



Sent to Council:

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# Memorandum

**TO: HONORABLE MAYOR  
AND CITY COUNCIL**

**FROM: Nadine Nader**

**SUBJECT: Early Council Packet**

**DATE: September 7, 2010**

Approved

Date

9/7/10

## **EARLY DISTRIBUTION COUNCIL PACKET FOR SEPTEMBER 21, 2010**

Please find attached the Early Distribution Council Packet for the September 21, 2010 Council Meeting.

### **3.x Agreements with Kaiser, Blue Shield and United Healthcare to Provide Medical Insurance Plans and Support Services to the City.**

#### **Recommendation:**

- (a) Adopt a resolution authorizing the City Manager to:
  - (1) Negotiate and execute an Agreement or Agreements with Kaiser Permanente to provide medical insurance plans and support services to the City for employees, retirees and dependents and beneficiaries residing within the Northern California, Southern California, Pacific Northwest and Hawaii service areas and to provide Medicare coordinating plans: Kaiser Permanente Senior Advantage Plan, Medicare Cost Plan and Medicare Out-of-Area Plan for Medicare eligible retirees, dependents and beneficiaries for the period from January 1, 2011 through December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreements through December 31, 2014, for premium costs not to exceed \$64,055,957 for calendar year 2011 and with annual cost adjustments for each subsequent year based on annual premiums as determined by Kaiser Permanente, coverage elected by participants, the number of enrollees in the group insurance plans and pursuant to collective bargaining agreements, for a total amount not to exceed \$306,144,431 for a potential four (4) year term, subject to the appropriation of funds by the City Council;
  - (2) Negotiate and approve annual premium renewal rates, and negotiate and execute any annual group health plan or policy contract and any ancillary

- documents, such as Evidence of Coverage (EOC) documents and Business Associate Agreements, with Kaiser Permanente that are necessary to facilitate the medical insurance services Agreements for the period of January 1, 2011 through December 31, 2014; and
- (3) In the event that Kaiser Permanente's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s).
- (b) Adopt a resolution authorizing the City Manager to:
- (1) Negotiate and execute an Agreement or Agreements with Blue Shield of California to provide medical insurance plans and support services to the City for employees, retirees dependents and beneficiaries for the period from January 1, 2011 through December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreements through December 31, 2014, for premium costs not to exceed \$50,702,625 for calendar year 2011 and with annual cost adjustments for each subsequent year based on the annual premiums as determined by Blue Shield of California, number of enrollees in the group insurance plans, coverage elected by participants, and pursuant to collective bargaining agreements, for a total amount not to exceed \$242,324,475 for a potential four (4) year term, subject to the appropriation of funds by the City Council;
  - (2) Negotiate and approve annual premium renewal rates, and negotiate and execute any annual group health plan or policy contracts and any ancillary documents, such as Evidence of Coverage (EOC) documents, Business Associate Agreements, with Blue Shield of California that are necessary to facilitate the medical insurance services Agreements for the period of January 1, 2011 through December 31, 2014; and
  - (3) In the event that Blue Shield's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s).
- (c) Adopt a resolution authorizing the City Manager to
- (1) Negotiate and execute an Agreement or Agreements with United Healthcare (PacifiCare and Secure Horizons) to provide medical insurance plans to coordinate with Medicare benefits and support services to the City for City's Medicare-eligible retirees and beneficiaries, for the period from January 1, 2011 through December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreements through December 31, 2014, for premium costs not to exceed \$719,201 for calendar year 2011 and with annual cost adjustments for each subsequent year based on annual premiums as determined by United Healthcare, coverage elected by participants, and the number of enrollees in the group insurance plans, for a total amount not to exceed \$3,437,298 for a potential four (4) year term, subject to the appropriation of funds by the City Council;

- (2) Negotiate and approve annual premium renewal rates, and negotiate and execute plan designs for group medical plan contracts coordinating with Medicare to align with the City's active and early retiree plan designs, including any ancillary documents, such as Evidence of Coverage (EOC) documents and Business Associate Agreements, with United Healthcare (PacifiCare and Secure Horizons) that are necessary to facilitate the medical insurance services Agreements for the period of January 1, 2011 through December 31, 2014; and
- (3) In the event that United Healthcare's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s).

CEQA: Not a Project, File No. PP10-068 (b), Municipal Code, Title 3. (Human Resources)

**3.x Agreement with Delta Dental of California to Provide the Dental Insurance Group Plans.**

**Recommendation:**

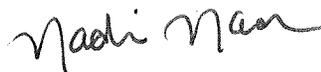
- (a) Adopt a resolution authorizing the City Manager to:
  - (1) Negotiate and execute one or two Agreements with Delta Dental of California to provide the dental insurance group plans listed below for employees, retirees, dependents and beneficiaries and support services for City's dental benefits program, for the period of January 1, 2011 to December 31, 2011, and to exercise up to four (4) one-year options to renew the Agreement or Agreements through December 31, 2015, for total costs for both dental insurance group plans not to exceed \$13,111,950 for the period of January 1 to December 31, 2011 and with annual cost adjustments for each subsequent year based on the number of enrollees in the plans, plan utilization and pursuant to collective bargaining agreements, for a total amount for both dental insurance group plans not to exceed \$68,521,282 for a potential five (5) year term, subject to the appropriation of funds by the City Council:
    - (a) Group Dental Service Contract for DeltaCare USA, a Dental Health Maintenance Organization (DHMO) Program for insurance and service costs not to exceed \$316,250 for the period of January 1 to December 31, 2011 and with annual cost adjustments for each subsequent year based on the number of enrollees in the plan and pursuant to collective bargaining agreements, for a total plan amount not to exceed \$1,652,679 for a potential five (5) year term, and
    - (b) Group Administrative Services Only Contract issued by Delta Dental of California for the Delta Dental Preferred Provider Organization (PPO) Program for insurance and service costs not to

exceed \$12,795,700 for the period of January 1 to December 31, 2011 and with annual cost adjustments for each subsequent year based on the number of enrollees in the plan, plan utilization and pursuant to collective bargaining agreements, for a total plan amount not to exceed \$66,868,602 for a potential five (5) year term.

- (b) Negotiate and execute any group plan or policy contracts, EOC documents, Business Associate Agreements, or other ancillary documents necessary to facilitate the above Agreement or Agreements for the period of January 1, 2011 to December 31, 2015; and
- (c) In the event that Delta Dental of California's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s).

CEQA: Not a Project, File No. PP10-068 (b), Municipal Code, Title 3. (Human Resources)

These items will also be included in the Council Agenda Packet with item numbers.



NADINE NADER

Assistant to the City Manager



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Mark Danaj

**SUBJECT:** SEE BELOW

**DATE:** September 7, 2010

Approved

Date 9/7/10

**COUNCIL DISTRICT:** N/A

**SNI AREA:** N/A

**SUBJECT: AGREEMENTS WITH KAISER PERMANENTE, BLUE SHIELD OF CALIFORNIA AND UNITED HEALTHCARE FOR MEDICAL INSURANCE FOR CITY OF SAN JOSE EMPLOYEES, RETIREES AND THEIR DEPENDENTS AND BENEFICIARIES FOR THE PERIOD OF JANUARY 1, 2011 TO DECEMBER 31, 2014**

## RECOMMENDATION

1. Adopt a resolution authorizing the City Manager to
  - a. Negotiate and execute an Agreement or Agreements with Kaiser Permanente to provide medical insurance plans and support services to the City for employees, retirees and dependents and beneficiaries residing within the Northern California, Southern California, Pacific Northwest and Hawaii service areas and to provide Medicare coordinating plans: Kaiser Permanente Senior Advantage Plan, Medicare Cost Plan and Medicare Out-of-Area Plan for Medicare eligible retirees, dependents and beneficiaries for the period from January 1, 2011 through December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreements through December 31, 2014, for premium costs not to exceed \$64,055,957 for calendar year 2011 and with annual cost adjustments for each subsequent year based on annual premiums as determined by Kaiser Permanente, coverage elected by participants, the number of enrollees in the group insurance plans and pursuant to collective bargaining agreements, for a total amount not to exceed \$306,144,431 for a potential four (4) year term, subject to the appropriation of funds by the City Council; and
  - b. Negotiate and approve annual premium renewal rates, and negotiate and execute any annual group health plan or policy contract and any ancillary documents, such as Evidence of Coverage (EOC) documents and Business Associate Agreements, with Kaiser Permanente that are necessary to facilitate the medical insurance services Agreements for the period of January 1, 2011 through December 31, 2014; and

- c. In the event that Kaiser Permanente's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s); and
  2. Adopt a resolution authorizing the City Manager to
    - a. Negotiate and execute an Agreement or Agreements with Blue Shield of California to provide medical insurance plans and support services to the City for employees, retirees dependents and beneficiaries for the period from January 1, 2011 through December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreements through December 31, 2014, for premium costs not to exceed \$50,702,625 for calendar year 2011 and with annual cost adjustments for each subsequent year based on the annual premiums as determined by Blue Shield of California, number of enrollees in the group insurance plans, coverage elected by participants, and pursuant to collective bargaining agreements, for a total amount not to exceed \$242,324,475 for a potential four (4) year term, subject to the appropriation of funds by the City Council; and
    - b. Negotiate and approve annual premium renewal rates, and negotiate and execute any annual group health plan or policy contracts and any ancillary documents, such as Evidence of Coverage (EOC) documents, Business Associate Agreements, with Blue Shield of California that are necessary to facilitate the medical insurance services Agreements for the period of January 1, 2011 through December 31, 2014; and
    - c. In the event that Blue Shield's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s); and
  3. Adopt a resolution authorizing the City Manager to
    - a. Negotiate and execute an Agreement or Agreements with United Healthcare (PacifiCare and Secure Horizons) to provide medical insurance plans to coordinate with Medicare benefits and support services to the City for City's Medicare-eligible retirees and beneficiaries, for the period from January 1, 2011 through December 31, 2011, and to exercise up to three (3) one-year options to renew the Agreements through December 31, 2014, for premium costs not to exceed \$719,201 for calendar year 2011 and with annual cost adjustments for each subsequent year based on annual premiums as determined by United Healthcare, coverage elected by participants, and the number of enrollees in the group insurance plans, for a total amount not to exceed \$3,437,298 for a potential four (4) year term, subject to the appropriation of funds by the City Council; and
    - b. Negotiate and approve annual premium renewal rates, and negotiate and execute plan designs for group medical plan contracts coordinating with Medicare to align with the City's active and early retiree plan designs, including any ancillary documents, such as Evidence of Coverage (EOC) documents and Business Associate Agreements, with United Healthcare (PacifiCare and Secure Horizons) that are necessary to facilitate the medical insurance services Agreements for the period of January 1, 2011 through December 31, 2014; and

- c. In the event that United Healthcare's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s).

## **OUTCOME**

Approval of the recommendation will provide high quality and cost effective medical plan services to City employees, retirees and their dependents and beneficiaries.

## **EXECUTIVE SUMMARY**

Staff initiated a request for proposal (RFP) process to select the providers for the City's group medical plans as negotiated with the City's bargaining units.

The RFP requested quotes for any and all of the following medical plan combinations:

- Provide quotes for any or all of the City's current fully insured group medical plans matching current benefit levels.
- Provide quotes for the option of City self-funding any or all of the City's current group medical plans.
- Provide quotes combining the City's current Blue Shield and Kaiser Permanente HMO (Health Maintenance Organization) plan designs.

(In fully insured group medical plans like the City's current plans, the insurance carrier assumes the risk for participant claims. In self-insured medical group plans, the employer assumes the risk for participant claims.)

In addition to group medical coverage, the RFP sought services related to support of the City's wellness program and administrative services, including:

- \$250,000 of annual support for the City's Wellness Program;
- Wellness reward programs that include payments of up to \$175 for City employees, retirees and dependents who participate in their respective health plan's on-line wellness programs;
- Wellness seminars for City employees and retirees;
- Annual flu shots for employees and retirees;
- Administrative training for City benefits administration staff; and
- Development of custom written and electronic communication materials to communicate plan benefits and wellness programs.

The RFP process involved convening an RFP Review Committee of key stakeholders to identify issues and objectives and set selection criteria.

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The Review Committee selected Kaiser Permanente Health Maintenance Organization and Blue Shield of California to provide the City's group insured medical plans designed for active employees, retirees and their dependents. Kaiser and Blue Shield were also selected to provide Medicare coordinating group plans for Medicare eligible retirees, dependents and beneficiaries who wish to keep their Kaiser and/or Blue Shield plan. Also, Kaiser and Blue Shield Medicare plans offer more flexibility for retirees who do not have or are not eligible for both Medicare Parts A and B.

The Review Committee selected United Healthcare (Secure Horizons Health Maintenance Organization and PacifiCare /Senior Supplemental Preferred Provider Organization) to provide group insured medical plans for Medicare-enrolled retirees and their dependents and beneficiaries that are designed to coordinate with Medicare.

Through the RFP, the City obtained premium rates under the expected 10.5% industry trend increase for 2011; medical plan costs for Kaiser of more than 1.5% under the expected industry trend increase and for Blue Shield more than 6% below the expected increase. This will provide a reduction in the previously anticipated premium increase for 2011, resulting in savings for employees, retirees and the City, and will retain current benefit service levels.

Although the RFP stated that multiple rate guarantees or rate caps were desired outcomes, no vendors offered guaranteed rates and/or rate caps beyond 2011. To assess long-term costs of the proposals, the Review Committee received an actuarial evaluation from the City's benefits consultants, Buck Consultants, which evaluated the vendor's submitted monthly rate quotes and assumptions for 2011 and then forecasted potential premium cost increases in future years based on the City's actual network usage and claims data. This analysis provided the Review Committee with the necessary information to assess the potential increases in premium rates in future years for each vendor.

See Attachment A for a comparison of City's current premium rates and proposed 2011 premium rates for each group plan for each of the selected providers. As described below, total agreement costs will vary from year to year over the four years. The projected four-year not-to-exceed amounts for these agreements are based on actual costs quoted for 2011 plus an incremental 12% medical cost trend factor for years 2012 through 2014.

The City Council's authorization of the City Manager to negotiate and approve annual premium rates during the four-year terms of these agreements without annual Council approval of the rates will facilitate the administration of these benefit programs. Group medical plans run on a calendar year basis, and they are renewed annually. Rate renewals for the group medical plans are not typically finalized by the medical plan vendors until late August, primarily due to the medical plan vendors' need to receive information on Medicare reimbursement rates for retiree plans which is not released by the Centers for Medicare and Medicaid Services until late July each year.

This timeline provides staff about three to four weeks to negotiate any rate changes because open enrollment materials must be developed and mailed to employees prior to the annual open enrollment period, which typically begins in late October. (The annual open enrollment period is

established based on the payroll processing calendar.) The medical plan vendors do not usually complete their annual group plan contracts prior to the coverage effective date. Therefore, Council's prior authorization for the City Manager to negotiate and approve the annual rates will ensure that staff can meet the above timelines. All negotiated rates are subject to City Council appropriation of funds.

The RFP specified a four-year contract period. It's important to note that the medical plans are subject to City's acceptance of the vendors' annual renewal rates. Pursuant to the terms of City's agreements with the vendors, if a medical plan vendor's proposed renewal rates are not acceptable to City, City may elect to terminate the group coverage with that vendor at any time with prior notice to the vendor.

In the event that a medical plan provider's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, staff's recommendation includes a recommendation that Council authorize the City Manager to terminate any of the medical insurance agreements or group plan contracts described in this memorandum.

As a result of the RFP process, staff is recommending that Council adopt a resolution authorizing the City Manager to negotiate and execute agreements with Kaiser Permanente, Blue Shield of California and United Healthcare (PacifiCare/Secure Horizons) for medical plan services to City employees, retirees and their dependents and beneficiaries from January 1, 2011 to December 31, 2011 and exercise up to three (3) one-year options to renew the terms of these agreements through December 31, 2014, subject to the appropriation of funds by the Council and collective bargaining; to negotiate and execute annual premium rate renewals with each of the providers; to negotiate any group health plan documents, Business Associate Agreements (to ensure protection of employee's protected health information) and any other ancillary documents necessary to facilitate the above agreements for the period of January 1, 2011 to December 31, 2014; and, for the United Healthcare agreement, to negotiate and execute plan design changes for medical plans coordinating with Medicare to align with active and early retiree plan designs for the period of January 1, 2011 to December 31, 2014; and to terminate any of the above agreements or group plan contracts in the event that annual renewal rates proposed by the medical plan vendor are not acceptable to the City Manager.

## **BACKGROUND**

The City currently contracts with three different medical plan providers for medical insurance services for City employees, retirees and their dependents and beneficiaries.

1. Kaiser Permanente (Kaiser) provides a fully-insured group Health Maintenance Organization (HMO) plan for active employees and early retirees (early retirees are defined as non-Medicare eligible retirees and their dependents and beneficiaries). Kaiser's Senior Advantage plan is available to retirees and their dependents and beneficiaries who are enrolled in Medicare. Kaiser also provides three fully-insured group HMOs for employees, retirees and their dependents and beneficiaries which reside in Southern California, the Pacific Northwest and Hawaii.

2. Blue Shield of California (Blue Shield) provides a fully-insured group HMO, Point-of-Service (POS) and Preferred Provider Organization (PPO) plans for active employees and retirees. Blue Shield also provides an HMO and PPO plan that coordinates with Medicare for retirees and their dependents and beneficiaries who are enrolled and eligible for Medicare.
3. United Healthcare (UHC) provides a fully-insured HMO plan through Secure Horizons for retirees and their dependents and beneficiaries who are eligible and enrolled in Medicare. UHC also provides a PPO plan through PacifiCare for retirees enrolled in Medicare.

The City's current medical plans are fully-insured which means that the medical plan carriers assume all the risk and responsibility for funding and paying insurance claims in return for a monthly specified premium amount.

The City last conducted a request for proposal process for medical plan insurance services in calendar year 2006. The current medical plans are scheduled to expire December 31, 2010. RFPs are generally conducted for medical plans every four years.

## ANALYSIS

### Review Committee

The Review Committee for the Request for Proposal Medical Plans consisted of representatives from Human Resources, bargaining units, City retirees, and Retirement Services.

### Targeted Outreach

At the direction of Human Resources, Buck Consultants, the City's contracted benefits consultant, prepared and released a Request for Proposal for Medical Plans on April 13, 2010 with a response due date of May 11, 2010.

The RFP was posted on the BidSync e-Procurement system and on Buck Consultants' proprietary e-RFP system in coordination with BidSync. Each of the major health plan vendors operating in the northern California area were invited to submit a proposal, including Aetna, Anthem (Blue Cross), Blue Shield, CIGNA, Health Net, Kaiser Permanente and United HealthCare (which owns PacifiCare and Secure Horizons).

Two vendors, Aetna and Cigna, declined to submit a bid, citing either the high Kaiser enrollment penetration levels or their inability to provide a competitive package of benefits to the City. Quotes were received from all other vendors invited to submit a proposal. No additional requests for inclusion in the RFP process were received from other bidders.

Proposals Received

The stated goal of the RFP is to ensure that the City offers the most financially beneficial and comprehensive benefit program to meet the needs of employees, retirees and dependents. As the City's medical plans are negotiated benefits, it is important that the City maintain the current benefit coverage levels and the City's current fully-insured HMO (or if self-funded, an Exclusive Provider Organization (EPO)), POS and PPO plan choices in selecting medical plan vendor or vendors.

The following Proposals were received for active employees, early retirees, and supplemental Medicare plans for retirees with Medicare:

1. Anthem (Blue Cross) and Blue Shield provided quotes for self-funded medical plans to replace the Blue Shield HMO, POS and PPO plans.
2. Health Net and Kaiser provided a quote for a single, insured HMO medical plan replacing the City's current Blue Shield HMO and Kaiser HMO plans.
3. Anthem (Blue Cross), Blue Shield, Kaiser, Health Net, and United Healthcare provided quotes to replace the City's Current Blue Shield HMO plans.

As no single vendor submitted a proposal for all medical plan designs, it will be necessary for the City to contract with multiple vendors to maintain the City's negotiated plan benefits and to continue to provide affordable access to retiree coverage.

In the tables below, each medical plan vendor's proposal cost is contained in the column titled "Provider Proposal." As all vendor proposals do not provide the coverage necessary to maintain the City's current medical plan offerings, the gap in coverage must be provided by other vendor proposals. The "Total Cost for 2011" reflects the best possible multi-vendor cost for any vendor proposal selected. Specific information about the multi-vendor agreements required to provide the City's current benefits is listed below each table.

The "Total Cost for 2011" enables an "apples to apples" total cost comparison between the different options being evaluated (self-insured plans, single vendor to offer all HMO plans, and fully insured plans) as the same total employee/retiree population is included in all of the annual cost comparisons. All submitted monthly quotes were annualized and then multiplied by the associated plan and coverage level enrollment specified in the RFP census data.

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**Proposals for Self-Insured Plans**

<b>Proposer Name</b>	<b>Location</b>	<b>Provider Proposal</b>	<b>Total Cost for 2011</b>
Anthem Blue Cross	Walnut Creek, CA	Incomplete	NA
Blue Shield of California	San Francisco, CA	\$60,254,201	\$122,910,741 <sup>1</sup>

**Proposals for a Single Vendor to Offer All Insured HMO Plan Options**

<b>Proposer Name</b>	<b>Location</b>	<b>Provider Proposal</b>	<b>Total Cost for 2011<sup>2</sup></b>
Health Net of California	Oakland, CA	\$74,888,056	\$87,654,094
Kaiser Permanente	Oakland, CA	\$106,599,048	\$119,365,086

**Proposals for Fully-Insured Plans**

<b>Proposer Name</b>	<b>Location</b>	<b>Provider Proposal</b>	<b>Total Cost for 2011</b>
Anthem Blue Cross	Walnut Creek, CA	\$48,602,595	\$111,259,135 <sup>3</sup>
Blue Shield of California	San Francisco, CA	\$48,373,351	<b>\$111,029,891<sup>3</sup></b>
Kaiser Permanente	Oakland, CA	\$62,656,540	<b>\$111,029,891<sup>4</sup></b>
Health Net of California	Oakland, CA	\$33,139,836	\$95,796,376 <sup>3</sup>
United Healthcare	Walnut Creek, CA	\$64,063,305	\$126,719,845 <sup>3</sup>

The City's current vendors submitted the proposals for the RFP as follows. No vendors submitted proposals to replace the below-described plans that meet certain needs for particular segments of the City's employee and retiree populations. Because the City's current vendors can essentially offer continuation of current coverage, the plans offered by those vendors include benefits which are otherwise no longer available in the marketplace and/or lower cost options which result in premium savings for the Retiree Medical Trust and/or participants enrolled in these medical plans:

- United Healthcare Secure Horizons, a Medicare-integrated plan for retirees only
- United Healthcare PacifiCare, a Medicare-integrated plan for retirees only
- Kaiser HMO plan for employees and retirees residing in Southern California, Pacific Northwest and Hawaii
- Kaiser Out-of-Area plan, a grandfathered plan which is only available through rate renewal for Kaiser's current customers
- Kaiser Medicare Cost plan, a grandfathered plan which is only available through rate renewal for Kaiser's currently enrolled City retirees, dependents and beneficiaries

The annual total costs to maintain these medical plans are listed on the following chart:

<sup>1</sup> Blue Shield provided a proposal to self-fund the Blue Shield HMO, PPO and POS plans only. Total medical plan costs for 2011 would require maintaining Kaiser Permanente's 2011 renewal cost of \$62,656,540.

<sup>2</sup> Total medical costs for 2011 would require maintaining the Blue Shield renewal cost for POS and PPO plans, an annual cost of \$12,766,038.

<sup>3</sup> Total medical costs for 2011 from these proposals do not include replacement of the Kaiser Permanente HMO plan. Acceptance would require accepting Kaiser's 2011 rate renewal for current members at an additional renewal cost of \$62,656,540 (included in the numbers shown).

<sup>4</sup> Kaiser's proposal is a 2011 rate renewal for current members only. Selecting this option would require accepting Blue Shield's renewal cost for all members currently enrolled in Blue Shield plans (HMO, POS and PPO). Total medical costs for 2011 would require accepting Blue Shield's 2011 rate renewal costs, a total annual cost of \$48,373,351 (included in the numbers shown).

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**Rate Renewal for Current Fully-Insured Plans**

(No alternate proposals were received for these specific medical plan designs)

<b>Proposer Name</b>	<b>Location</b>	<b>Provider Proposal</b>
United Healthcare Secure Horizons	Walnut Creek, CA	\$475,327
United Healthcare PacifiCare Senior Supplement	Walnut Creek, CA	\$6,123,133
Kaiser Permanente Hawaii	Honolulu, HI	\$164,062
Kaiser Permanente Pacific Northwest	Portland, OR	\$357,101
Kaiser Permanente Southern California	San Diego, CA	Subject to Enrollment
Kaiser Permanente Out-of-Area	Oakland, CA	\$146,858
Kaiser Medicare Cost	Oakland, CA	\$95,358

The United Healthcare Secure Horizons and PacifiCare plans and the Kaiser Out-of-Area and Kaiser Medicare Cost plan will require participating retirees to assign their Medicare benefits to the medical plan, which lowers the premium cost to retirees. This allows the medical plan to receive Medicare payments on behalf of the retiree, which allows the medical plan to provide services at a lower cost. The premium costs for these plans will actually be less than the City's lowest cost health plan for active employees in 2011 (the Kaiser Permanent plan with \$25 office copayment plan). Therefore, continuing these plans will result in premium savings for the Retiree Medical Trust.

The Kaiser HMO plans for employees and retirees residing in Southern California, Pacific Northwest and Hawaii offers a lower HMO cost plan option than the traditional Northern California Kaiser HMO plan, which reduces out-of-pocket medical expenses, for employees and retirees residing in these regions.

Initial Evaluation***Provider Elimination***

The Review Committee evaluated all proposals received based on the stated RFP requirements for medical plans.

All medical plan vendors, except Health Net, met the RFP's stated financial rating requirement. With a B+ rating, Health Net fell below the RFP requirement of "A" or above. The RFP required proposers to be ranked by either Standard and Poor's or Moody's insurance ratings and to have a stated rating of "A" or greater.

Buck Consultants performed an actuarial review of Health Net's proposed rates because Health Net's was the lowest cost proposal received. Buck Consultants reported concerns over the assumptions used by Health Net to develop the rates. Buck also reported that acceptance of the proposal would likely lead to significant premium cost increases after 2011 and forecasted that the Health Net proposal would most likely cost more over the contract period than the other proposals received.

Due to the City's past experience with provider bankruptcy, the Review Committee determined that the Health Net's financial rating, did not meet the standard established as a minimum

requirement in the RFP and was significant enough to eliminate Health Net from further consideration as a qualified proposer.

### ***Evaluation of Self-Insured Proposals***

The Review Committee evaluated the proposals received for self-insured medical plan network and administration services. The proposals submitted by two providers, Blue Shield and Anthem Blue Cross, were eliminated from further consideration for the following reasons:

1. Anthem Blue Cross' proposal was eliminated due to incomplete cost information. Anthem did not provide estimated claims cost and indicated that they would not provide this information due to the City's high current HMO enrollment. The claim discounts that providers arrange with hospitals and physicians play an important part in determining savings under self-funded programs and without a credible claims cost estimate, the Review Committee could not determine the potential cost for the program under Anthem Blue Cross.
2. Blue Shield's self-funded proposal did provide claims cost information; however, it did not include a cost estimate for current Kaiser participants. In addition, the cost estimate provided by Blue Shield clearly did not offer total cost savings in 2011 to the City and/or plan participants. Therefore, Blue Shield's self-funded proposal was also eliminated from further consideration.

### ***Evaluation of Single Vendor to Offer All HMO Plan Options Proposals***

The Review Committee evaluated the proposals received from proposers with the ability to replace all of the current HMO plans currently offered through Kaiser and Blue Shield. The proposals submitted by two providers, Kaiser and Health Net were eliminated from further consideration for the following reasons:

1. Health Net's proposal was eliminated due to the company's current financial rating.
2. The Review Committee evaluated the total cost of the Kaiser Permanente proposal to replace all HMO plan options. The Kaiser proposal was more expensive than retaining both the Kaiser HMO plan option and selecting another vendor to offer the Blue Shield plan designs. Additionally, the Review Committee noted that this option would cause significant disruption for current participants because nearly half of the participants would be required to change primary care physicians and specialists. In addition to the participant disruption of medical providers, Buck Consultants advised that such a significant medical provider network change would initially result in higher medical claims as participants currently in the Blue Shield plan options would need to seek care from new medical providers resulting in additional costs to re-establish prescriptions and treatment programs, potentially increasing the overall actual cost of this option in years two and three of the agreement.

For these reasons, the total replacement option was eliminated from further consideration.

Final Evaluation and Selection

The Review Committee invited Anthem Blue Cross, Blue Shield of California, Kaiser Permanente and United Healthcare for interviews with the Review Committee. The Review Committee was specifically interviewing for the fully-insured medical plans submitted by each of the medical plan vendors.

Following the interviews, the Review Committee submitted rating sheets which rated the four finalists based on the RFP's selection criteria and weighting:

<b>Selection Criteria</b>	<b>Weight</b>
Cost/Value	35%
Network/Plan Design	35%
Quality	15%
Expertise	5%
Local Business Enterprise	5%
Small Business Enterprise	5%

Each member of the Review Committee individually submitted a ranking for each medical plan proposal submitted. The Review Committee's combined average ranking by plan for each of the selection criteria is shown in the table below:

<b>Criteria</b>	<b>Kaiser Permanente</b>	<b>Blue Shield</b>	<b>Anthem (Blue Cross)</b>	<b>United Healthcare</b>
Cost/Value	32%	31%	21%	0%
Network/Plan Design	35%	34%	16%	10%
Quality	13%	13%	10%	9%
Expertise	5%	5%	5%	4%
Local Business Enterprise	0%	0%	0%	0%
Small Business Enterprise	0%	0%	0%	0%
<b>Total</b>	<b>85%</b>	<b>83%</b>	<b>52%</b>	<b>23%</b>

***Provider Selection for Plans Currently Provided by Kaiser***

The Review Committee unanimously recommended Kaiser Permanente to continue to provide HMO coverage. This recommendation is due to Kaiser's low cost, zero network disruption and ability to fully meet the requested scope of services. Kaiser's proposal offered the lowest premiums rates of all the finalist medical plan providers.

In addition to their low cost, the Kaiser plan also provides additional plan options not offered by other providers of HMO plans. Kaiser Permanente can provide similar HMO coverage to retirees living outside of the Northern California region where there is a high employee and retiree population living in a Kaiser covered area, such as Southern California, the Northwest

region of the United States and in Hawaii. Kaiser also provides two Medicare-integrated plans, Out-of-Area and the Medicare Cost, which provides retirees with Medicare access to low cost medical plans which reduces the premiums paid by the Retiree Medical Trust

Premium Rates for the Kaiser Permanente plans are listed in Attachment A. Benefits provided under each Kaiser group insurance plan are listed in Attachment B.

***Provider Selection for Plans Currently Provided by Blue Shield***

Anthem Blue Cross, Blue Shield and United Healthcare were the finalists who were invited to interview with the Review Committee for the plans currently provided by Blue Shield.

The Review Committee unanimously recommended retaining Blue Shield's HMO, PPO and POS plans because the Blue Shield proposal provided the best overall proposal with the lowest cost, zero network disruption, and ability to fully meet the requested scope of services.

In addition to their low cost, Blue Shield also provides flexibility to employees and retirees who are traveling outside of California by offering services through their expanded Blue Shield/Blue Cross network available nationwide.

Premium rates for the Blue Shield HMO, PPO and POS plans are listed in Attachment A. Benefits provided under each Blue Shield group insurance plan are listed in Attachment B.

***Provider Selection for Plans Currently Provided by United Healthcare***

United Healthcare was the only provider to submit a proposal for a medical plan design for retirees and their beneficiaries that will coordinate with Medicare to align with City's active and early retiree plan designs. United Healthcare's Secure Horizons Medicare-integrated HMO Plan and PacifiCare Medicare-integrated PPO Plan are unique programs that provide group Medicare-integrated health plans for participants who are enrolled in Medicare and provide a lower-cost option for retirees and their families. The Review Committee recommends City's continuance of the Secure Horizons HMO and PacifiCare PPO plans for retirees and their families.

Premium rates for the United Healthcare Secure Horizons Medicare-integrated HMO Plan and PacifiCare Medicare-integrated PPO Plan are listed in Attachment A. Benefits provided under each United Healthcare group plan are listed in Attachment B.

**2011 Changes to All Medical Insurance Plans**

There are a number of expected changes which will be included in our 2011 group health plan documents. These include federally mandated changes under the Mental Health Parity Act (which mandates medical plan benefits limits for mental health and substance use disorder coverage to be the same as benefits limits for other medical/surgical coverage) and the Patient Protection and Affordable Care Act (Health Care Reform legislation passed earlier this year which requires that medical plans permit enrollment of dependents to age 26, regardless of student status, economic dependency or marital status if the dependent has access to no other

group health plan coverage). The description of these changes to all the medical insurance plans is provided in Attachment C.

### **EVALUATION AND FOLLOW-UP**

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits division of Human Resources ensures that the City of San José employees and retirees receive high quality and cost effective benefits by subjecting benefit plan providers to regular competitive processes (usually every four years).

### **PUBLIC OUTREACH/INTEREST**

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

All key stakeholders were invited to participate in the RFP process.

This recommendation was reviewed and unanimously supported by the Benefits Review Forum, consisting of representatives from all bargaining units, on June 23, 2010.

This memorandum is posted on the City's website for the September 21, 2010 Council Agenda.

### **COORDINATION**

This memorandum has been coordinated with Retirement Services, City Manager's Budget Office and the Office of the City Attorney.

### **COST SUMMARY/IMPLICATIONS**

Based on current enrollment and the proposed premiums, the annualized cost of health care insurance benefits for active employees (beginning January 2011) will be approximately \$59.9 million for the City and \$7.7 million for employees enrolled in the Blue Shield and Kaiser Permanente medical plans. This cost projection is based on rate increases of 4% for Blue Shield plans and 8% or 9%, depending on bargaining unit, for Kaiser Permanente plans. Although premium rates will be higher in 2011, the percentage increases in health plan costs will be lower

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than the medical industry trend increase of 10.5% which was used to develop the 2010-2011 Adopted Budget reserve for medical plans.

Actual costs will be based on enrollment in each of the plans. The 2011 premium rates are shown in Attachment A.

Estimated costs above are based on 2009-2010 enrollment estimates and have not been updated to reflect the 2010-2011 Adopted Budget actions. Staff anticipates that these figures will be reduced once enrollment figures have been adjusted. In addition, the Benefit Funds will be rebalanced in the 2009-2010 Annual Report, to be brought forward for City Council consideration in October 2010, to account for all final adjustments approved in the 2010-2011 Adopted Operating Budget.

Per union agreement, the City's share of the premium cost for active employees is tied to the lowest-priced plan for active employees, regardless of coverage level elected (single or family coverage). In 2011, the lowest cost plan will be the Kaiser Permanente plan. The City's share of cost is increasing 8% to 9%, depending on the employee's bargaining unit.

Employees pay the difference between the City's share of the medical plan premium and the cost of the plan each employee chooses. For employees enrolled in Blue Shield plans, the City's increased share of cost will be greater than the 4% premium increase from Blue Shield. As a result, all employees enrolled in the higher cost Blue Shield plans will see a reduction in their medical plan premiums.

The Retiree Medical Trust's share of premium cost is tied to the lowest-cost plan offered to an employee, regardless of coverage level elected (single or family coverage). For 2011, the lowest cost plan for retirees will be the Kaiser Permanente plan design which includes a \$25 office visit copayment. Retirees pay the difference between the Retiree Medical Trust's share and the cost of the plan each retiree chooses. Based on current enrollment and the proposed premiums, the annualized cost of health care insurance benefits for retirees (beginning January 2011) will be approximately \$41.4 million for the Retirement Fund and \$6.4 million for retirees enrolled in the Blue Shield, Kaiser Permanente and United Healthcare medical plans.

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**BUDGET REFERENCE**

The table on the following page identifies the fund and appropriations to fund the medical plan agreements for active employees recommended as part of this memo.

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. for Agmt.**	Proposed Budget (Page)***	Last Budget Action (Date, Ord. No.)
160	0116	Health Premiums	\$49,880,000	N/A	XI-8 – XI-9	6/29/10, 28765
134	0016	Health Insurance	\$27,500,000*	N/A	XI-33	6/29/10, 28765
135	0016	Health Insurance	\$24,750,000*	N/A	XI-70	6/29/10, 28765

\* Appropriation amount includes funding for both medical and dental retiree premiums. Only the applicable amount will be used for this contract. Fund 134 is for Police & Fire retirees and Fund 135 is for Federated retirees.

\*\* Agreement amounts are not specified at this time because premium payments will vary based on each year's (open) enrollment.

\*\*\* The 2010-2011 Adopted Operating Budget was approved on June 29, 2010.

Funding for medical plan premiums is currently budgeted based on current medical plan premium costs plus the anticipated 10.5% medical trend increase for 2011.

**CEQA**

Not a project, File No. PP10-068 (b), Municipal Code, Title 3.

/S/  
 MARK DANAJ  
 Human Resources Director

For questions please contact Jeanne Groen, Benefits Manager, at (408) 975-1428.

<b>Attachment A</b>						
<b>2011 Medical Plan Premium Rates</b>						
<u>Plan Code</u>	<u>Insurance Plan</u>	<u>Headcount</u>	<u>2010 Premium Current Plans</u>	<u>2011 Premium Current Plans</u>	<u>2011 Premium \$10 Copay Plan</u>	<u>2011 Premium \$25 Copay Plan</u>
<b>Kaiser Active Employee Plans</b>						
	KAISER SINGLE HMO - \$10 copay plan	784	\$484.06	\$527.38		
	KAISER SINGLE HMO - \$25 copay plan	218	\$460.66	\$496.04		
	KAISER FAMILY HMO - \$10 copay plan	1671	\$1,205.20	\$1,313.18		
	KAISER FAMILY HMO - \$25 copay plan	627	\$1,145.58	\$1,235.16		
<b>Blue Shield Active Employee Plans</b>						
	BSHLD SINGLE HMO - \$10 copay plan	291	\$540.20	\$562.40		
	BSHLD SINGLE HMO - \$25 copay plan	100	\$509.86	\$530.82		
	BSHLD FAMILY HMO - \$10 copay plan	649	\$1,387.72	\$1,444.76		
	BSHLD FAMILY HMO - \$25 copay plan	382	\$1,309.76	\$1,363.58		
	BSHLD SINGLE POS/PPO - \$10 copay plan	112	\$750.02	\$780.84		
	BSHLD SINGLE POS/PPO - \$25 copay plan	57	\$707.72	\$736.78		
	BSHLD FAMILY POS/PPO - \$10 copay plan	104	\$1,927.48	\$2,006.70		
	BSHLD FAMILY POS/PPO - \$25 copay plan	69	\$1,818.80	\$1,893.48		
<b>Blue Shield Retiree &amp; Combination Plans</b>						
08B	BSHLD FAMILY PPO - OUT OF AREA		\$1,927.48	\$2,006.70	\$2,006.70	\$1,893.48
08VF	BSHLD FAMILY HMO		\$1,387.72	\$1,444.76	\$1,444.76	\$1,363.58
08VS	BSHLD SINGLE HMO	4	\$540.20	\$562.40	\$562.40	\$530.82
08X	BSHLD SINGLE POS	2	\$750.02	\$780.85	\$780.85	\$736.78
08Y	BSHLD FAMILY POS - CALIF		\$1,927.48	\$2,006.70	\$2,006.70	\$1,893.48
08YF2	BSHLD FAMILY MB(MHMO) SP(MHMO)	2	\$824.92	\$858.82	\$857.88	\$834.46
08YMI	BSHLD SINGLE MB(MHMO)		\$412.46	\$429.41	\$428.94	\$417.23
08ZAHMO	BSHLD MB(MPPO) + SP(HMO)		\$1,123.06	\$1,169.22	\$1,169.22	\$1,115.98
08ZAPOS	BSHLD MB(MPPO) + SP(POS)		\$1,332.88	\$1,387.67	\$1,387.67	\$1,321.94
08ZAPPO	BSHLD MB(MPPO) + SP(PPO)	1	\$1,332.88	\$1,387.67	\$1,387.67	\$1,321.94
08ZEPOS	BSHLD MB(MPPO) SP(MPPO) + CH(POS)		\$2,343.18	\$2,439.49	\$2,439.49	\$2,327.02
08ZEPPPO	BSHLD MB(MPPO) SP(MPPO) + CH(PPO)		\$2,343.18	\$2,439.49	\$2,439.49	\$2,327.02
08ZFF2	BSHLD FAMILY MB(MPPO) SP(MPPO)	4	\$1,165.72	\$1,213.64	\$1,213.64	\$1,170.32
08ZFPOS	BSHLD MB(MPPO) + SP(POS) CH(POS)		\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86
08ZFPPPO	BSHLD MB(MPPO) + SP(PPO) CH(POS)		\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86
08ZGPOS	BSHLD MB(POS) + SP(MPPO) + CH(POS)		\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86
08ZGPPPO	BSHLD MB(POS) + SP(MPPO) + CH(PPO)		\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86
08ZM	BSHLD SINGLE MB(MPPO)	9	\$582.86	\$606.82	\$606.82	\$585.16
B	BS Family PPO	177	\$1,927.48	\$2,006.70	\$2,006.70	\$1,893.48
08U	BSHLD SINGLE PPO - OUT OF AREA	4	\$750.02	\$780.85	\$780.85	\$736.78
U	BS Single PPO	151	\$750.02	\$780.85	\$780.85	\$736.78

Attachment A													
2011 Medical Plan Premium Rates													
Plan Code	Insurance Plan	Headcount	2010 Premium Current Plans	2011 Premium Current Plans	2011 Premium \$10 Copay Plan	2011 Premium \$25 Copay Plan							
VF	BS Family HMO	272	\$1,387.72	\$1,444.76	\$1,444.76	\$1,363.58							
VS	BS Single HMO	95	\$540.20	\$562.40	\$562.40	\$530.82							
X	BS Single POS	37	\$750.02	\$780.85	\$780.85	\$736.78							
Y	BS Family POS	43	\$1,927.48	\$2,006.70	\$2,006.70	\$1,893.48							
YAHMO	BSHLD MB(MHMO) + SP(HMO)	25	\$952.66	\$991.81	\$991.81	\$948.05							
YAPOS	BSHLD FAMILY MB(MHMO) + SP(POS)	1	\$1,162.48	\$1,210.26	\$1,209.79	\$1,154.01							
YAPPO	BSHLD FAMILY MB(MHMO) + SP(PPO)	1	\$1,162.48	\$1,210.26	\$1,209.79	\$1,154.01							
YBHMO	BSHLD FAMILY MB(HMO) + SP(MHMO)	3	\$952.66	\$991.81	\$991.34	\$948.05							
YBPOS	BSHLD FAMILY MB(POS) + SP(MHMO)		\$1,162.48	\$1,210.26	\$1,209.79	\$1,154.01							
YBPPO	BSHLD FAMILY MB(PP) + SP(MHMO)	2	\$1,162.48	\$1,210.26	\$1,209.79	\$1,154.01							
YEHMO	BSHLD FAMILY MB(MHMO) SP(MHMO) + CH(HMO)		\$1,672.44	\$1,741.18	\$1,740.24	\$1,667.22							
YEPOS	BSHLD FAMILY MB(MHMO) SP(MHMO) + CH(POS)		\$2,002.38	\$2,084.67	\$2,083.73	\$1,991.16							
YEPPO	BSHLD FAMILY MB(MHMO) SP(MHMO) + CH(PPO)		\$2,002.38	\$2,084.67	\$2,083.73	\$1,991.16							
YF2	BS Family Medicare HMO	30	\$824.92	\$858.82	\$857.88	\$834.46							
YFHMO	BSHLD FAMILY MB(MHMO) + SP(HMO) CH(HMO)		\$1,259.98	\$1,311.77	\$1,311.30	\$1,249.99							
YFPOS	BSHLD FAMILY MB(MHMO) + SP(POS) CH(POS)		\$1,589.92	\$1,655.26	\$1,654.79	\$1,573.93							
YFPPO	BSHLD FAMILY MB(MHMO) + SP(PPO) CH(PPO)		\$1,589.92	\$1,655.26	\$1,654.79	\$1,573.93							
YGHMO	BSHLD FAMILY MB(HMO) + SP(MHMO) + CH(HMO)		\$1,259.98	\$1,311.77	\$1,311.30	\$1,249.99							
YGPOS	BSHLD FAMILY MB(POS) + SP(MHMO) + CH(POS)		\$1,589.92	\$1,655.26	\$1,654.79	\$1,573.93							
YGPPO	BSHLD FAMILY MB(PP) + SP(MHMO) + CH(PPO)		\$1,589.92	\$1,655.26	\$1,654.79	\$1,573.93							
YM1	BS Single Medicare HMO	54	\$412.46	\$429.41	\$428.94	\$417.23							
ZAHMO	BSHLD MB(MPPO) + SP(HMO)	11	\$1,123.06	\$1,169.22	\$1,169.22	\$1,115.98							
ZAPOS	BSHLD MB(MPPO) + SP(POS)	15	\$1,332.88	\$1,387.67	\$1,387.67	\$1,321.94							
ZAPPO	BSHLD MB(MPPO) + SP(PPO)	85	\$1,332.88	\$1,387.67	\$1,387.67	\$1,321.94							
ZBHMO	BSHLD MB(HMO) + SP(MPPO)	2	\$1,123.06	\$1,169.22	\$1,169.22	\$1,115.98							
ZBPOS	BSHLD MB(POS) + SP(MPPO)	3	\$1,332.88	\$1,387.67	\$1,387.67	\$1,321.94							
ZBPPO	BSHLD MB(PP) + SP(MPPO)	21	\$1,332.88	\$1,387.67	\$1,387.67	\$1,321.94							
ZEHMO	BSHLD MB(MPPO) SP(MPPO) + CH(HMO)		\$2,013.24	\$2,096.00	\$2,096.00	\$2,003.08							
ZEPOS	BSHLD MB(MPPO) SP(MPPO) + CH(POS)		\$2,343.18	\$2,439.49	\$2,439.49	\$2,327.02							
ZEPP	BSHLD MB(MPPO) SP(MPPO) + CH(PPO)		\$2,343.18	\$2,439.49	\$2,439.49	\$2,327.02							
ZF2	BS Family Medicare PPO	412	\$1,165.72	\$1,213.64	\$1,213.64	\$1,170.32							
ZFHMO	BSHLD MB(MPPO) + SP(HMO) CH(HMO)		\$1,430.38	\$1,489.18	\$1,489.18	\$1,417.92							
ZFPOS	BSHLD MB(MPPO) + SP(POS) CH(POS)	1	\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86							
ZFPPO	BSHLD MB(MPPO) + SP(PPO) CH(PPO)	9	\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86							
ZGHMO	BSHLD MB(HMO) + SP(MPPO) + CH(HMO)	1	\$1,430.38	\$1,489.18	\$1,489.18	\$1,417.92							
ZGPOS	BSHLD MB(POS) + SP(MPPO) + CH(POS)		\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86							
ZGPPO	BSHLD MB(PP) + SP(MPPO) + CH(PPO)		\$1,760.32	\$1,832.67	\$1,832.67	\$1,741.86							
ZM	BS Single Medicare PPO	390	\$582.86	\$606.82	\$606.82	\$585.16							
FHMO-EH	BSHLD HMO-SPLIT (M+C); 2+ DEP(NM)		\$847.52	\$882.36	\$882.36	\$832.76							
FHMO-FS	BSHLD HMO-SPLIT (SR SUPP); CHILDREN(NM)		\$847.52	\$882.36	\$882.36	\$832.76							
FHMO-H2	BSHLD HMO-SPLIT (M+C); CHILDREN(NM)		\$847.52	\$882.36	\$882.36	\$832.76							
FHMO-SS	BSHLD HMO-SPLIT (SR SUPP); 2+ DEP(NM)		\$847.52	\$882.36	\$882.36	\$832.76							
FPOS-EH	BSHLD POS-SPLIT(M+C); 2+ DEP(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70							

Attachment A									
2011 Medical Plan Premium Rates									
Plan Code	Insurance Plan	Headcount	2010 Premium Current Plans	2011 Premium Current	2011 Premium \$10 Copay Plan	2011 Premium \$25 Copay Plan			
FPOS-FS	BSHLD POS-SPLIT(SR SUPP): CHILDREN(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
FPOS-H2	BSHLD POS-SPLIT(M+C): CHILDREN(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
FPOS-SS	BSHLD POS-SPLIT(SR SUPP): 2+ DEP(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
FPPO-EH	BSHLD PPO-SPLIT(M+C): 2+ DEP(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
FPPO-FS	BSHLD PPO-SPLIT(SR SUPP): CHILDREN(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
FPPO-H2	BSHLD PPO-SPLIT(M+C): CHILDREN(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
FPPO-SS	BSHLD PPO-SPLIT(SR SUPP): 2+ DEP(NM)		\$1,177.46	\$1,225.85	\$1,225.85	\$1,156.70			
SHMO-EH	BSHLD HMO-SPLIT (M+C): 1 DEP (NM)		\$540.20	\$562.40	\$562.40	\$530.82			
SHMO-SS	BSHLD HMO-SPLIT (SR SUPP): 1 DEP(NM)		\$540.20	\$562.40	\$562.40	\$530.82			
SPOS-EH	BSHLD POS-SPLIT(M+C): 1 DEP(NM)	1	\$750.02	\$780.85	\$780.85	\$736.78			
SPOS-SS	BSHLD POS-SPLIT(SR SUPP): 1 DEP(NM)		\$750.02	\$780.85	\$780.85	\$736.78			
SPPO-EH	BSHLD PPO-SPLIT(M+C): 1 DEP(NM)		\$750.02	\$780.85	\$780.85	\$736.78			
SPPO-SS	BSHLD PPO-SPLIT(SR SUPP): 1 DEP(NM)		\$750.02	\$780.85	\$780.85	\$736.78			

**Kaiser Retiree & Combination Plans**

08A	KAISER SINGLE MB(SA)		\$429.78	\$464.16	\$403.02	\$284.91
08A1	KAISER FAMILY MB(SA) SP(NSA)	9	\$1,150.92	\$1,249.96	\$1,188.82	\$1,024.02
08A1-a	KAISER FAMILY MB(NSA) SP(SA)		\$913.84	\$991.54	\$930.40	\$780.96
08A2	KAISER FAMILY MB(SA) SP(SA)	5	\$859.56	\$928.32	\$806.04	\$569.82
08K	KAISER FAMILY		\$1,205.20	\$1,313.18	\$1,313.18	\$1,235.16
08K1	KAISER FAMILY MB(M) SP(NM)		\$1,538.68	\$1,668.74	\$1,616.72	\$1,445.96
08K1-a	KAISER FAMILY MB(NM) SP(M)		\$1,301.60	\$1,410.32	\$1,358.30	\$1,202.90
08K2	KAISER FAMILY MB(M) SP(M)		\$1,635.08	\$1,765.88	\$1,661.84	\$1,413.70
08M	KAISER SINGLE MB(M)		\$817.54	\$882.94	\$830.92	\$706.85
08MA	KAISER FAMILY MB(M) SP(SA) or MB(SA) SP(M)		\$1,247.32	\$1,347.10	\$1,233.94	\$991.76
08S	KAISER SINGLE	10	\$484.06	\$527.38	\$527.38	\$496.05
A	KP Single KPSA	385	\$429.78	\$464.16	\$403.02	\$284.91
A1	KP Split Family KPSA	131	\$1,150.92	\$1,249.96	\$1,188.82	\$1,024.02
A1-a	KAISER FAMILY MB(NSA) SP(SA)	47	\$913.84	\$991.54	\$930.40	\$780.96
A2	KP Family KPSA	280	\$859.56	\$928.32	\$806.04	\$569.82
A3-a	KAISER FAMILY MB(NSA) SP(SA) CH(NSA)	2	\$913.84	\$991.54	\$930.40	\$780.96
A3-b	KAISER FAMILY MB(SA) SP(SA) CH(SA)	2	\$1,289.34	\$1,392.48	\$1,209.06	\$854.73
A3-c	KAISER FAMILY MB(SA) SP(NSA) CH(NSA)	9	\$1,150.92	\$1,249.96	\$1,188.82	\$1,024.02
K	KP Family	724	\$1,205.20	\$1,313.18	\$1,313.18	\$1,235.16
MOA1	KAISER FAMILY MB(MOA) SP(NM)	3	\$1,533.66	\$1,663.32	\$1,621.12	\$1,441.63
MOA1-a	KAISER FAMILY MB(NM) SP(MOA)	2	\$1,296.58	\$1,404.90	\$1,362.70	\$1,198.57
MOA2	KAISER FAMILY MB(MOA) SP(MOA)		\$1,625.04	\$1,755.04	\$1,670.64	\$1,405.04
MOA3-a	KAISER FAMILY MB(MOA) SP(MOA) CH(NM)		\$1,625.04	\$1,755.04	\$1,670.64	\$1,405.04
MOA3-b	KAISER FAMILY MB(MOA) SP(NM) CH(NM)		\$1,533.66	\$1,663.32	\$1,621.12	\$1,441.63
MOA3-c	KAISER FAMILY MB(NM) SP(MOA) CH(NM)		\$1,296.58	\$1,404.90	\$1,362.70	\$1,198.57
MOA3-d	KAISER FAMILY MB(MOA) SP(MOA) CH(MOA)		\$2,437.56	\$2,632.56	\$2,505.96	\$2,107.56
MOASA	KAISER FAMILY MB(MOA) SP(SA) or MB(SA) SP(MOA)	2	\$1,242.30	\$1,341.68	\$1,238.34	\$987.43

<b>Attachment A</b>						
<b>2011 Medical Plan Premium Rates</b>						
<u>Plan Code</u>	<u>Insurance Plan</u>	<u>Headcount</u>	<u>2010 Premium Current Plans</u>	<u>2011 Premium Current Plans</u>	<u>2011 Premium \$10 Copay Plan</u>	<u>2011 Premium \$25 Copay Plan</u>
MOA	KAISER SINGLE MB(MOA)	2	\$812.52	\$877.52	\$835.32	\$702.52
K1	KAISER FAMILY MB(M) SP(NM)		\$1,538.68	\$1,668.74	\$1,616.72	\$1,445.96
K1-a	KAISER FAMILY MB(NM) SP(M)		\$1,301.60	\$1,410.32	\$1,358.30	\$1,202.90
K2	KAISER FAMILY MB(M) SP(M)	1	\$1,635.08	\$1,765.88	\$1,661.84	\$1,413.70
K3-a	KAISER FAMILY MB(M) SP(M) CH(NM)		\$1,635.08	\$1,765.88	\$1,661.84	\$1,413.70
K3-b	KAISER FAMILY MB(M) SP(NM) CH(NM)		\$1,538.68	\$1,668.74	\$1,616.72	\$1,445.96
K3-c	KAISER FAMILY MB(NM) SP(M) CH(NM)		\$1,301.60	\$1,410.32	\$1,358.30	\$1,202.90
K3-d	KAISER FAMILY MB(M) SP(M) CH(M)		\$2,452.62	\$2,648.82	\$2,492.76	\$2,120.55
M	KAISER SINGLE MB(M)	9	\$817.54	\$882.94	\$830.92	\$706.85
MA	KAISER FAMILY MB(M) SP(SA) or MB(SA) SP(M)		\$1,247.32	\$1,347.10	\$1,233.94	\$991.76
S	KP Single	289	\$484.06	\$527.38	\$527.38	\$496.05
08A (NW)	KAISER SINGLE MB(SA)	1	\$409.71	\$437.10	\$408.15	\$274.84
08A2 (NW)	KAISER FAMILY MB(SA) SP(SA)		\$819.42	\$874.20	\$816.30	\$549.68
A (NW)	KPNW Single KPSA	10	\$409.71	\$437.10	\$408.15	\$274.84
A1 (NW)	KPNW Split Family KPSA	4	\$1,277.41	\$1,334.94	\$1,298.72	\$1,073.19
A2 (NW)	KPNW Family KPSA	6	\$819.42	\$874.20	\$816.30	\$549.68
K (NW)	KPNW Family	7	\$1,735.40	\$1,795.67	\$1,781.14	\$1,596.70
K+ (NW)	KAISER FAMILY 3+		\$2,603.09	\$2,693.50	\$2,671.71	\$2,395.05
S (NW)	KPNW Single	2	\$867.70	\$897.83	\$890.57	\$798.35
A (HI)	KPHI Single KPSA	3	\$299.95	\$341.26	\$335.71	\$331.22
A1 (HI)	KAISER FAMILY MB(SA) SP(NSA) or MB(NSA) SP(SA)		\$841.63	\$1,006.01	\$987.45	\$966.57
A1-a (HI)	KAISER FAMILY MB(NSA) SP(SA)		\$841.63	\$1,006.01	\$987.45	\$966.57
A2 (HI)	KPHI Family KPSA	1	\$599.90	\$682.52	\$671.42	\$662.44
A2+ (HI)	KAISER FAMILY MB(SA) SP(SA) + CH		\$1,141.58	\$1,347.27	\$1,323.16	\$1,297.79
K (HI)	KPHI Family	9	\$1,083.36	\$1,329.50	\$1,303.48	\$1,270.70
K+ (HI)	KAISER FAMILY 3+		\$1,625.04	\$1,994.25	\$1,955.22	\$1,906.05
S (HI)	KAISER SINGLE		\$541.68	\$664.75	\$651.74	\$635.35
<b>PacificCare Retiree &amp; Combination Plans</b>						
08EH	PCARE SINGLE MB(SH)	1	\$444.55	\$489.02	\$481.81	\$449.56
08H2	PCARE FAMILY MB(SH) SP(SH)	1	\$889.10	\$978.04	\$963.62	\$899.12
EH	Secure Horizons Single	43	\$444.55	\$489.02	\$481.81	\$449.56
FSHS	PacificCare Family	8	\$790.96	\$864.80	\$864.80	\$864.80
H2	Secure Horizons Family	17	\$889.10	\$978.04	\$963.62	\$899.12
SP-FSHS	PCARE SPLIT: FAMILY MB(SHS) SP(SHS)		\$790.96	\$864.80	\$864.80	\$864.80
SPLIT-EH	SEC HZN SPLIT: SINGLE MB (SH)	1	\$444.55	\$489.02	\$481.81	\$449.56
SPLIT-H2	SEC HZN SPLIT: FAMILY MB(SH) SP(SH)		\$889.10	\$978.04	\$963.62	\$899.12
SP-SSHS	PCARE SPLIT: SINGLE MB(SHS)		\$395.48	\$432.40	\$432.40	\$432.40
SSHS	PacificCare Single	30	\$395.48	\$432.40	\$432.40	\$432.40
08SSHS	PCARE SINGLE MB(SHS)	1	\$395.48	\$432.40	\$432.40	\$432.40
		<b>Total Enrollments:</b>				
			<b>8989</b>			

Attachment B

City of San José Active Employees Health Plan Design Comparison

FEATURES	KAISER PERMANENTE HMO		BLUE SHIELD NHO		BLUE SHIELD PPO		NEW \$25 PLAN		BLUE SHIELD PPO		NEW \$25 PLAN	
	Current \$10 Plan	NEW \$25 PLAN	Current \$10 Plan	NEW \$25 PLAN	Current \$10 Plan	NEW \$25 PLAN	Current \$10 Plan	NEW \$25 PLAN	Current \$10 Plan	NEW \$25 PLAN	Current \$10 Plan	NEW \$25 PLAN
Medical Calendar Year Deductible	\$0	\$0	\$0	\$0	\$100 Individual \$200 Family	\$100 Individual \$200 Family	\$0	\$0	Tier 1: \$0 Tier 2 & 3: \$100 Individual/\$200 Family	Tier 1: \$0 Tier 2 & 3: \$100 Individual/\$200 Family	\$0	Tier 1: \$0 Tier 2 & 3: \$100 Individual/\$200 Family
Pharmacy Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Out-of-Pocket Maximum	\$1,500 Individual \$3,000 Family	\$1,500 Individual \$3,000 Family	\$1,000 Individual \$2,000 Family	\$1,000 Individual \$2,000 Family	\$2,000 Individual \$4,000 Family	\$2,000 Individual \$4,000 Family	\$2,000 Individual \$4,000 Family	\$2,000 Individual \$4,000 Family	Tier 1 & 2: \$1,500 Individual/\$3,000 Family Tier 3: \$4,500 Individual/\$9,000 Family	Tier 1 & 2: \$1,500 Individual/\$3,000 Family Tier 3: \$4,500 Individual/\$9,000 Family	\$0	Tier 1: \$25 Tier 2: \$50 Tier 3: 30%
<b>IN THE MEDICAL OFFICE</b>												
Office visits	\$10	\$25	\$10	\$25	30% coinsurance	\$25	30% coinsurance	Tier 1: \$5 Tier 2: \$5 Tier 3: 30%	Tier 1: \$5 Tier 2: \$5 Tier 3: 30%	Tier 1: \$5 Tier 2: \$5 Tier 3: 30%	Tier 1: \$5 Tier 2: \$5 Tier 3: 30%	Tier 1: \$25 Tier 2: \$50 Tier 3: 30%
Preventive exams	\$10	\$0	\$0	\$0	Not Covered	\$0	Not Covered	Tier 2 & 3: Not Covered	Tier 2 & 3: Not Covered	Tier 2 & 3: Not Covered	Tier 1: \$0	Tier 2 & 3: Not Covered
Maternity / Prenatal care	\$10	\$0	\$0	\$0	10% coinsurance	30% coinsurance	10% coinsurance	Tier 2: \$10 Tier 3: 30%	Tier 2: \$10 Tier 3: 30%	Tier 2: \$10 Tier 3: 30%	Tier 1: \$0 Tier 2: \$35 Tier 3: 30%	Tier 1: \$0 Tier 2: \$35 Tier 3: 30%
Well-child preventative care visits	\$10	\$0	\$0	\$0	50% coinsurance	30% coinsurance	50% coinsurance	Tier 2 & 3: Not Covered	Tier 2 & 3: Not Covered	Tier 2 & 3: Not Covered	Tier 1: \$0	Tier 2 & 3: Not Covered
Vaccine (immunizations)	\$0	\$0	\$0	\$0	Not Covered	Not Covered	Not Covered	Tier 1: \$0	Tier 1: \$0	Tier 1: \$0	Tier 1: \$0	Tier 2: Not Covered Tier 3: Not Covered
Allergy injections	\$5	\$5	\$10	\$10	30% coinsurance	30% coinsurance	30% coinsurance	Tier 1: \$5 Tier 2: \$10 Tier 3: 30%	Tier 1: \$5 Tier 2: \$10 Tier 3: 30%	Tier 1: \$5 Tier 2: \$10 Tier 3: 30%	Tier 1: \$25 Tier 2: \$35 Tier 3: 30%	Tier 1: \$25 Tier 2: \$35 Tier 3: 30%
Infertility services	\$10	50% infertility benefit	\$10	50% infertility benefit	Not Covered	Not Covered	Not Covered	Tier 1: 50%	Tier 2 & 3: Not Covered	Tier 2 & 3: Not Covered	Tier 1: \$0	Tier 2: Not Covered Tier 3: Not Covered
Occupations, physical, and speech therapy	\$10	\$25	\$10	\$25	10% coinsurance	30% coinsurance	10% coinsurance	Tier 1: \$0 Tier 2: \$10 Tier 3: 30%	Tier 1: \$0 Tier 2: \$10 Tier 3: 30%	Tier 1: \$0 Tier 2: \$10 Tier 3: 30%	Tier 1: \$25 Tier 2: \$35 Tier 3: 30%	Tier 1: \$25 Tier 2: \$35 Tier 3: 30%
Mast Labs and Xray	\$0	\$0	\$0	\$0	10% coinsurance	30% coinsurance	10% coinsurance	Tier 1: \$0 Tier 2: \$0 Tier 3: 30%	Tier 1: \$0 Tier 2: \$0 Tier 3: 30%	Tier 1: \$0 Tier 2: \$0 Tier 3: 30%	Tier 1: \$0 Tier 2: \$0 Tier 3: 30%	Tier 1: \$0 Tier 2: \$0 Tier 3: 30%
MRI/CT/PET	\$10	\$25	\$0	\$0	10% coinsurance	30% coinsurance	10% coinsurance	Tier 2: \$10 Tier 3: 30%	Tier 2: \$10 Tier 3: 30%	Tier 2: \$10 Tier 3: 30%	Tier 1: \$0 Tier 2: \$35 Tier 3: 30%	Tier 1: \$0 Tier 2: \$35 Tier 3: 30%
Outpatient Surgery	\$10	\$100	\$0	\$100	30% coinsurance (\$600 per day max)	30% coinsurance (\$600 per day max)	30% coinsurance (\$600 per day max)	\$100 or \$50 in an Ambulatory Surgery Center (ASC)	\$100 or \$50 in an Ambulatory Surgery Center (ASC)	\$100 or \$50 in an Ambulatory Surgery Center (ASC)	Tier 1: \$100 or \$50 in an Ambulatory Surgery Center (ASC) Tier 2: \$100 per admit plus 10% Tier 3: 30% (\$800 per day max)	Tier 1: \$100 or \$50 in an Ambulatory Surgery Center (ASC) Tier 2: \$100 per admit plus 10% Tier 3: 30% (\$800 per day max)
<b>EMERGENCY SERVICES</b>												
Emergency Department Visits (waived if admitted directly to hospital)	\$50	\$100	\$50	\$100	10% coinsurance	10% coinsurance	10% coinsurance	\$100	\$100	10% coinsurance	Tier 1: \$0 Tier 2 & 3: 10%	Tier 1: \$0 Tier 2 & 3: 10%
<b>PRESCRIPTIONS (30 day supply)</b>												
Generic	\$5	\$10	\$5	\$10	25% plus \$5	25% plus \$5	25% plus \$5	\$5	\$5	25% plus \$5	\$5	\$5
Brand-name	\$10	\$25	\$10	\$25	25% plus \$10	25% plus \$10	25% plus \$10	\$10	\$10	25% plus \$10	\$10	\$10
Non-formulary brand-name	NA	NA	\$15	\$25	25% plus \$25	25% plus \$25	25% plus \$25	NA	NA	25% plus \$25	NA	NA
Home self-administered injectables	\$0	\$0	\$30	\$30	10%	10%	10%	Not Covered	Not Covered	10%	No Charge	No Charge
Select Prescriptions (Generic/Brand-name)	NA	NA	\$0/\$5	\$0/\$5	25% plus \$0/\$5	25% plus \$0/\$5	25% plus \$0/\$5	\$0/\$10	\$0/\$5	25% plus \$0/\$10	\$0/\$10	\$0/\$10
Mail-order: 100 (Kaiser) or 50 (BS) day supply	2x retail copay	2x retail copay	2x retail copay	2x retail copay	Not Covered	Not Covered	Not Covered	2x retail copay	2x retail copay	Not Covered	2x retail copay	2x retail copay
<b>HOSPITAL CARE</b>												
Physicians' services, room and board, tests, medications, supplies, therapies	\$0	\$100 per admit	\$0	\$100 per admit	10% coinsurance	30% coinsurance (\$600 per day max)	30% coinsurance (\$600 per day max)	\$100 per admit plus 10% coinsurance	\$100 per admit plus 10% coinsurance	30% coinsurance (\$600 per day max)	Tier 1: \$100 per admit Tier 2: \$100 per admit plus 10% Tier 3: 30% coinsurance (\$600 per day max)	Tier 1: \$100 per admit Tier 2: \$100 per admit plus 10% Tier 3: 30% coinsurance (\$600 per day max)
Skilled nursing facility care (up to 100 days per benefit period)	\$0	\$0	\$0	\$0	10% coinsurance	10% coinsurance	10% coinsurance	10% coinsurance	10% coinsurance	10% coinsurance	Tier 1: \$0 Tier 2: 10% Tier 3: 30%	Tier 1: \$0 Tier 2: 10% Tier 3: 30%
<b>MENTAL HEALTH SERVICES</b>												
In the medical office (non-severe) (up to 20 visits per calendar year)	\$10 Individual	\$25	\$25	\$25	Not Covered	Not Covered	Not Covered	\$25	\$25	Not Covered	Tier 1: \$35 Tier 2: NA Tier 3: 30%	Tier 1: \$35 Tier 2: NA Tier 3: 30%
In the hospital (65 day 57 max)	\$0 per admit (45 day 57 max)	\$100 per admit (45 day 57 max)	\$0	\$0	10% coinsurance (\$600 per day max)	10% coinsurance (\$600 per day max)	10% coinsurance (\$600 per day max)	\$100 per admit (45 day 57 max)	\$100 per admit (45 day 57 max)	10% coinsurance (\$600 per day max)	Tier 1: \$0 Tier 2: NA Tier 3: 30% (\$600 per day max)	Tier 1: \$0 Tier 2: NA Tier 3: 30% (\$600 per day max)
<b>CHEMICAL DEPENDENCY SERVICES</b>												
In the medical office (non-severe) (up to 20 visits per calendar year under the Blue Shield plan; 10 visits per calendar year under Kaiser plan)	\$10 Individual	\$25 Individual	\$25	\$25	Not Covered	Not Covered	Not Covered	\$25	\$25	Not Covered	Tier 1: \$35 Tier 2: NA Tier 3: 30%	Tier 1: \$35 Tier 2: NA Tier 3: 30%
In the hospital (detoxification only)	\$0 per admit	\$100 per admit	\$0	\$0	10% coinsurance (\$600 per day max)	10% coinsurance (\$600 per day max)	10% coinsurance (\$600 per day max)	\$100 per admit	\$100 per admit	10% coinsurance (\$600 per day max)	Tier 1: \$0 Tier 2: 10% Tier 3: 30% (\$600 per day max)	Tier 1: \$0 Tier 2: 10% Tier 3: 30% (\$600 per day max)
<b>OTHER</b>												
Certain durable medical equipment	\$0	\$0	Not Covered	Not Covered	10% coinsurance	30% coinsurance	30% coinsurance	10% coinsurance	10% coinsurance	30% coinsurance	Tier 1: \$0 Tier 2: 10% Tier 3: 30%	Tier 1: \$0 Tier 2: 10% Tier 3: 30%
Optical (eyewear)	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered				
Vision exam (Screening is covered through preventive care)	\$10	\$25	\$0	\$0	10% coinsurance up to 20 visits	30% coinsurance up to 20 visits	30% coinsurance up to 20 visits	\$0	\$0	10% coinsurance up to 20 visits	Tier 1: \$0 Tier 2: NA Tier 3: NA	Tier 1: \$0 Tier 2: NA Tier 3: NA
Chiropractic Care	Not Covered	Not Covered	\$10 up to 30 visits	\$10 up to 30 visits	10% coinsurance up to 20 visits	30% coinsurance up to 20 visits	30% coinsurance up to 20 visits	\$10 up to 30 visits	\$10 up to 30 visits	30% coinsurance up to 20 visits	\$5 up to 30 visits	\$5 up to 30 visits
Home health care (up to 100 two-hour visits per cal year)	\$0	\$0	\$10	\$25	10% coinsurance	10% coinsurance	10% coinsurance	10% coinsurance	10% coinsurance	10% coinsurance	Tier 1: \$25 Tier 2: 10% Tier 3: Not Covered	Tier 1: \$25 Tier 2: 10% Tier 3: Not Covered
Hospice care	\$0	\$0	\$0	\$0	10% coinsurance (unless prior authorization)	10% coinsurance (unless prior authorization)	10% coinsurance (unless prior authorization)	Tier 1: \$0 Tier 2 & 3: Not Covered (unless prior authorization)	Tier 1: \$0 Tier 2 & 3: Not Covered (unless prior authorization)			
<b>MONTHLY RATES</b>												
Subscriber Only	1/1/10 Rate	7/1/10 Rate	1/1/10 Rate	7/1/10 Rate	1/1/10 Rate	7/1/10 Rate	1/1/10 Rate	1/1/10 Rate	1/1/10 Rate	1/1/10 Rate	1/1/10 Rate	7/1/10 Rate
Family Coverage	\$484.06	\$460.66	\$540.20	\$509.86	\$750.02	\$707.72	\$750.02	\$707.72	\$750.02	\$707.72	\$750.02	\$707.72
Percent Increase (Decrease)	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%
Family Coverage	\$1,205.20	\$1,145.58	\$1,387.72	\$1,308.76	\$1,927.48	\$1,816.80	\$1,927.48	\$1,816.80	\$1,927.48	\$1,816.80	\$1,927.48	\$1,816.80
Percent Increase (Decrease)	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%

Please note: this exhibit assumes the City of San Jose will not adopt Mental Health and Substance Abuse plan parity until January 2017. Also note the Kaiser Plans include a \$500 hearing aid allowance every 36 months.

City of San Jose  
Blue Shield - Retiree Employees Alternate Health Plan Designs

	\$5 Plan (Current)	\$5 Plan Renewal	Blue Shield HMO \$10 Plan	\$25 P-L-A-N (In network of networks)	Blue Shield PPO (In network of networks)	PPO-COB \$10 Plan (Current) (In network of networks)	PPO-COB \$10 Plan 2011 (In network of networks)	PPO-COB \$15 PLAN (In network of networks)
Medical Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pharmacy Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Out-of-Pocket Maximum	\$1,000 Individual \$2,000 Family	\$1,000 Individual \$2,000 Family	\$1,000 Individual \$2,000 Family	\$1,000 Individual \$2,000 Family	\$2,000 Individual \$4,000 Family	\$2,000 Individual \$4,000 Family	\$2,000 Individual \$4,000 Family	\$2,000 Individual \$4,000 Family
<b>IN THE MEDICAL OFFICE</b>								
Office visits	\$5	\$5	\$10	\$10	30% coinsurance Not Covered	30% coinsurance Not Covered	30% coinsurance Not Covered	30% coinsurance Not Covered
Preventive exams	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Maternity/Pre-natal care	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Vaccines (immunizations)	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Allergy injections	\$5	\$5	\$10	\$10	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Infertility services	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered
Chiropractic, acupuncture, and speech therapy	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Mental Health and Sub.	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
MANIC/PTET	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Outpatient Surgery	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
<b>EMERGENCY SERVICES</b>								
Emergency Department visits ( waived if admitted directly to hospital)	\$50	\$50	\$50	\$50	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
Amulance	\$50	\$50	\$50	\$50	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
<b>ADMISSIONS (30 day supply)</b>								
Generic	\$5	\$5	\$5	\$5	25% plus \$5 Not Covered			
Brand-name	\$10	\$10	\$10	\$10	25% plus \$10 Not Covered			
Non-formulary brand-name	\$15	\$15	\$15	\$15	25% plus \$25 Not Covered			
Maximum 100 Day supply	2x retail	2x retail	2x retail	2x retail	2x retail copay	2x retail copay	2x retail copay	2x retail copay
Physician's services, noon and board, tests, medications, supplies, therapies	\$0	\$0	\$0	\$0	30% coinsurance (\$600 per day max) Not Covered			
Student nursing facility care	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
<b>MENTAL HEALTH SERVICES</b>								
In the medical office (non-severe) (up to 20 visits per calendar year)	\$25	\$25	\$25	\$25	30% coinsurance (\$600 per day max) Not Covered			
In the hospital (severe/acute only)	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
<b>CHEMICAL DEPENDENCY SERVICES</b>								
In the medical office (non-severe) (up to 20 visits per calendar year; under the Blue Shield plans combined with Mental Health visits; no limit applies to the 20 visit limit)	\$25	\$25	\$25	\$25	30% coinsurance (\$600 per day max) Not Covered			
In the hospital (severe/acute only)	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
<b>OTHER</b>								
Other (non-medical equipment)	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered
Other (medical equipment)	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered
Vision exam	\$0	\$0	\$0	\$0	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered	10% coinsurance Not Covered
(covering is covered through preventive care)	\$0	\$0	\$0	\$0	Not Covered	Not Covered	Not Covered	Not Covered
Home health care (up to 30 visits)	\$10 up to 30 visits	Not Covered (unless prior authorization)						
Home health care (up to 100 two-hour visits per cal year)	\$0	\$0	\$0	\$0	10% coinsurance Not Covered (unless prior authorization)			
Hospital care	\$0	\$0	\$0	\$0	10% coinsurance Not Covered (unless prior authorization)			
<b>MONTHLY RATES</b>								
Subscriber only	\$172.08	\$172.08	\$172.08	\$172.08	2011 Proposed Rate	2011 Proposed Rate	2011 Proposed Rate	2011 Proposed Rate
Subscriber and dependent	\$644.24	\$644.24	\$644.24	\$644.24	\$1,213.04	\$1,213.04	\$1,213.04	\$1,213.04
Percent Increase (Decrease) compared to current	4.1%	4.1%	4.2%	4.2%	4.1%	4.1%	4.1%	4.4%

City of San Jose  
Kaiser - Retiree Employees Alternate Health Plan Designs

	California KPSS			Medicare Cost		
	\$0 Plan (Current)	\$0 Plan Renewal	\$10 Plan	\$25 Plan	\$0 Plan (Current)	\$0 Plan Renewal
Medical Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0
Pharmacy Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0
Annual Out-of-Pocket Maximum	\$1,500 Individual \$3,000 Family					
<b>IN THE MEDICAL OFFICE</b>						
Office visits	\$0	\$0	\$10	\$25	\$0	\$20
Specialty visits	\$0	\$0	\$10	\$25	\$0	\$20
Maternity / Prenatal care	\$0	\$0	\$0	\$5	\$0	\$0
Well-child preventative care visits	\$0	\$0	\$0	\$5	\$0	\$0
Vaccines (immunizations)	\$0	\$0	\$0	\$0	\$0	\$0
Allergy injections	\$0	\$0	\$5	\$5	\$0	\$3
Infertility services	\$0	\$0	\$10	\$25	\$0	\$20
Occupations, physical, and speech therapy	\$0	\$0	\$10	\$25	\$0	\$20
Most Labs and Xray	\$0	\$0	\$0	\$0	\$0	\$0
MRI/CT/PEY	\$0	\$0	\$10	\$25	\$0	\$20
Emergency services	\$0	\$0	\$10	\$100	\$0	\$50
<b>EMERGENCY SERVICES</b>						
Emergency Department visits ( waived if admitted directly to hospital)	\$0	\$0	\$0	\$50	\$0	\$50
Ambulance	\$0	\$0	\$0	\$0	\$0	\$0
Generic	\$5	\$5	\$5	\$10	\$5	\$5
Brand-name	\$5	\$5	\$5	\$25	\$5	\$25
Brand-name (Specialty)	\$5	\$5	\$5	\$25	\$5	\$25
Mail-order, 100 (Kaiser)	2x retail					
<b>HOSPITAL CARE</b>						
Physician services, room and board, tests, medications, supplies, therapies	\$0	\$0	\$0	\$100 per admit	\$0	\$100 per admit
Skilled nursing facility care (up to 100 days per benefit period)	\$0	\$0	\$0	\$0	\$0	\$0
<b>MENTAL HEALTH</b>						
Outpatient (in-network) (up to 20 visits per calendar year)	\$0	\$0	\$10 (\$5 group visits)	\$25 (\$10 group visits)	\$0	\$20 (\$10 group visits)
In the hospital	\$0	\$0	\$0	\$100 per admit	\$0	\$100 per admit
<b>CHEMICAL DEPENDENCY</b>						
In the medical office (non-waiver) (limit applies to the Kaiser plan)	\$0	\$0	\$10 (\$5 group visits)	\$25 (\$10 group visits)	\$0	\$20 (\$10 group visits)
In the hospital (Resubmission only)	\$0	\$0	\$0	\$100 per admit	\$0	\$100 per admit
<b>OTHER</b>						
Certain durable medical equipment	\$0	\$0	\$0	\$0	\$0	\$0
Optical (eyewear)	\$150 allowance every 24 months					
Chiropractic Care (services is covered through preventive care)	Not Covered					
Home health care (up to 100 two-hour visits per cal year)	\$0	\$0	\$0	\$25	\$0	\$20
<b>MONTHLY RATES</b>						
Medicare Rate - Single +1	\$429.78	\$464.15	\$443.02	\$744.91	\$617.54	\$800.92
Medicare Rate - Single +1	\$669.56	\$628.32	\$605.04	\$569.82	\$1,695.88	\$1,681.84
Percent Increase (Decrease) compared to current	NA	8.0%	-8.2%	-33.7%	8.0%	1.6%
Non-Medicare Rate - Single +1	NA	NA	NA	NA	NA	NA
Non-Medicare Rate - Single +1	NA	NA	NA	NA	NA	NA
Non-Medicare Rate - Single +2 or more	NA	NA	NA	NA	NA	NA
Percent Increase (Decrease) compared to current						

\*The Kaiser Northwest plan for non-Medicare members varies slightly from the plan design shown above: \$76 Emergency Room copay; \$19 Ambulance copay; \$20 copay for outpatient surgery; 50% copay for Infertility Eyewear not covered.  
Please note the Kaiser Plans include a \$500 hearing aid allowance every 36 months.

City of San Jose  
Kaiser - Retiree Employees Alternate Health Plan Designs

	Out of Area (OOA)			Northwest (KPSA)			Hawaii (KPSA)		
	\$0 Plan (Current)	\$0 Plan Renewal	\$10 Plan	\$5 Plan (Current)	\$5 Plan Renewal	\$10 Plan	\$5 Plan (Current)	\$5 Plan Renewal	\$10 Plan
Medical Claims Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pharmacy Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pharmacy Calendar Year Deductible	\$1,500 Individual \$3,000 Family	\$1,500 Individual \$3,000 Family	\$1,500 Individual \$3,000 Family	\$600 Individual \$1,200 Family	\$600 Individual \$1,200 Family	\$600 Individual \$1,200 Family	\$1,500 Individual \$4,500 Family	\$1,500 Individual \$4,500 Family	\$1,500 Individual \$4,500 Family
Annual Out-of-Pocket Maximum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Offices visits	\$0	\$0	\$10	\$0	\$5	\$10	\$0	\$5	\$10
Preventive exams	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maternity care	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well-child preventative care visits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vaccine (immunizations)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allergy injections	\$0	\$0	\$3	\$0	\$5	\$10	\$0	\$5	\$10
Infertility services	\$0	\$0	\$10	\$0	\$5	\$10	\$0	\$5	\$10
Occupational, physical, and speech therapy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mont Labs and Xray	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MRCT/PET	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Chiropractic	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Chiropractic (non-covered)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EMERGENCY SERVICES									
Emergency room (in-hospital)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Emergency room (out-of-hospital)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Emergency room (out-of-hospital) (waived if admitted directly to hospital)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AMBULANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Generic	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Brand-name	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Mail-order (brand name)	NA	NA	NA	NA	NA	NA	NA	NA	NA
Mail-order (generic)	NA	NA	NA	NA	NA	NA	NA	NA	NA
HOSPITAL CARE									
Physician's services, room and board, tests, medications, supplies, therapies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Skilled nursing facility care (up to 100 days per benefit period)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MENTAL HEALTH									
In the office (non-severe) (up to 100 visits per calendar year)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
In the office (severe) (up to 20 visits per calendar year)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
In the hospital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CHEMICAL DEPENDENCY									
In the medical office (non-severe) (no limit applies to the Kaiser plan)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
In the medical office (severe) (no limit applies to the Kaiser plan)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER									
Creditable durable medical equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Optical (eyewear)	\$150 allowance every 24 months	\$150 allowance every 24 months	\$150 allowance every 24 months	\$150 allowance every 24 months	\$150 allowance every 24 months	\$150 allowance every 24 months	No Charge for lenses; up to \$40 for frames or \$45 for contacts	No Charge for lenses; up to \$40 for frames or \$45 for contacts	No Charge for lenses; up to \$40 for frames or \$45 for contacts
Prescription (non-covered through preventive care)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Chiropractic Care	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	\$5 copay	\$5 copay	\$10 copay
Home health care (up to 100 two-hour visits per call year)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Home care (up to 100 two-hour visits per call year)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Medical Claims	\$512.22	\$577.82	\$833.32	\$418.15	\$437.10	\$418.15	\$288.95	\$341.26	\$338.71
Medical Rate - Single	\$1,625.04	\$1,745.04	\$1,670.04	\$818.42	\$874.20	\$816.30	\$588.80	\$682.52	\$671.42
Medical Rate - Single + 1	NA	NA	NA	NA	NA	NA	NA	NA	NA
Percent Increase (Decrease) compared to current	NA	8.0%	2.8%	-13.5%	6.7%	-0.4%	13.8%	10.4%	10.4%
Non-Medicare Rate - Single	NA	NA	NA	NA	NA	NA	\$541.68	\$684.76	\$651.74
Non-Medicare Rate - Single + 1	NA	NA	NA	NA	NA	NA	\$1,043.36	\$1,329.50	\$1,270.70
Non-Medicare Rate - Single + 2 or more	NA	NA	NA	NA	NA	NA	\$1,955.22	\$1,894.25	\$1,906.05
Percent Increase (Decrease) compared to current	NA	NA	NA	NA	NA	NA	22.7%	20.3%	17.3%

City of San Jose  
PacifiCare - Retiree Employees Alternate Health Plan Designs

	PacifiCare Retiree Medical Plans				
	Current Secure Horizons \$0 Plan	2011 Secure Horizons Renewal \$0 Plan	2011 Secure Horizons \$10 Plan	2011 Secure Horizons \$25 Plan	2011 Renewal Senior Supplement Plan
Medical Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0
Pharmacy Calendar Year Deductible	\$0	\$0	\$0	\$0	\$0
Annual Out-of-Pocket Maximum	\$6,700	\$6,700	\$6,700	\$6,700	\$0
<b>IN THE MEDICAL OFFICE</b>					
Office visits	\$5	\$5	\$10	\$25	\$0
Preventive exams	\$0	\$0	\$0	\$0	\$0
Maternity/ Prenatal care	NA	NA	NA	NA	NA
Well-child preventative care visits	NA	NA	NA	NA	NA
Vaccine (immunizations)	\$0	\$0	\$0	\$0	\$0
Allergy injections	\$0	\$0	\$0	\$0	\$0
Infertility services	NA	NA	NA	NA	NA
Occupations, physical, and speech therapy	\$5	\$5	\$10	\$25	\$0
Most Labs and Xray	\$0	\$0	\$0	\$0	\$0
MRI/CT/PET	\$0	\$0	\$0	\$0	\$0
Outpatient Surgery	\$0	\$0	\$0	\$0	\$0
<b>EMERGENCY SERVICES</b>					
Emergency Department Visits (valued if admitted directly to hospital)	\$50	\$50	\$50	\$50	\$0
Amulance	\$0	\$0	\$0	\$0	\$0
<b>PRESCRIPTIONS (31 day supply)</b>					
Tier 1 Preferred Generic	\$10	\$10	\$10	\$10	\$5
Tier 2 Preferred Brand	\$20	\$20	\$20	\$25	\$10
Tier 3 Non-Preferred	\$20	\$20	\$20	\$50	NA
Mail-order, 90 day supply	2x retail	2x retail	2x retail	2x retail	\$10/\$20/\$20
<b>HOSPITAL CARE</b>					
Physicians' services, room and board, tests, medications, supplies, therapies	\$0	\$0	\$0	\$100 per admit	\$0
Skilled nursing facility care	\$0	\$0	\$0	\$0	\$0
<b>MENTAL HEALTH</b>					
Inpatient	\$0	\$0	\$0	\$100 per admit	\$0
Outpatient	\$5	\$5	\$10	\$25	\$0
<b>CHEMICAL DEPENDENCY</b>					
Inpatient	\$0	\$0	\$0	\$100 per admit	\$0
Outpatient	\$5	\$5	\$10	\$25	\$0
<b>OTHER</b>					
Certain durable medical equipment	\$0	\$0	\$0	\$0	\$0
	\$130 allowance every 24 months; Up to \$175 contact lens allowance in lieu of eyewear allowance every 24 months	\$130 allowance every 24 months; Up to \$175 contact lens allowance in lieu of eyewear allowance every 24 months	\$130 allowance every 24 months; Up to \$175 contact lens allowance in lieu of eyewear allowance every 24 months	\$130 allowance every 24 months; Up to \$175 contact lens allowance in lieu of eyewear allowance every 24 months	\$125 allowance every 24 months
Optical (eyewear)	\$5	\$5	\$10	\$25	\$10
Vision exam	\$5	\$5	\$10	\$25	\$10
Chiropractic Care	\$5	\$5	\$10	\$25	\$10; 30 visits per Calendar Year, \$50 Max Benefit per visit
Home health care	\$0	\$0	\$0	\$0	\$0
Hospice care	\$0	\$0	\$0	\$0	\$0
<b>MONTHLY RATES</b>					
Medicare Rate - Single	\$444.55	\$489.02	\$481.81	\$385.48	\$432.40
Medicare Rate - Single + 1	\$889.10	\$978.04	\$963.62	\$790.96	\$864.80
Percent Increase (Decrease) compared to current		10.0%	8.4%	1.1%	9.3%

## ATTACHMENT C

The following is a summary of expected changes to the 2011 contracts for each health plan provider.

### Changes that Apply to All Medical Plan Providers

#### ***Patient Protection and Affordable Care Act (a.k.a. Health Care Reform) Required Changes***

- Coverage limit for adult children increasing from age 24 to age 26 with no requirement for full-time student status and no limitation due to marital status.
- Removal of lifetime coverage maximums.
- No rescissions in coverage other than for fraud or misrepresentation.
- Incorporates Non-Discrimination Rules (applies to \$25 copayment plans only)
- Preventive care and immunizations are covered at 100% (applies to \$25 copayment plans only)
- Choice of gynecologist or obstetrician without referral (applies to \$25 copayment plans only)
- Emergency services will be covered without a need for pre-authorization and will be treated as in-network for coverage purposes (applies to \$25 copayment plans only)
- New appeals process to include internal appeals and external review process (applies to \$25 co-payment plans only)
- Pediatricians may be designated as the primary care physician (applies to \$25 copayment plans only)
- Additional health plan reporting requirements (applies to \$25 copayment plans only)

#### ***Mental Health Parity Act Required Changes***

- Benefits limits for Mental Health and Substance Abuse services must be the same as the benefits limits for other medical/surgical services.

### Kaiser Permanente

- In response to California Senate Bill 630, coverage for reconstructive surgery will include medically necessary dental or orthodontic services that are an integral part of reconstructive surgery for cleft palate.
- Members will be eligible for reimbursement for specified travel and lodging expenses if they are referred for covered bariatric surgery to a facility that is 50 or more miles from where they live and if they receive prior authorization for the travel and lodging expenses and provide adequate documentation, including receipts. This change also applies to Medicare plans.



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Mark Danaj

**SUBJECT:** SEE BELOW

**DATE:** September 7, 2010

Approved: 

Date: 9/7/10

**COUNCIL DISTRICT:** N/A  
**SNI AREA:** N/A

**SUBJECT: AGREEMENT OR AGREEMENTS WITH DELTA DENTAL OF CALIFORNIA TO PROVIDE THIRD PARTY ADMINISTRATOR SERVICES AND GROUP DENTAL INSURANCE FOR EMPLOYEES, RETIREES AND THEIR DEPENDENTS AND BENEFICIARIES FOR THE PERIOD OF JANUARY 1, 2011 TO DECEMBER 31, 2015.**

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to:

- (a) Negotiate and execute one or two Agreements with Delta Dental of California to provide the dental insurance group plans listed below for employees, retirees, dependents and beneficiaries and support services for City's dental benefits program, for the period of January 1, 2011 to December 31, 2011, and to exercise up to four (4) one-year options to renew the Agreement or Agreements through December 31, 2015, for total costs for both dental insurance group plans not to exceed \$13,111,950 for the period of January 1 to December 31, 2011 and with annual cost adjustments for each subsequent year based on the number of enrollees in the plans, plan utilization and pursuant to collective bargaining agreements, for a total amount for both dental insurance group plans not to exceed \$68,521,282 for a potential five (5) year term, subject to the appropriation of funds by the City Council:
  - (1) Group Dental Service Contract for DeltaCare USA, a Dental Health Maintenance Organization (DHMO) Program for insurance and service costs not to exceed \$316,250 for the period of January 1 to December 31, 2011 and with annual cost adjustments for each subsequent year based on the number of enrollees in the plan and pursuant to collective bargaining agreements, for a total plan amount not to exceed \$1,652,679 for a potential five (5) year term, and

- (2) Group Administrative Services Only Contract issued by Delta Dental of California for the Delta Dental Preferred Provider Organization (PPO) Program for insurance and service costs not to exceed \$12,795,700 for the period of January 1 to December 31, 2011 and with annual cost adjustments for each subsequent year based on the number of enrollees in the plan, plan utilization and pursuant to collective bargaining agreements, for a total plan amount not to exceed \$66,868,602 for a potential five (5) year term;
- (b) Negotiate and execute any group plan or policy contracts, EOC documents, Business Associate Agreements, or other ancillary documents necessary to facilitate the above Agreement or Agreements for the period of January 1, 2011 to December 31, 2015; and
- (c) In the event that Delta Dental of California's proposed annual renewal rates are not acceptable by the City Manager, subject to the terms of City's collective bargaining agreements, authorize the City Manager to terminate the agreement(s) or group plan contract(s).

## **OUTCOME**

Approval of the recommendation will provide high quality and cost effective dental health benefits to City employees, retirees and their dependents and beneficiaries.

## **EXECUTIVE SUMMARY**

Staff initiated a request for proposal (RFP) process to select a Third Party Administrator (TPA), including a Preferred Provider Organization (PPO) dental network, for the City's self-insured dental indemnity plan and a dental insurance provider for the City's fully-insured Dental Health Maintenance Organization (DHMO) plan. (In a self-insured plan, the employer assumes the risk for participant claims; in a fully-insured plan, the carrier assumes the risk for participant claims.)

In addition to dental insurance coverage for employees and retirees, the RFP sought services related to participant outreach and support, ongoing plan maintenance, and administrative and other support for the City's benefits program, including:

- \$2,500 annual support for the City's Wellness Program,
- Seminars for City employees and retirees,
- Training for City benefits administration staff, and
- Written and electronic communication materials.

The RFP process involved convening an RFP Review Committee of key stakeholders, including representatives from labor associations and retiree associations, to identify issues, set objectives and establish vendor selection criteria. The Review Committee selected Delta Dental of California to provide all services related to the City's dental insurance benefits program.

As a result of the RFP selection process, staff is recommending that Council approve a resolution to authorize the City Manager to negotiate and execute one or two Agreements with Delta Dental for the period of January 1, 2011 to December 31, 2011, and to exercise up to four (4) one-year options to renew the Agreement or Agreements through December 31, 2015, to provide the following dental insurance services:

1. Delta Dental as the TPA and PPO dental network provider for the City's self-insured dental indemnity plan and
2. Delta Dental as provider of the DHMO plan for dental insurance services to City employees, retirees and their dependents and beneficiaries.

In addition, staff recommends that Council authorize the City Manager to negotiate and execute any group plan contracts, including EOC documents, Business Associate Agreements (to ensure protection of employee's protected health information), and any other ancillary documents required to facilitate the dental insurance services Agreement or Agreements from January 1, 2011 to December 31, 2015.

This RFP was successful in establishing stable and slightly-reduced TPA administrative costs for the indemnity plan over the five-year contract period, providing continued access to the Delta Dental PPO and Premier dental networks, reducing the DHMO plan cost by 7% with guaranteed premium rates in the first three (3) years, and establishing a renewal premium rate cap for the DHMO plan of 5% in the fourth and fifth years of the Agreement.

The average savings over the five-year contract period for the DHMO plan are approximately 3% with no reduction in service levels.

In addition, continuing to contract with our current dental insurance carrier will result in no provider disruption to employees, retirees and their dependents and beneficiaries. This RFP also secures participant access to Delta Dental's dental DHMO and PPO networks, which are the broadest in the state, and it secures the highest out-of-network discounts, which will result in continued low claims costs for the City and low out-of-pocket expenses and greater administrative ease for participants.

## **BACKGROUND**

The City currently provides its employees and retirees with two dental insurance plan options:

1. **Dental Indemnity Plan**: This is a self-insured, network-based dental program which includes a PPO network component, a Premier dental network which provides a discounted rate at the majority of dental offices in California and provisions for accessing services out of network (OON). The OON component of the indemnity plan allows participants the freedom to go to any dentist that they choose. The plan's TPA adjudicates claims, pays the providers and provides a PPO dental network and Premier network with provider discounts that typically reduce the out-of-pocket costs to plan participants and the City's claim costs. An indemnity plan has higher co-pays and premiums than a DHMO plan.

2. Dental Health Maintenance Organization (DHMO): This is a fully-insured dental insurance plan that provides a focused network of dental providers offering the full range of dental services for a reduced monthly premium and relatively small participant co-payments.

Delta Dental is currently the City's indemnity plan administrator and City's provider of the DHMO plan. Delta Dental has provided City's dental insurance programs since 1975, and the current group plans have been in operation since 2006.

Current participation, including both active employees and retirees, between the two plans is as follows:

<b>Plan</b>	<b>Employees</b>	<b>Retirees</b>	<b>Total Participants</b>	<b>% of Total</b>
Indemnity	5,210	4,235	9,445	94%
DHMO	499	95	594	6%
<b>Total</b>	<b>5,709</b>	<b>4,330</b>	<b>10,039</b>	<b>100%</b>

In order to maintain high quality and cost effective dental plans for all City beneficiaries, a request for proposals (RFP) was conducted earlier this year for both the indemnity and DHMO plans. The City encouraged potential providers to submit proposals for either or both plans.

The key objectives of the 2010 Dental Plan RFP were to:

- Establish stable and predictable administrative costs for the indemnity plan with emphasis on lowering cost while maintaining the same service levels.
- Continue to provide members with the broadest dental provider network possible in a high utilization area in California, especially in Santa Clara County.
- Establish a DHMO plan that is attractive enough to draw participants from the indemnity plan, creating savings for the City and the plan participants.

The RFP also requested dental plan providers to provide certain support services for participants and the City's benefits programs, including financial support for the City's Wellness Program as described above.

## **ANALYSIS**

### **Review Committee**

The Review Committee for the Dental Plan RFP consisted of representatives from Human Resources, bargaining units, City retirees, and Retirement Services.

Targeted Outreach

In order to solicit proposals from all interested providers, the City conducted a targeted outreach to dental providers by posting the RFP document on the City's BidSync website and in coordination with "eRFP," the web application of the City's benefits consultant, Buck Consultants. The RFP requested that responders submit separate proposals to the City for each dental plan they were interested in contracting for.

The City received proposals from the 11 providers shown in the table below.

	<b>Organization</b>	<b>Proposal for Indemnity Plan (PPO)</b>	<b>Proposal for DHMO Plan</b>	<b>Replicate Current Plan*</b>	<b>Interview Finalist</b>
1	CIGNA	X			
2	Aetna	X	X		X
3	Anthem BlueCross	X	X		X
4	Dearborn National	X			
5	<b>Delta Dental</b>	X	X	X	X
6	Dental Health Services		X		
7	Guardian	X	X		
8	Humana	X			
9	<b>MetLife</b>	X	X	X	X
10	Premier Access	X	X		
11	<b>United Health Care</b>	X	X		X

*\*Of the finalists, only Delta Dental and MetLife can match current DHMO plan design.*

Evaluation Criteria

The RFP was structured to mirror the following selection criteria developed by the Review Committee. It was the intent of the Review Committee to choose the best provider for each plan based on these selection criteria and to determine any gains in service and/or cost by consolidating contracts.

<b>Selection Criteria</b>	<b>Weight</b>
Cost/Value	35%
Network/Plan Design	35%
Quality	15%
Expertise	5%
Local Business Enterprise (LBE)	5%
Small Business Enterprise (SBE)	5%

Initial Evaluation and Elimination

The RFP review committee evaluated the proposals received for dental plan insurance services.

Five firms – CIGNA, Dearborn National, Guardian, Humana and Premier Access – were eliminated from further consideration due to significantly low matches to the current PPO top providers that participants use (25% or less PPO top provider match). The City’s PPO plan currently covers 94% of the total City’s dental enrollees. A low PPO network match can lead to significant service disruption for participants and higher claims costs resulting in higher premiums for the City and participants.

Dental Health Services submitted a proposal for the DHMO plan but had the lowest percentage of matches for DHMO top providers (less than a 20% match). Therefore, Dental Health Services was eliminated from further consideration due to its low DHMO top provider match.

Finalist Selection

The Review Committee invited Aetna, Anthem BlueCross, Delta Dental, MetLife and United Health Care for interviews with the Review Committee for both the indemnity and DHMO plans. After the interviews, the Review Committee members submitted individual rating sheets which rated the five finalists based on the selection criteria.

The evaluation team recommended the selection of Delta Dental to provide dental insurance services and to enter into agreements with the provider. The table below provides a summary of the evaluation that was conducted in accordance with the process set forth in the RFP:

**Dental PPO Plan - Review Committee Ratings**

Criteria	UHC	Anthem	Aetna	MetLife	Delta Dental
Cost/Value	158	177	152	158	177
Network/ Plan Design	150	98	85	136	207
Quality	54	58	59	50	83
Expertise	27	28	28	28	25
LBE	0	0	0	0	0
SBE	0	0	0	0	0
<b>Total</b>	<b>389</b>	<b>361</b>	<b>324</b>	<b>372</b>	<b>492</b>

**Dental HMO Plan - Review Committee Ratings**

Criteria	UHC	Anthem	Aetna	MetLife	Delta Dental
Cost/Value	82	115	99	169	165
Network/ Plan Design	67	43	53	122	210
Quality	54	57	58	62	84
Expertise	28	29	29	29	25
LBE	0	0	0	0	0
SBE	0	0	0	0	0
<b>Total</b>	<b>231</b>	<b>244</b>	<b>239</b>	<b>382</b>	<b>484</b>

### ***Indemnity Plan Selection***

The Review Committee unanimously determined that Delta Dental remains the most competitive indemnity plan TPA in terms of provider network and plan value.

The following information proved Delta Dental's indemnity plan proposal to be superior over the other providers' proposals:

- Delta Dental continues to offer the broadest network of contracted Santa Clara County and California dentists.
- Delta Dental continues to be the only provider who can guarantee "no balance billing" (i.e., Delta Dental's contracted dental providers are not allowed to charge patients for amounts above Delta Dental's negotiated fee schedule).
- Delta Dental's current Third Party Administrator fee will be reduced by 5%, from \$4.38 to \$4.16 per participant per month, guaranteed to remain the same for five years. This results in a net savings to City of approximately \$25,000 annually.

It is important to note that the Delta Dental TPA cost was not the lowest fee among the proposals. However, the TPA cost is very minimal in determining the total overall cost of a self-funded dental program. The dental provider network, which determines the cost of dental claims and impacts premium rates, is the more important cost driver.

The Review Committee, with the assistance of Buck Consultants, the City's benefits consultant and actuary for the dental program, determined that Delta Dental's PPO and Premier network discounts, resulted in the highest (29%) claims cost savings when both in-network and out-of-network discount data are analyzed for all finalists. The combined savings of the proposed lower TPA cost and the network discount savings resulted in Delta Dental's proposal for TPA and dental network provider being ranked as the lowest overall cost.

Therefore, selection of Delta Dental as the City's indemnity plan provider will secure slightly-reduced TPA administrative costs for the indemnity plan over the five-year contract period and will provide City employees and retirees with continued low-cost access to the Delta Dental PPO and Premier dental networks for the next five (5) years.

### ***Fully-Insured DHMO Plan Selection***

The Review Committee unanimously selected Delta Dental for the following reasons:

- Delta Dental was the only viable provider able to match the City's current DHMO plan design, which offers lower participant co-payments compared to other proposals. (MetLife was also able to match the current DHMO plan design; however, they were not willing to provide this plan to the City if the City did not also select their PPO plan.)
- Delta Dental offers no network or service disruption for participants. No other provider was able to come close to matching the provider network offered by Delta Dental.
- Delta Dental offers a 7% reduction in premium cost with a three-year premium rate guarantee of \$46.48, with caps on rate increases (a maximum of five percent) in years

four (4) and five (5). The average savings over the five-year contract period will be approximately 3%.

- While the Delta Dental DHMO premiums are higher than those of other finalists, the attractiveness of the plan's benefits and provider network is more likely to retain the current enrollment in the dental DHMO, which is expected to result in premium cost savings to the City and participants and out-of-pocket savings for a greater number of plan participants.

#### Summary of the Features of Delta Dental's PPO (Indemnity) and DHMO Plans

Attachment A provides a summary of the plan designs currently in place for the PPO and DHMO plans. The City's dental plan designs have remained the same for many years and will not change under the new Agreement or Agreements with Delta Dental. All benefited part-time and full-time City employees, along with their dependents are eligible for these plans. City retirees with at least five years of service are also eligible, along with their family members.

#### EVALUATION AND FOLLOW UP

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits division of Human Resources ensures that the City of San José employees and retirees receive high quality and cost effective benefits by subjecting benefit plan providers to regular competitive processes (usually every four years).

#### PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

All key stakeholders were invited to participate in the RFP process.

This recommendation was reviewed and unanimously supported by the Benefits Review Forum, consisting of representatives from all bargaining units, on June 23, 2010.

This memorandum is posted on the City's website for the September 21, 2010 Council Agenda.

**COORDINATION**

This memorandum has been coordinated with Retirement Services, the City Manager’s Budget Office and the Office of the City Attorney.

**COST SUMMARY/IMPLICATIONS**

The total cost for claims and administrative fees for the PPO indemnity group plan contracts with Delta Dental is estimated at \$12,795,700 for the 2011 plan year and an estimated total of \$66,868,602 over the five-year term of the Agreement or Agreements.

The total cost for the DHMO group plan contracts with Delta Dental is estimated at \$316,250 for the 2011 plan year and a total of \$1,652,679 for the five-year term of the Agreement or Agreements.

Incremental percentage increases of 1% in years two (2) and three (3) and 5% increases in years four (4) and five (5) have been added in by Staff to account for expected increases for the retiree population and/or possible increased hiring over the next five (5) year contract period as well as possible rate increases for the DHMO plan of a maximum 5% in years four (4) and five (5).

The 2011 annual cost for the two dental plans together are estimated at \$13,111,950 – a total of \$68,521,282 for both plans over the five-year term of the Agreement or Agreements. This cost represents a total savings to the City of approximately \$254,000 over the five-year term.

The Tables below summarize the savings to the City, employees and retirees with the recommended dental health plan providers.

<b>DHMO Plan</b>	<b>Current Plan</b>	<b>Proposed Plan<sup>1</sup></b>
Estimated Number of Employee and Retiree Enrollees (as of August 2010)	567	567
Monthly Composite Rate (Per Employee Per Month)	\$49.98	\$46.48
Annual Premium Cost	\$340,064	\$316,250
Savings Over Current		\$23,814
<b>Percentage Savings</b>		<b>7.5%</b>

<b>Indemnity Plan (PPO)</b>	<b>Current Plan</b>	<b>Proposed Plan<sup>1</sup></b>
Estimated Number of Employee and Retiree Enrollees (as of August 2010)	9,379	9,379
Monthly Administrative Rates (Per Enrollee Per Month)	\$4.38	\$4.16
<b>Total Annual Cost</b>		
Annual Administration (paid by City to the TPA)	\$492,960	\$468,200
Annual Claims	\$12,327,500	\$12,327,500
Annual Claims + Administration	\$12,820,460	\$12,795,700
Savings Over Current		\$24,761
<b>Percentage Savings</b>		<b>0.20%</b>

**BUGET REFERENCE**

The table below identifies the fund and appropriations and recommended appropriation actions to fund the indemnity and DHMO contracts recommended as part of this memo.

Fund #	Appn. #	Appn. Name	Total Appn. <sup>1</sup>	Amt. for Agmt.*	Proposed Budget (Page)**	Last Budget Action (Date, Ord. No.)
155	3223	Dental HMO Plan	\$337,500	N/A	XI-10	6/29/10, 28765
155	0482	Non-personal	\$596,993	N/A	XI-10	6/29/10, 28765
155	3222	Payment of Claims	\$11,044,800	N/A	XI-10	6/29/10, 28765

\* Agreement amounts are not specified at this time because premium payments will vary based on each year's (open) enrollment.

\*\* The 2010-2011 Adopted Operating Budget was approved on June 29, 2010.

Dental claims costs are currently expended in the Dental Insurance Fund and are offset by transfers in from the Federated Retirement Fund and the Police and Fire Retirement Fund. Included in the Health Premium budget in both retirement funds are the estimated costs associated with retiree dental insurance claims costs, \$2.5 million and \$3.6 million respectively. These expenditures flow through the Dental Insurance Fund to complete the payment to the TPA.

<sup>1</sup> Proposed Plan figures in Cost Summary tables are based on August 2010 enrollment estimates. 2010-2011 Adopted Budget actions, above, have not been updated to reflect the increase in staffing due to position restorations. Staff anticipates that the Adopted Budget Appropriations will be modified once enrollment figures have been adjusted. In addition, the Benefit Funds will be rebalanced in the 2009-2010 Annual Report, to be brought forward for City Council consideration in October 2010, to account for all final adjustments, including rate reductions in January 2011 and position restorations, approved in the 2010-2011 Adopted Operating Budget.

HONORABLE MAYOR AND CITY COUNCIL

September 7, 2010

**Subject: Approval of Resolution to Execute Agreement with Delta Dental of California**

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**CEQA**

Not a project, File No. PP10-068 (b), Municipal Code, Title 3.

/S/

MARK DANAJ

Director, Human Resources

For questions please contact Jeanne Groen, Benefits Manager, at (408) 975-1428.



## Choosing between a PPO and HMO dental plan



When it comes to dental health plans, you want benefits that fit the needs of you and your family. Each of Delta Dental's PPO and HMO plans offers comprehensive dental coverage while retaining quality care and excellent customer service. Each plan has its own advantages.

It comes down to cost versus choice. Our PPO plan gives you the widest selection of dentists though you may have higher out-of-pocket costs. With our HMO plan, you may have lower out-of-pocket costs, but your choice of dentists is more limited.

	<b>Delta Dental PPOSM (Indemnity Plan)</b> 800-423-8154	<b>DeltaCare® USA HMO (Prepaid plan)</b> 800-422-4234
<b>Features</b>	Administered by Delta Dental of California Group #2584 www.deltadentalins.com	Administered by DeltaCare USA Group #5643 www.deltadentalins.com
Dentist network	Freedom to choose any licensed dentist, anywhere in the world, each time you or a family member requires treatment. No referral required for specialty care.	Visit your assigned DeltaCare USA network dentist (primary care dentist) to receive benefits. Easy referrals to a large specialty care network (employee must be referred by assigned dentist).
Coverage	Employees incur the lowest out-of-pocket costs when services are received from a Delta Dental PPO network dentist. Greater costs may be incurred when services are provided by a Delta Dental Premier dentist or non-Delta Dental dentist. Basic benefits and routine services are generally paid at 85% when covered. No exclusions for pre-existing conditions or missing teeth.	Most diagnostic and preventive services are covered at 100%. When there is a copay, enrollees pay a fixed amount for each covered dental procedure. See dental plan copayment booklet.  No exclusion for pre-existing conditions or missing teeth.
General Cleanings/Exams	General cleanings/exams are allowed twice in a calendar year. Covered at 100% if provided by a Delta Dental PPO dentist. Covered at 85% when provided by a Delta Dental Premier or non-Delta Dental dentist.	General cleanings/exams are allowed twice in a calendar year at no cost. Two additional cleanings are available in the same calendar year for \$45 copay per cleaning.
Teeth Whitening	Not covered.	Teeth whitening (external bleaching – per arch) is covered at \$125 per arch when accessed from your primary care dentist.
Crowns & Bridges	Crowns are covered at 85%. Bridges covered at 65% if provided by a Delta Dental PPO dentist and at 60% when provided by a Delta Dental Premier or non-Delta Dental dentist.	When there is a copay, enrollees pay a fixed amount for each covered dental procedure. See dental plan copayment booklet.
Orthodontics	Must be medically necessary. Pays 60% up to a lifetime maximum amount of \$2,000 per covered person	Orthodontic takeover provision for enrollees who have started orthodontic treatment under another dental HMO or fee-for-service plan (this extends to new employees). Refer to the Evidence of Coverage for details.  The patient will be responsible for a copayment of \$1,000 for medically and non-medically necessary orthodontia Coverage is limited to once per eligible member per lifetime.
Nightguards	Not covered.	Nightguards are covered at a copay of \$95 when accessed from your primary care dentist.
Out-of-area Coverage	Can visit any licensed dentist.	Out-of-area (35 or more miles from assigned network dentist) emergency care allowance up to \$100 per incident.
Maximums	\$1,500	No annual deductible and no annual dollar maximums on general services.

### ELIGIBLE FAMILY MEMBERS (For both plans):

Legal spouse or domestic partner. Unmarried children under age 19 or to age 24 if FULL-TIME student and qualified as dependent under IRS Codes; or unmarried children incapable of self-support due to mental retardation or physical handicap. Proof of student status must be provided to Human Resources each year during Open Enrollment, beginning with year in which the child dependent turns 19 years of age. Proof of incapacity for self-support is required at age 19.

**CONTINUATION OF BENEFITS (COBRA)** For both plans: May continue under COBRA if certain requirements are met. You may opt to continue dental coverage under the City's plans by paying the entire premium each month, plus an administration fee. You must apply within 60 days of your loss of coverage.