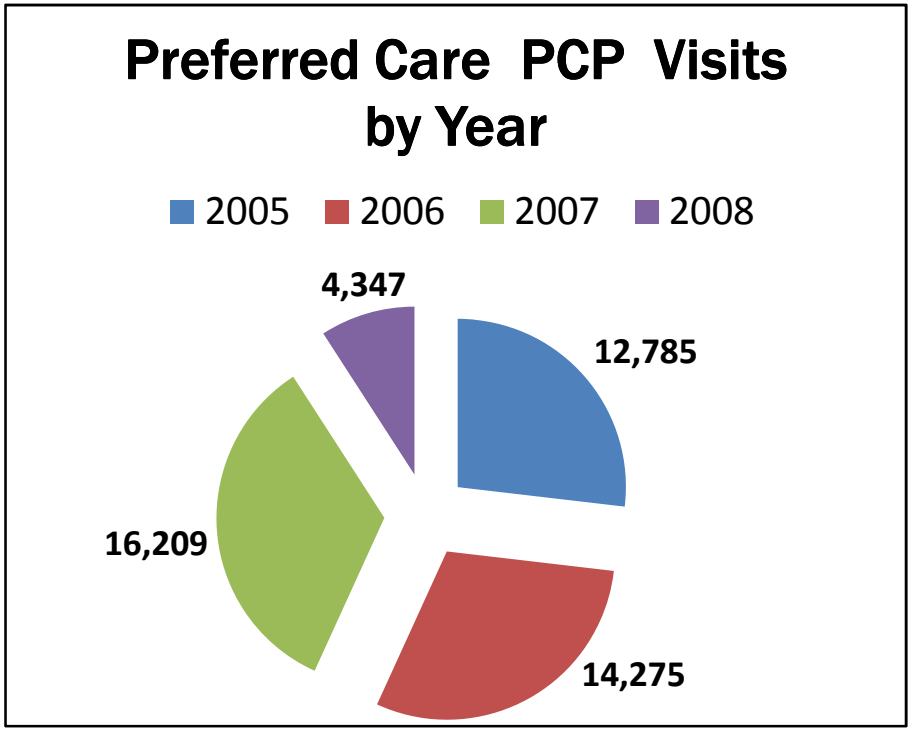


Preferred Care – Outpatient Cost by Year

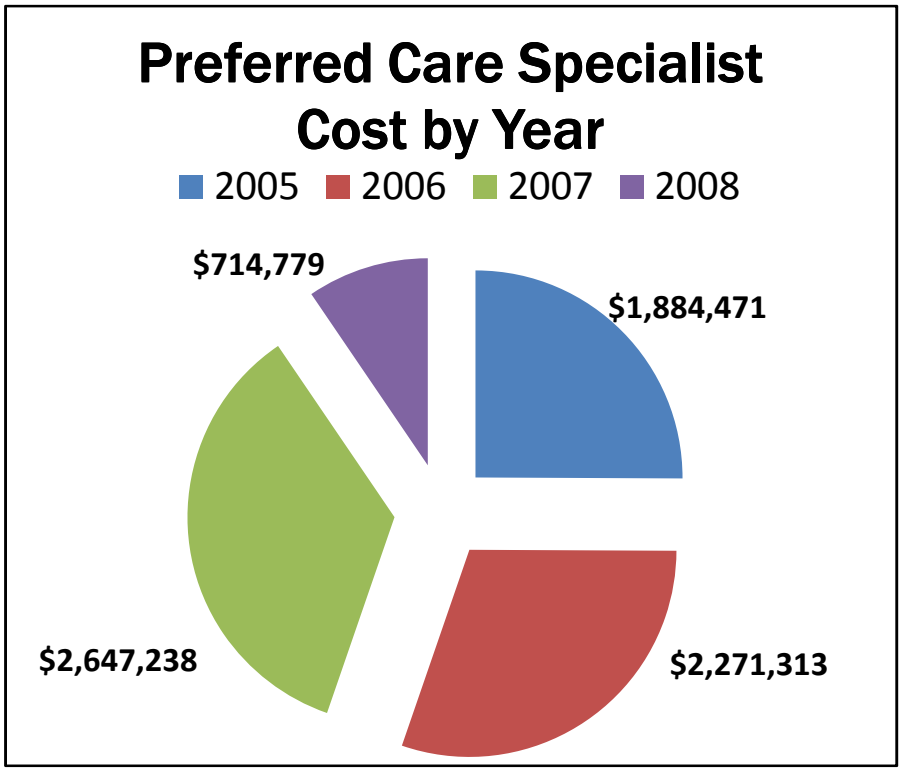


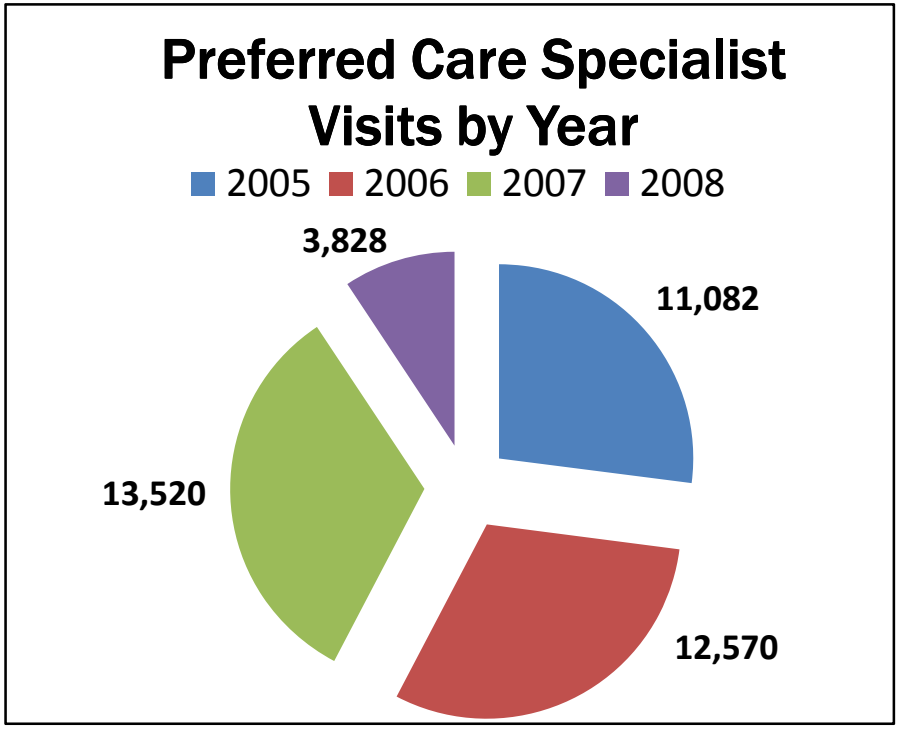
Preferred Care Primary Care Physician (PCP) Cost/ Visits Per Year



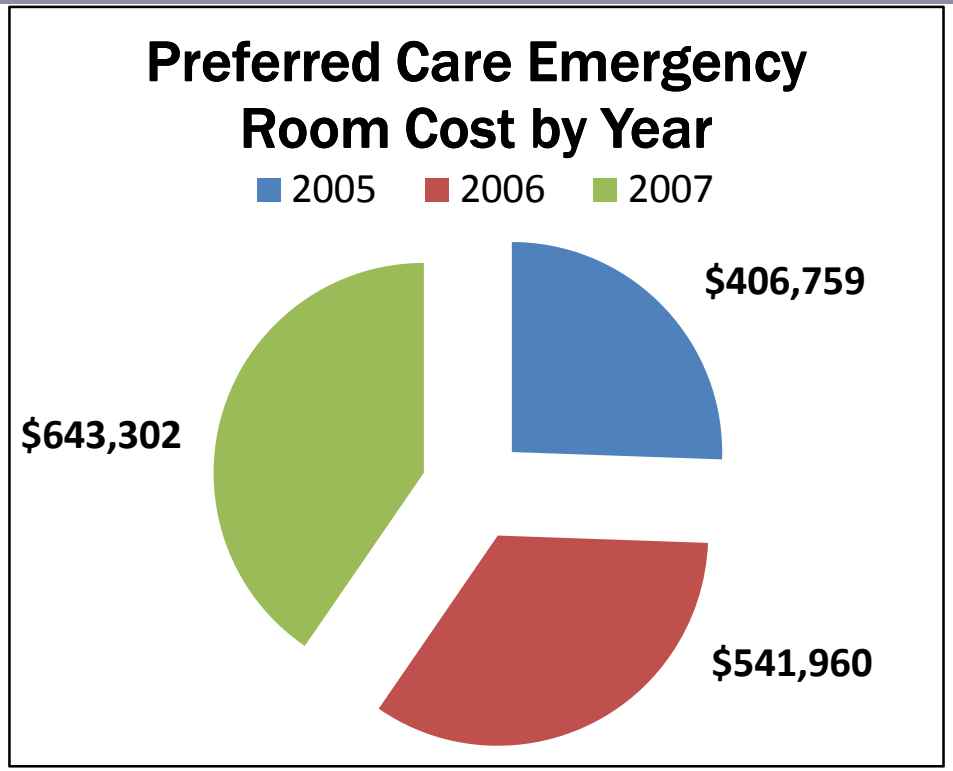


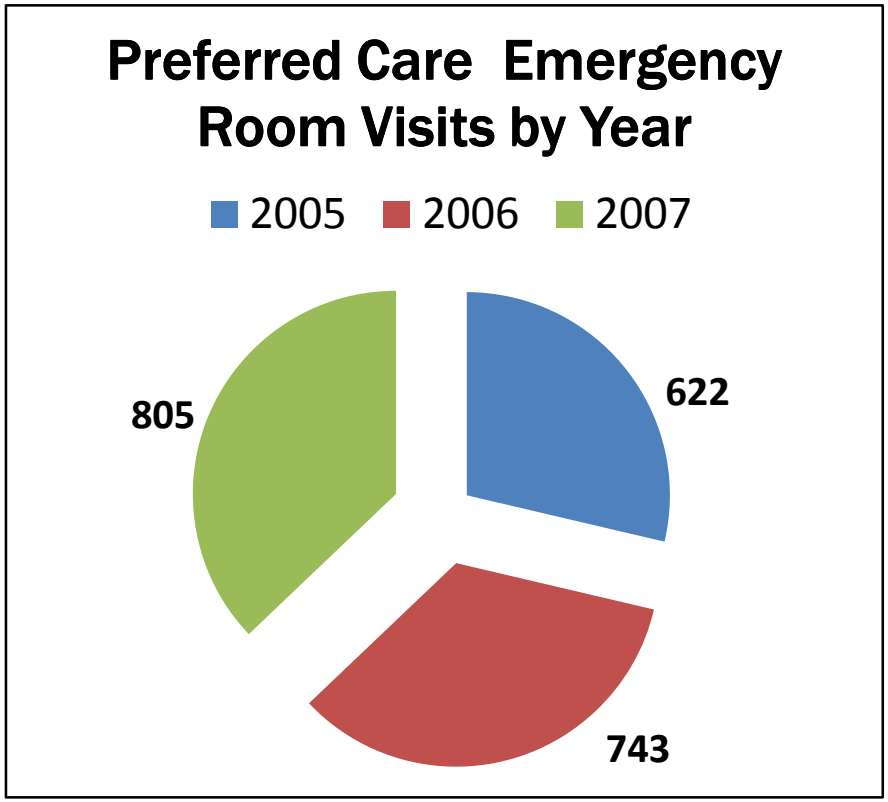
Preferred Care Specialist Cost/# of Office Visits





Preferred Care Emergency Room (ER) Costs and Visits





2007 Benchmarking-Excellus Book of Business vs. RCSD

Comparative Date 2007 Plan Year	Excellus PPO	RCSD
Members per Contract	2.1	1.9
Average Age*	34.5	45
Medical Only: Plan Cost/Contract/Year	5183	6124
Medical Only: Total Cost/Member/Year	2773	3222
Adm/1,000/Year	74	85
ER visits / 1,000 / Year	193	169
Total Cost per Visit	823	729
PCP Office Visits / 1,000 / Year	1840	2226
Total Cost per Visit	75	69
Specialist Office Visits / 1,000 / Year	685	923
Total Cost per Visit	88	79
Ratio PCP Visits to Specialist Visits	3	2
membership/year		127591
contracts/year		67129

** Excellus average is based on members and RCSD is based on contract holders*

- Data is Excellus enrollment only
- Excellus benchmarks are PPO book of business

Summary Analysis – Key Points

Average Claim trend (medical and RX) utilization increase for 2005 – 2006 – 2007 and annualized 2008 increase of 7.43%

Average premium trend (medical and Rx) increased 14.96% over the same period

Health Reimbursement Account and buy down to Value have allowed for significant premium savings vs. Select and Community pricing

However, Value and Opportunity continue to trend at high double digits – gradually eroding any savings over time

The HRA also cushions members from the actual impact to utilization that could occur from higher copayments

Summary Analysis – Key Points

The HRA, while allowing for significant savings in HMO plan buy – down, does not reduce actual claim utilization.

Conversely, the actual premium cost for the plans is lowered, however, actual utilization and member behavior is not changed.

First quarter 2008 claims trend appears to be moderating downward - more data required to identify specific trend

Specific Utilization Measures

Major Diagnostic Category

Major Diagnostic Category expenses show consistency over the period reviewed.

Musculoskeletal and Neoplasm are #1 and #2 highest claim spend annually.

The MDC's above as well as the others are consistent with other large group MDC cost and utilization ranking

High cost claimants were also steady for the period examined – both in number and total dollars spent

Specific Utilization Measures

Inpatient Cost / Visits

Excellus and Preferred Care visits and cost per year have been steady for the period

Outpatient Costs / Year

2007 Excellus O/P costs trend higher than the previous year (2006) although 2005 was higher than both years.

2007 Preferred Care O/P costs were higher in 2007 than in previous years

Migration of services and cost to the O/P setting is a growing trend – and typically will also offset I/P utilization and cost

Specific Utilization Measures

PCP Cost and Visits / Year

Excellus number of PCP visits have been stable. The year over year cost has fluctuated slightly, with 2005 and 2007 similar – 2006 was lower than both of those years

Preferred Care PCP cost and number of visits has increased gradually year over year

- dollars increased 53% from 2005 – 2007
- visits increased 26% for the same period

Specific Utilization Measures

Specialist Cost and Visits / Year

Excellus number of specialist visits have been stable. The year over year number of visits has fluctuated slightly, with 2005 higher than 2006 and 2007. The dollar spend has increased slightly year over year.

Preferred Care specialist cost and number of visits has increased gradually year over year

- dollars increased 40% from 2005 – 2007
- visits increased 22% for the same period

Specific Utilization Measures

ER Costs and Visits / Year

Excellus number of ER visits is within 107/year for the period

- with the lowest number in 2006 and the highest in 2007.
- costs have increased each year – 2007 cost is 10% higher that in 2005.

Preferred Care number of ER visits has increased each year

- Preferred Care number of visits is within 183 /year for the period, with the 622 visits in 2005 and 805 in 2007
- Costs have increased 53% from 2005-2007

Recommendation

Remove external costs from your employee medical benefit plans

Plan marketing

Thank You

QUESTIONS?

Disclosure

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This report was prepared with funds provided by the New York State Department of State under the Shared Municipal Services Incentive Grant Program.

Rochester City School District

Summary of Findings for Rochester City School District

Brown & Brown Insurance
Employee Benefit Group

CIC BENEFITS GROUP, LLC

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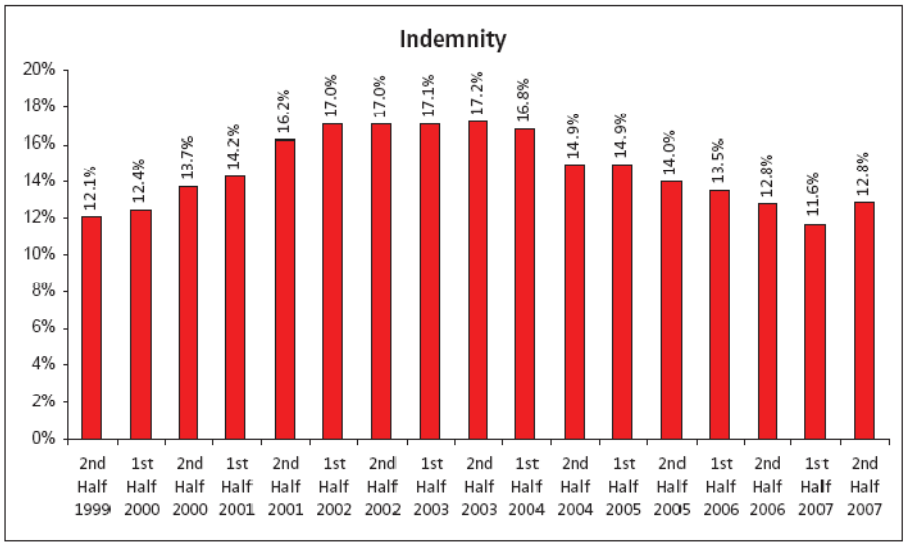
Executive Summary

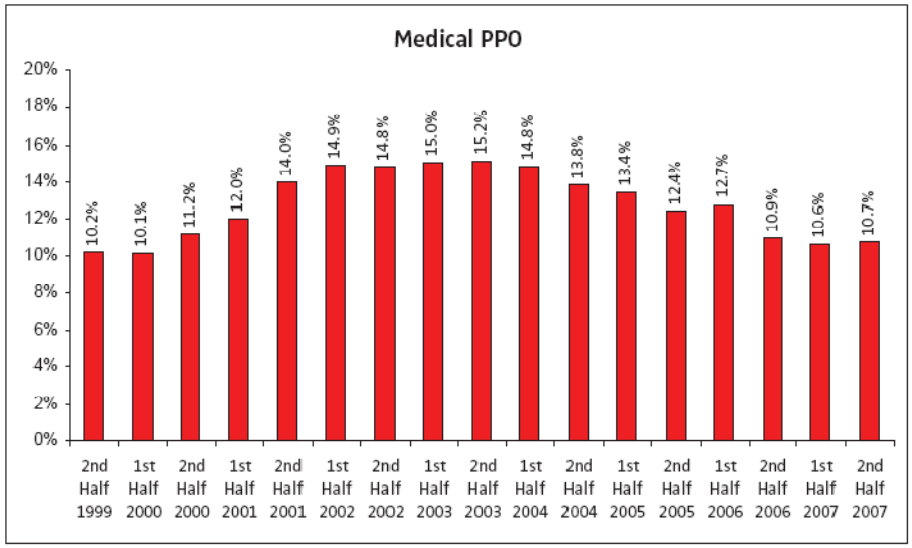
We are pleased to present our summary of findings for Rochester City School District. This presentation will provide a starting point for the collaborative purchasing feasibility study.

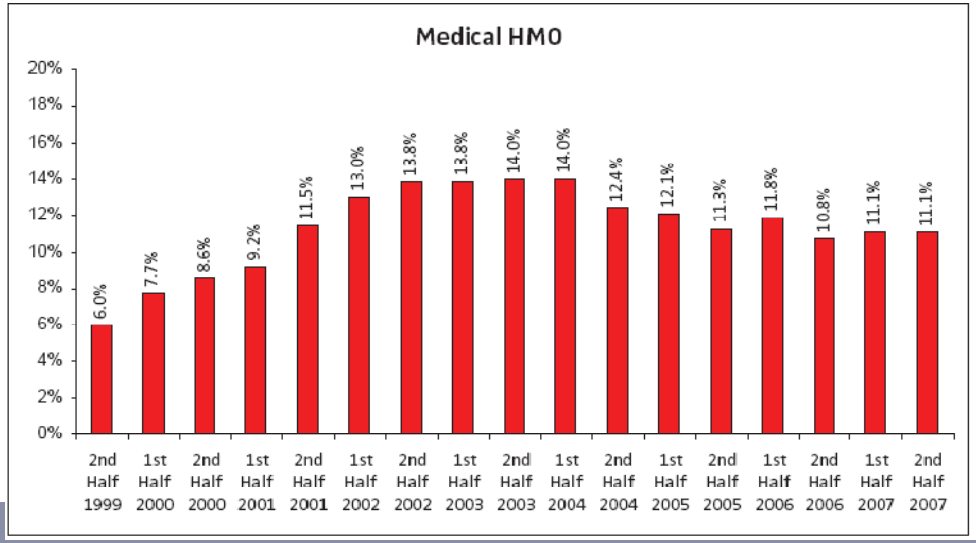
About the Report:

- ✓ The analysis and observations are based on Brown and Brown's experience with other employers in the region, industry and nation.
- ✓ Brown and Brown is able to draw comparisons to your plans based on multiple sources of accumulated benchmarking data.
- ✓ It will serve as a concise snapshot of the overall position and strategy of your medical plans and the tools and resources we will deploy to aid Rochester City School District.

National Health Care Trends







The Marketplace/Current Plan Designs

Health maintenance organization (HMO) – a managed care organization that provides, offers, or arranges for coverage of designated health services for plan members for a fixed, prepaid premium. Patients must choose doctors, hospitals, and other health care providers from the plan's provider list in order to be fully covered. Emphasis is placed on preventive care and cost management.

Characteristics of an HMO:
- ✓**Referrals Required**
- ✓**Limited Closed Panel Network**
- ✓**Primary Care Physician Selection required**
- ✓**No Coverage for Out of Network Services**

Preferred provider organization (PPO) – a managed care plan in which the network of doctors and hospitals provide services to plan members at discounted rates. Unlike HMOs, most PPOs do not require designation of a primary care physician to oversee patients' overall care, allowing members to consult specialists or out-of-network providers as they wish. Coverage is usually less for out-of-network providers.

Characteristics of a PPO:
- ✓**Referrals Not Required**
- ✓**Larger and typically national network**
- ✓**Primary Care Physician Selection NOT required**
- ✓**Typically provides coverage for Out of Network Services at a higher member cost**

The Marketplace/Current Plan Designs

Exclusive Provider Organization (EPO) – a managed care plan in which the network of doctors and hospitals provide services to plan members at discounted rates. Unlike HMOs, most EPO's do not require designation of a primary care physician to oversee patients' overall care, allowing members to consult specialists or other providers whenever they wish. Unlike PPO's, coverage is usually not provided for out of network services.

Characteristics of an EPO:

- ✓**Referrals Not Required**
- ✓**Larger and typically national network**
- ✓**Primary Care Physician Selection NOT required**
- ✓**No Coverage for Out of Network Services**

Market Overview

Experience Rating/Self Funding – Better than average risk

Community Rated- Groups < 50 employees that meet underwriting guidelines

- The Excellus community pool in the near future will contain employer groups with under 50 eligible employees. Larger employer groups have either left or will leave the community pool for experience rated or self funded financial arrangements.
- Preferred Care has proportionately more members in community rated products today, however with the recent introduction of EPO and PPO plans we expect a similar migration of membership into experience rated or self-funded programs.
- The new EPO/PPO platforms offer greater access to providers on a national basis, do not require referrals for specialist services and don't require selection of a primary care physician (PCP).
- EPO and PPO's are the choice of national carriers for their future benefit platforms.

Statistics:

- In 1999 19% of Excellus Rochester Region business was Experience rated or self funded while 81% was Community Rated.
- In 2008 approximately 70% of Excellus Rochester Region business is Experience Rated or Self Funded and 30% is Community rated.

Speaking Points – Market Overview

- ✓ The community pool continues to erode
- ✓ Those left in the pool will feel this erosion through increased rates and reduced plan selection
- ✓ Payors of health care premium (employers/employees/labor health & welfare funds) are moving to next generation plans – EPO or PPO to get out of a shrinking and out dated HMO benefit model
- ✓ Carriers are investing dollars in EPO and PPO plan platforms, not in HMO platforms
- ✓ EPO/PPO platforms provide access to larger networks of providers (typically national) and easier access to services (no referrals)
- ✓ Those that are not proactive in managing the current market changes are left to have their benefit options dictated to by the carrier market

Collective Bargaining Contract Language

ASAR Employees

ASAR (Association of Supervisors & Administrators of Rochester)

1-Jan-92	New hires contribute 15% of the premium cost
1-Jan-97	Blue Choice Select
	Preferred Care Community
Retiree	100% if employeed for 10 continuous years
	Retiree pays full cost of major medical
	Hired on or after 7/1/2007 same as active

Collective Bargaining Contract Language

Rochester Teachers Association- RTA

1-Jul-91	All new hires contribute 15% of the health insurance premium
13-Sep-02	All new hires enrolling in the traditional plan contribute difference plan between most costly HMO or 15% of the traditional plan, whichever is greater
Retirees	100% if 10 years employment - retiree pays 100% of major medical
HMO 1-Oct-97	HMO Select Extended / PC Community Available
HRA	Funded by District to hold employees harmless for out of pocket expenses between Select/Value and Community/Opportunity
Financial Arrangement	Language specific to change of financial arrangement with all other District union applicable to all district employees

Collective Bargaining Contract Language

Superintendent's Employees Group

Active Employees	Access to any currently offered plan without contribution to any premium costs incurred y the district.
Retirees	
30-Sep-02	100% if 5 years employment
30-Sep-03	100% if 10 years employment

RAP (Rochester Association of Paraprofessionals)

1-Jan-91	All new hires contribute 15% of the health insurance premium
Retirees	100% if 10 years employment - retiree pays 100% of major medical
Retirees on or after 7/1/2007	Same contribution as when employed
HMO	100% if costs are less than traditional indemnity plans available

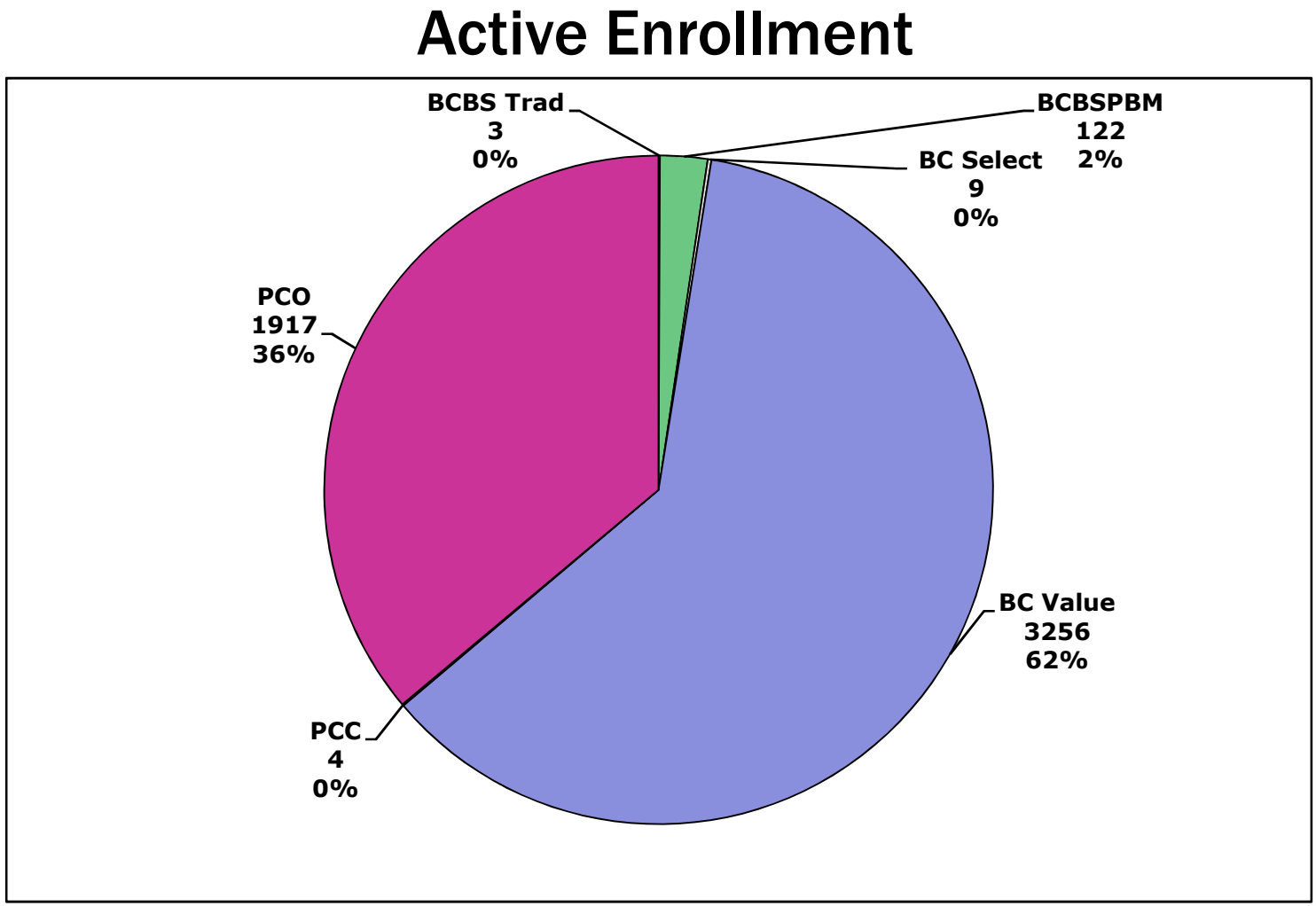
Collective Bargaining Contract Language

AFSCME / BENTE

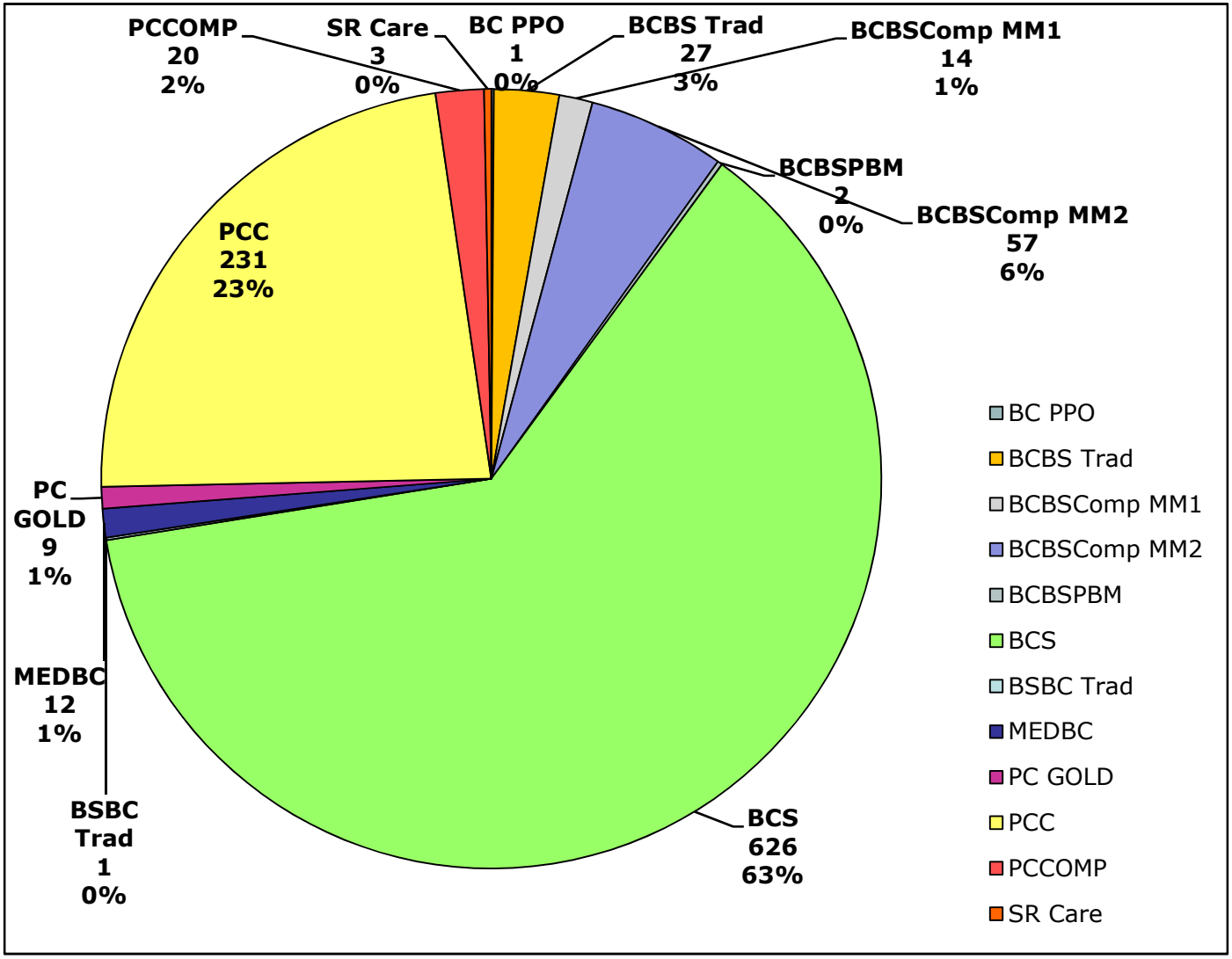
AFSCME/BENTE Local 2419

1-Jan-91	New hires contribute 15%
1-Jan-97	Blue Choice Select
	Preferred Care Community
Retirees	100% if employeed for 10 continuous years
	Retiree pays full cost of major medical
	Hired on or after 7/1/2007 same as active

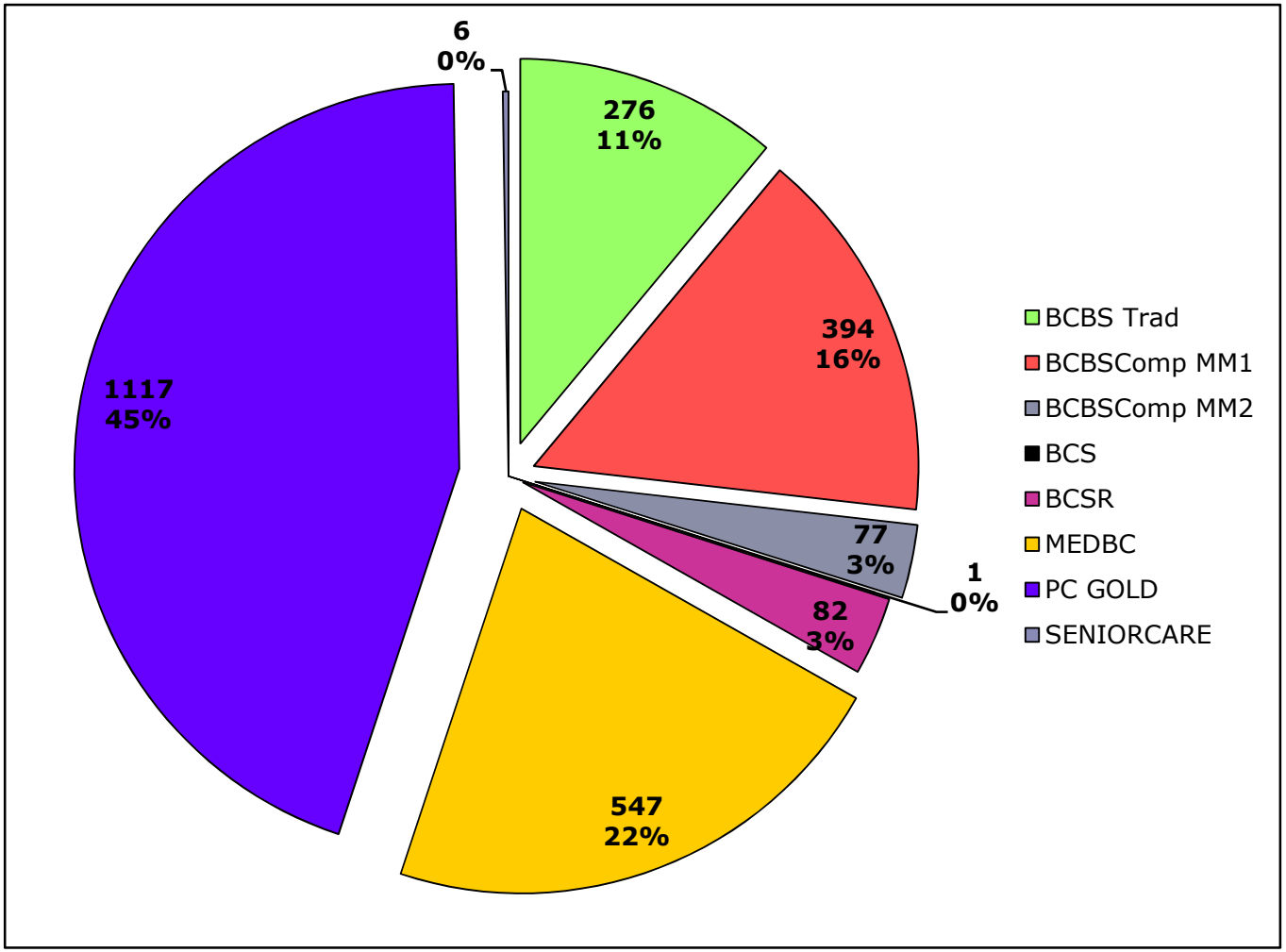
Enrollment by plan Active Employees



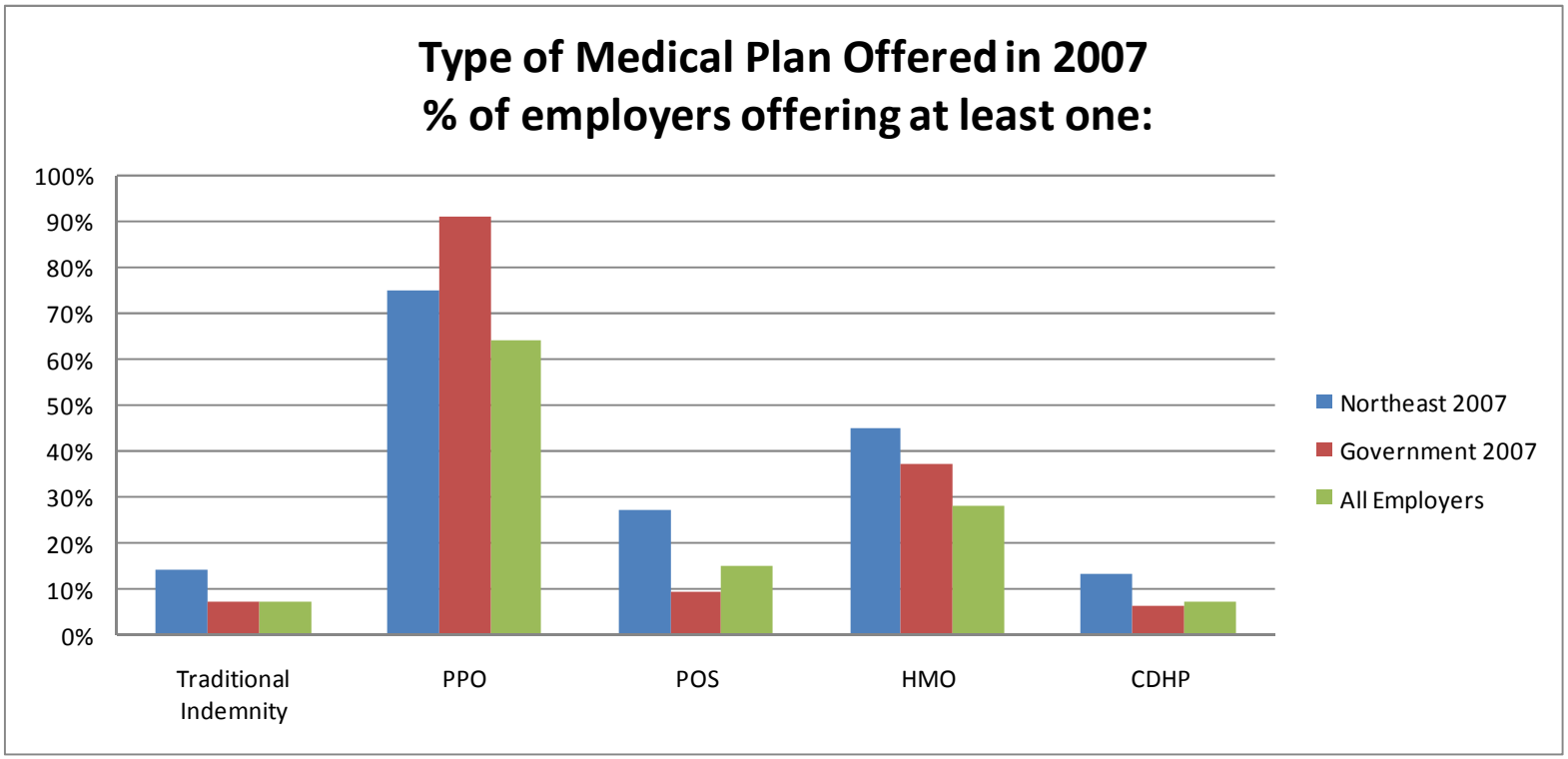
Enrollment by plan under 65 Retirees



Enrollment by plan over 65 Retirees



Benchmarking



Source: 2007 Mercer National Survey of Employer-Sponsored Health Plans

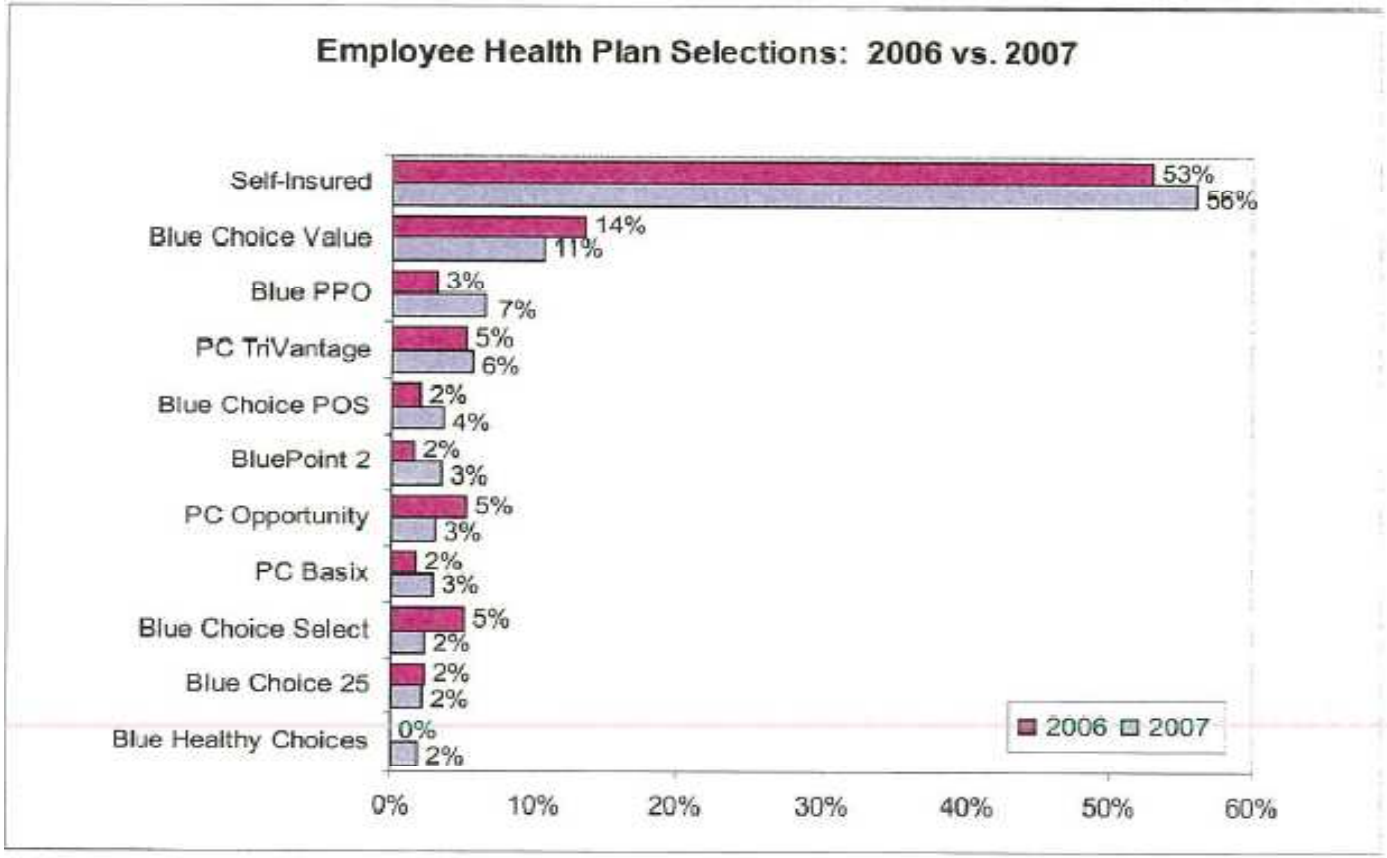
Benchmarking-Plan Design

PPO Plans	Northeast 2007	Government 2007	Rochester Area*
Require Copay for In-Net Office Visits	99%	96%	95%
Require Hospital Deductible for In-Net hospital	49%	51%	15%
Median Hospital deductible/Copay	$250	$300	$250
% of Employers requiring ER Copay	95%	99%	99%
Median ER Copay	$50	$75	$75
Office Visit Copay	$20	$15	$15-$25
% of employers with higher copay for specialist visit	38%	47%	52%
Specialist Visit Copay	$30	$30	$30-$50
Rx Copay Amounts	$10/20/40	$5/20/40	$10/25/40
RX Plan Level: 1 Level	3%	1%	1%
RX Plan Level: 2 Level	13%	13%	8%
RX Plan Level: 3 Level	81%	83%	90%

Source: 2007 Mercer National Survey of Employer-Sponsored Health Plans

*Based on 2007 B&B book of Business

Benchmarking



Source: 2007 Rochester Business Alliance Health Benefits Survey

2008 Estimated Cost Analysis

Active Employees:

Active Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
ASAR	254	$2,350,640	$216,973	$2,133,667
BENTE	1224	$9,587,375	$893,114	$8,694,261
Board Member	5	$47,050	$7,057	$39,992
Board of Ed	10	$85,062	$0	$85,062
Contract EE	5	$53,769	$8,065	$45,704
Home Hospital	46	$328,107	$36,548	$291,559
Mid Level Manager	84	$766,555	$81,909	$684,646
None-DP	20	$96,582	$10,705	$85,876
Per Diem Sub	26	$151,285	$17,932	$133,352
Paraprof	519	$4,033,941	$348,549	$3,685,393
RTA	3078	$25,862,059	$2,822,738	$23,039,321
Superintendent	38	$347,378	$644	$346,735
Total	**5309**	**$43,709,802**	**$4,444,235**	**$39,265,567**

2008 Average annual cost per employee: $8,233.15

2007 Benchmark: $7,913 (Mercer National Benefit Survey-Government-HMO Plans)

Enrollment assumptions based on census provided by RCSD

2008 Estimated Cost Analysis

Retired Under 65:

Pre 65 Retired Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
ASAR	44	$423,951	$40,655	$383,296
Article IV	3	$28,812	$0	$28,812
Exempt	2	$32,902	$0	$32,902
BENTE	122	$930,277	$15,665	$914,613
Home Hospital	2	$17,544	$0	$17,544
Mid Level Manager	5	$40,951	$0	$40,951
None-DP	118	$734,127	$91,675	$642,452
Per Diem Sub	269	$2,502,550	$93,386	$2,409,164
Paraprof	27	$195,940	$0	$195,940
RTA	387	$3,549,108	$184,471	$3,364,636
Superintendent	10	$123,099	$457	$122,642
Article IV-C	1	$5,387	$0	$5,387
Misc	14	$133,778	$1,586	$132,191
Total	**1004**	**$8,718,426**	**$427,895**	**$8,290,530**

2008 Average annual cost per retiree: $8,683.70

Enrollment assumptions based on census provided by RCSD

2008 Estimated Cost Analysis

Retired over 65 :

Post 65 Retired Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
ASAR	74	$161,728	$80,412	$81,317
BENTE	330	$460,869	$112,065	$348,805
Home Hospital Teachers	8	$7,826	$0	$7,826
Miscellanous	37	$40,660	$4,063	$36,597
Mid Level Manager	12	$16,363	$4,063	$12,299
None-DP	1190	$2,366,139	$1,112,923	$1,253,216
Per Diem Sub	253	$355,535	$107,149	$248,386
Paraprof	92	$143,251	$44,056	$99,196
RTA	488	$1,000,788	$481,617	$519,171
Superintendent	1	$997	$0	$997
Article IV B&C	4	$12,648	$8,126	$4,522
Exempt Certified IV A	10	$26,715	$3,850	$22,865
Total	**2499**	**$4,593,520**	**$1,958,324**	**$2,635,196**

2008 Average annual cost per retiree: $1,838.15

Enrollment assumptions based on census provided by RCSD

2008 Estimated Total Cost Analysis

Active Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
ASAR	254	$2,350,640	$216,973	$2,133,667
BENTE	1224	$9,587,375	$893,114	$8,694,261
Board Member	5	$47,050	$7,057	$39,992
Board of Ed	10	$85,062	$0	$85,062
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Total	1004	$8,718,426	$427,895	$8,290,530

Post 65 Retired Employees	Enrollment	Total Annual Premium	Total Annual Employee Cost	Total Annual Employer Cost
ASAR	74	$161,728.44	$80,411.52	$81,316.92
BENTE	330	$460,869.48	$112,064.64	$348,804.84
Home Hospital Teachers	8	$7,825.80	$0.00	$7,825.80
Miscellanous	37	$40,660.08	$4,063.20	$36,596.88
Mid Level Manager	12	$16,362.60	$4,063.20	$12,299.40
None-DP	1190	$2,366,138.64	$1,112,923.08	$1,253,215.56
Per Diem Sub	253	$355,535.16	$107,148.96	$248,386.20
Paraprof	92	$143,251.44	$44,055.84	$99,195.60
RTA	488	$1,000,788.12	$481,616.64	$519,171.48
Superintendent	1	$996.84	$0.00	$996.84
Article IV B&C	4	$12,648.24	$8,126.40	$4,521.84
Exempt Certified IV A	10	$26,715.12	$3,850.08	$22,865.04
Total	2499	$4,593,519.96	$1,958,323.56	$2,635,196.40

Total cost	8812	$57,021,747.60	$6,830,454.03	$50,191,293.57

Total Annual Cost:
$57,021,747

Annual Employee Cost:
$6,830,454

Annual Employer Cost:
$50,191,293

Benefit Plan Considerations

Benefit Platform

- Current HMO platform base outdated
- The current HMO pool will continue to deteriorate with adverse selection driving premium rates
- Proof is in the market – Excellus discontinuing or closing HMO plans in mass for 2008 (over 20 plans total) with more likely to follow as HMO market shrinks
- New generation plans offer better alternative for benefit strategy plan management and member satisfaction
  - Exclusive Provider Organization (EPO) and Preferred Provider Organization (PPO)

Benefit Plan Considerations

Benefit Platform

- Current HMO plans offered very similar across all groups
  - Core benefits across all plans similar
  - Variations between plans largely copay based
  - Range of $15 - $20 for PCP visits on HMOs
  - Inpatient copayments $0-$250 per admission
- Excellus BCBS and Preferred Care local provider networks almost identical
- Benefit plan offering strategy – “supermarket model” of late 1990’s
- Traditional Indemnity plans also old platform
  - Some limited benefit coverage
  - Very expensive in cost – questionable return in benefit value
  - RX benefit on many plans at $5 copay

Benefit Plan Considerations

Financial Arrangement

- ***Community Rating***
  - Set premiums on a 12 month or level premium basis
  - Risk spread over large pool of local employer groups
  - Carrier at risk for claims (if claims are higher for rating period, carrier can not recoup premium for difference, they will raise rates for the pool accordingly for the next rating period - no run out claim cost on termination)
  - NO DATA on cost drivers for specific groups

Benefit Plan Considerations

Financial Arrangement

- ***Experience Rating***
  - Set premiums on a group specific12 month basis
  - Carrier at risk for claims (if claims are higher for period, carrier can not recoup premium for difference, they will raise group specific rates accordingly for the next rating period – no run out claim cost on termination)
  - Built in pooling point (stop-loss) mechanism
  - DATA PROVIDED on cost drivers for specific groups – this is one of the main reasons groups leave the community pool – having the tools to make benefit decisions based on actual cost drivers

Benefit Plan Considerations

Financial Arrangement

- ***Self-Funding***
  - Pay claims as you go, size of group means predictable risk
  - No carrier margins, group specific trend – just your own claim dollars
  - DATA PROVIDED on cost drivers for specific groups – this is one of the main reasons groups leave the community pool – having the tools to make benefit decisions based on actual cost drivers
  - Stop-Loss protects against large claim impact
  - Group pays run-out claims if change of administrator / carrier
  - Plan design flexibility
    - No state mandates
    - Carrier can not “mandate” changes (your plan)
  - Cash Flow Advantage and the ability to hold reserves

Medical Plan Observations

- ✓ **Plan Features:** Current HMO plans are quickly becoming outdated as benefit plans move to more current platforms (EPO or PPO). The Rochester City School District should explore alternative benefit platforms.

- ✓ **Enable Change**:
  - ✓Within the organization through education and communication.
  - ✓Reinforce how employees are using or not using the plans today, the reality of actual cost, the financial investment of the RCSD and the importance of changing behavior.

- ✓**Alternative Funding Research:** Given the current condition of the community and the trend of plan design adjustments, the Rochester City School District should consider alternative funding options.

Thank You

QUESTIONS?

Disclosure

DISCLOSURE

The analysis of the following plans is a summary. Please refer to the contract and plan description for a full list of coverages and exclusions.

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It is imperative that we be informed of any employee or dependent that is hospitalized or otherwise disabled and not actively at work on the effective date of any new contract. Coverage may not be available for these individuals.

All insurance carriers have their own operating procedures. A change in carrier could affect certain benefits and coverages.

B&B representatives are available to explain any items presented. It is assumed that the recipients of this proposal will seek an explanation of any items that may be in question.

Broader Coverage May Be Available.

Carriers represented in this presentation are: Preferred Care AM Best Rating **B+ and Excellus BlueCross Blue Shield AM Best Rating A-.**

In addition to the commissions or fees received by us for assistance with the placement, servicing, claims handling, or renewal of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Brown & Brown, Inc., may also receive compensation for their role in providing insurance products or services to you pursuant to their separate contracts with insurance or reinsurance carriers.

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