Minutes – Benefits Fringe Committee Meeting - October 19, 2010

Location and Time: District Boardroom, 10:00 a.m. to 11:30 a.m.

Present: Jennifer Seibert, Debby Weintraub, Rick Greenspan, Peter Wantuch, Jerry Herman, David Betts, Trudy Largent, Ava Lee-Pang, Pat Jameson, Abigail Brewer, Diana Lara, Bob Frost (notes).

Agenda
- Announcements
- Benefits Budget In review
- 5 year trend
- Liability offsets
- What are other Community Colleges doing
- What ideas have we vetted as a committee
- How can we control our Rx Costs through Caremark?

Jennifer said, Today’s meeting will cover a variety of things. We will try to bring some context to where we’ve been and where we may be going. This is a shared discussion.

Jennifer then provided a handout and directed group’s attention to page 3 and also to slides on projection screen. (Page 3 has the meeting agenda.)

Announcements
Jennifer said, Just a few announcements. A reminder that Open Enrollment ends on 10/31. (She provided details on this.) She continued, Our next meeting is November 16 at which time we will review expenses details from unions. She provided a health care update (i.e., U.S. health care legislation) and said, We knew there would be changes as this rolled out; so for example the W2 reporting issue (i.e., where employer contributions to health benefits are listed on W2s) is deferred to 2012. Jennifer added, I suggest that Peralta act as if it’s really to be rolled out in 2011.

Jennifer said, in the remainder of this meeting we will look at items 2, 3, 4, and 5 on the agenda and Peter will share with us some ways Caremark is improving its networking with providers. She directed the group’s attention to p. 2 of the handout, “Benefits Budget – Where Are We Now?”, and to the accompanying slide on the screen. Projected benefits expenses 2010-2011: $25.6 million. YTD expenses (fiscal year): $5.69 million. Jennifer said, We’re 25 percent of the way through the year and have spent 22 percent of what was budgeted, but we’re not doing better than projected; some expenses have not come in yet; for example, a lot of retirees have not submitted documents for the Medicare Premium Reimbursement Program. She added, These figures and this graph (p. 2) represent everything, not just CoreSource and Kaiser.
Jennifer said, with regard to actuarial assumptions (p. 4 of handout): This is the basis upon which analysis is done to project what the district must set aside to cover future costs. The language here (i.e., on p. 4) is lifted from contracts. Jennifer read the last paragraph of p. 4: “In December 2005 the District issued OPEB bonds and placed $152 million in the Retiree Health Benefit Program Fund. The Fund is not classified as an irrevocable trust under GASB 45 and therefore is not included under GASB 45 accounting.”

Jennifer next referred to p. 5 of the handout, which contains the calculation 1400 (employees/retirees) multiplied by 14 (i.e., 14 data elements for each employee) = 20k data elements to review and verify - a lot to check!

Five Year Trend
Jennifer examined the material on the next page, which has the headline “Five Year Trend 2005-2010.” Details of where our expenses have been incurred. She said, We have a Delta Dental plan for faculty; we have some participation there. We essentially manage three dental plans with varying degrees of enrollment: Delta, United, and Assembly Bill 528 (AB 528). Brief discussion of AB 528.

Five years in review
Jennifer moved to the next slide (which is p. 7, “Costs by Year”). Rick asked some questions about this slide and Jennifer answered.

Liability Offsets
Next was an examination of p. 8, “Revenues.” Total revenue for fiscal year is $242,040.14. A discussion of what this figure represents.

Jerry, referring back to p. 7, said that a cursory look at the CoreSource figures reveals discrepancies in 2006-07. Discussion. Jennifer summarized, I can say that at the end of the day we still see incremental shifts.

Jennifer discussed p. 9 (“Other Revenues”). She went over each bullet point. She said, Bullet Point Number 2 (Early Retiree Re-Insurance) is a new one that we are anxiously awaiting. There is $5 billion in the pool. She described the application process for our share of this. Peter said, Item 2 is not going to be available on a year-to-year basis. Jennifer said, They’re looking at a three-year window; I have applied for the rebate; it’s worth maybe $100,000 per year for those years; the money doesn’t count until we receive it.

What are other CCD’s doing?
Jennifer said, At the last meeting we looked at the Bay 10 for comparison purposes and today we can look at community college districts state-wide; what are the districts doing in terms of caps and other issues. I was able to glean some details to put Peralta in perspective, based on a survey. Jennifer went over details of page 10. She said, Two factors are involved in caps. She explained these. She said, Among other community college districts, 53 percent are considering an increase to employee contributions and 47 percent are considering an increase to
co-pays. She said, The message is, about half of community college districts are re-evaluating what they’re doing in benefits area.

Peter said, I bet the figure (of how many districts are re-evaluating) would be 10 to 20 percent higher if we had fresh data. This is old data. Keenan did it. (i.e., Keenan & Associates.)

Ava said, It would be best to have a supporting list of which districts are involved.

Jennifer said, That’s proprietary. I thought I’d share just the general data. It’s not my data. I participate in this. My colleagues in other districts are answering the same kind of questions. It gives you context.

Ava said, I think more supporting documents are needed; who do you call (to get that)?

Peter said, I will make an offer. You give me the names of a dozen local community college districts, and in the winter, after the first of the year, I will contact them and report back to the group on what they’re actually doing so that we don’t use 12-month-old data.

Debby said, That would be helpful. I think part of what you want to look at is where are they salary-wise. That factors in, when you think about what a district is doing.

Trudy said, The information that Jennifer just presented is just a snapshot. We have always worked with the Bay 10. We wanted to go beyond that to bring in districts statewide. So this is a snapshot in time of 65 districts. It’s a huge task for anyone to survey a lot of these! So – maybe we can get data from Bay 10 plus ten additional.

What Ideas Have We Vetted?
Jennifer briefly discussed p. 11, “What are the Common HMO Co-Pays Among CCDs?” She then briefly examined p. 12, “Common PPO Features.” She said, These are results from the survey discussed earlier. She looked at p. 13, “What Have We Vetted,” which is a summary of various ideas that have come forth on topic of benefits. Jennifer said, We didn’t just start looking at this. We have been looking since April. Some of these ideas – a few of us have been here for discussion of each idea. In April we looked at early retirement; this was deemed not affordable. She went over various other ideas on p. 13 – what month they were proposed and status of the ideas. Discussion of: the dependent audit and its savings; mail order (Kaiser and others did special mailing) but net value unable to determine (Peter will talk about this); cash-in-lieu (includes about seven people); employees only (not popular); coordination with PERS (it’s administratively onerous, have to go on their schedule and enrollment window, and other issues; if we go to it, it probably costs more in the long run); change of life insurance vendor; excluding adjuncts; etc.
Debby said, If this is a document that’s being shown around I’d like it to be noted that PFT has never agreed that it’s a good idea to eliminate or exclude people from health care. I don’t want this document circulated with the implication that the union is considering this. The PFT does not endorse this idea!

Rick said, We’re in with changing vendors and the dependent audit, and the savings therein, but things like “employee only,” etc., those are not popular.

Debby suggested that we also consider a sliding scale benefit contribution similar to the University of California model.

**Future suggestions**

Trudy said, Is there a list of suggestions that Jennifer can be provided with so we can have the opportunity to look into them, through Peter and others? And bring back some of those ideas to these meetings? A list of some ideas. From anyone. We need time to at least do preliminary inquiries.

Jennifer said, I ask you to bring in ideas on every agenda. Which you often do. Please e-mail them.

Trudy said, If there is something happening in another district, or something that we’re not doing that we could explore, we would like to hear about it. That’s what this committee is about.

Pat said, The early retirement incentive program – PFT and 1021 did not favor that, is that correct? Why? Who would not favor that?

Diana said, It’s not true that we (1021) did not favor that.

Abigail said, It’s not true.

Jennifer said, There was a meeting where Keenan came forward, with PFT and 1021 representatives there, and I am refraining from naming names. There were three reasons why the early retirement program was deemed unpopular: One was that if there’s an early retirement program it puts an undue workload on the rest of us here. Another was that we can’t afford it. And another was if we change or alter our existing plans, those employees entitled to lifetime benefit will exercise their entitlement under the more liberal provisions.

Pat said, I think the whole picture should be reflected.

Debby said, I think Keenan’s plan was unpopular.

Pat said, It sounds like it’s popular now.
Jennifer said, There’s not the money now.

Rick said, It was rejected by Tom Smith due to lack of money.

Diana said, We didn’t say we weren’t in favor. We wanted to review it. There was nothing negative said about it from my recollection. They were talking about all these other cutbacks.

Jennifer said, We can’t afford it now and we couldn’t afford it then. We are where we are.

Prescription/Pharmacy Cost controls
Peter now introduced a list of solutions Peralta can implement effective 9/1/2011 to reduce pharmacy costs associated with prescription benefits. He handed out a sheet with four ideas and discussed each one in turn.

Item 1, PCCD can move to a CoreSource/Caremark PBM contract that’s being created. (Caremark is part of CoreSource.) Current benefits will remain the same; deeper discounts and improved rebates will go into effect; savings of $80,000 annually in Peralta’s annual drug expenditure. Peter described Item 1 as “low-hanging fruit,” i.e., easy to grab. He emphasized that Item 1 represents no change in benefits.

Rick said, Why wait to 2011? PFT is for it, if it doesn’t change benefits!

Jerry said, Yes, we would be too.

Peter said, I will pursue this and try to make it happen as soon as possible.

Rick: We’re on it!

Trudy: No brainer!

Jennifer: I thought the earliest opportunity was a year from now.

Peter: I will pursue this with all speed.

Peter turned to Item 2, increasing co-pays. He provided some background and said, Most organizations are going to $15 to $20 or more. He provided some details. He then provided a summary of Item 3, a generic incentive plan, and discussed how Items 2 and 3 could fit together.

Rick asked for clarification on when this would kick in. Considerable discussion followed of the intricacies of the generic vs. brand name drug realm, such as the DAW factor (“dispensed as written,” which doctors write on Rx forms). Peter noted that a prescription drug has to be proved efficacious by the FDA while a
generic drug differs slightly in what the FDA asks of it. Debby asked if the proposed new drug policy (Items 2 and 3) would apply to hospital patients; Peter said this is for outpatients and also noted that 90 percent of all Kaiser drugs are dispensed as generic. Rick and Peter engaged in a back-and-forth about what the contract stipulates presently and about DAW. Jennifer provided background on Caremark timing. Peter and committee members discussed the fact that there’s a constant flow of drugs from brand name status to generic, for example Claritin.

Peter said, speaking of Item 3, This is an incentive that I would again call low-hanging fruit. Ava asked for further clarification on generics vs. brand name drugs, and the DAW issue, and what happens at the pharmacy level when drugs are dispensed in terms of how much the consumer needs to know. Peter noted the value of helping consumers be informed, and emphasized the value of getting across to people that just because it’s a brand name drug, does that really make it more medically valid? Ava asked, How would I know that? Peter said that consumers getting prescriptions filled could learn to be more savvy, learn to do things at the front end in terms of asking for generics, and this would save money for the district and save jobs.

Peter turned to Item 4. He said, This would not affect benefits, it is simply creating a smaller pharmacy network that people could use, one that would exclude Walgreen’s and others. Peter said, In my opinion this is the most difficult to swallow. Discussion ensued. Rick said, This is my least favorite (of these four ideas). David said, I’m in that group, I don’t like Item 4 either; he noted the value of Walgreen’s national network for purposes of buying while traveling. Peter said, If I were picking my battles – I’d say number 1 I’d fight for and I’m strong on number 3. I put a lot of stock in number 3 and incentives to buy generics.

Jennifer said, Does this (Item 3?) involve retirees?

Peter said, Could be!

Jerry: No way!

Discussion ensued of retirees and actives. Peter said, I’m just pleading for money for Peralta. Maybe we can approach retirees! Ava said, Yeah right. Peter said, It’s low-hanging fruit! Jerry said, If you want to change anything for retirees, bear in mind, every retiree is an independent contractor. Nothing can be imposed on retirees.

Peter said, I know that. Let’s go on to Kaiser. I beg your indulgence on this topic. There’s nothing in writing; we’ll have that soon; today I will give this verbally. Jennifer doesn’t know I’m going to talk about this. Currently Kaiser has a $10 co-payment for generic, a $15 co-payment for branded, for a 100 day supply. Peter then supplied details on CoreSource which offers a 30 day supply. Peter continued, There’s a lot of waste with the Kaiser 100 day supply; a lot of pills get flushed down the toilet and fish are glowing. We’re looking at a Kaiser alternative
that includes moving to mail order for getting a 100 day supply. 90 to 95 percent of Kaiser drugs are generic. Peter offered details on potential savings and used phrase low-hanging fruit. Rick said, Can we get it in writing? Peter said, Yes.

More discussion of generic vs. brand name drugs.

Pat said, If this group feels OK about 1 through 3, that would save $275K. Peter said that 3 is a philosophy change and 2 is a benefit change. Debby said, I think 2 would definitely have to be negotiated and same with 3. Rick said, I don’t think 3 would save $118,000. Peter said, Analysis bears out these numbers. Debby said, Some doctors prescribe brand name only. Peter said, Kaiser is delivering 90 to 95 percent of their drugs as generics. Debby said, I think 3 would require a lot of education; answering questions about, are you getting something different; and in terms of savings, we can’t count on the retirees going along. So when you say $250K – if you then remove the retirees – are you really saying $125K? Peter said, It’s 80K on number 1. We’ll get that quickly. I’m pleading to Jerry for the retirees (to sign onto 3?).

Miscellane
Diana asked, We got $800K from the audit. Where are all these cost savings going to?

Jennifer said, It’s not savings, it’s money not being spent. Rebate is hard money. The savings reduce our expenses.

Pat said, Can the $800K be credited to the increase in health benefit costs?

Jennifer said, That was a one-time thing. She said, The next meeting is November 16.

Trudy said, Remember to send those ideas to Jennifer!

-End of Minutes-
Agenda

1. Announcements
   - Open Enrollment
     - 10/31/10 quickly approaching; changes effective 1 1 11
   - Next Mtg 11 16; expect expenses detail by union
   - Health Care Reform Update-W-2 reporting deferred
   - Actuarial Study-Bartels

2. Benefits Budget YTD

3. 5-year trend
   - Graphs & details

4. Liability Offsets

5. Other Community College Districts
   - Common HMO Co-pays
   - Common Features

6. What have we vetted?

7. PSW - Caremark
Benefits Budget-where are we now?

<table>
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<tr>
<th>Projected 2010-2011</th>
<th>YTD Expenses (7/1/10 - 9/30/10)</th>
<th>% of planned expense</th>
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<tbody>
<tr>
<td>25,800,000.00</td>
<td>5,690,000.00</td>
<td>22%</td>
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FY 2010-2011 Expenses

Benefits Fringe Committee Meeting
October 17, 2010
Actuary Assumptions

Background

The District provides a contribution toward retiree medical premiums for employees who retire from the District with 10 years of service (5 years of service for Peralta Federation of Teachers members hired prior to July 1, 2004). The District pays the full premium for life for retirees hired prior to July 1, 2004 and until age 65 for retirees hired on or after July 1, 2004. Surviving spouses of retirees can elect coverage by paying the full premium. Healthcare benefits are provided through CoreSource and Kaiser. The District pays Medicare Part A and B premiums for retirees who are eligible for District paid benefits. The District provides retiree life insurance up to age 66 in the amount of 1.5 times final pay with a maximum of $100,000 of coverage.

In December 2005 the District issued OPEB bonds and placed $152 million in the Retiree Health Benefit Program Fund. The Fund is not classified as an irrevocable trust under GASB 45 and therefore not included under GASB 45 accounting.
Actuarial Census Data
1400 x 14 = a lot of data elements

- Active and retired participant data in electronic format (Excel workbook):
  - Active Data - name, employee number, gender, birth date, hire date, medical plan, single/2-party/family coverage, pension plan (CalPERS or CalSTRS), bargaining or employee group, spouse's birth date (if available), and annual base compensation. Include any active employees who have waived healthcare coverage.
  - Retiree Data - name, employee number, gender, birth date, hire date, retirement date, medical plan, single/2-party/family coverage, Medicare Part A reimbursement, Medicare Part B reimbursement, pension plan (CalPERS or CalSTRS), bargaining or employee group, spouse's birth date (if available), and whether the participant is a former employee or surviving spouse. In order to maintain confidentiality, we will not accept Social Security Numbers for the employee number.
To be revised for clarity and to match pg 7.
## Costs by year

<table>
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<tr>
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<tbody>
<tr>
<td>Dental AB 528</td>
<td>1,538.00</td>
<td>1,077.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Delta Dental</td>
<td>873,098.00</td>
<td>930,286.00</td>
<td>1,109,904.00</td>
<td>1,109,202.00</td>
<td>112,565.00</td>
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<td>Kaiser-ATL</td>
<td>2,545.00</td>
<td>2,747.00</td>
<td>5,252.00</td>
<td>8,285.00</td>
<td>153,966.00</td>
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<td>Kaiser-WA</td>
<td>2,353.00</td>
<td>1,899.00</td>
<td>9,348.00</td>
<td>18,683.00</td>
<td>13,556.00</td>
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<td>Kaiser-CA</td>
<td>5,108,114.00</td>
<td>6,296,270.00</td>
<td>6,871,705.00</td>
<td>8,061,101.00</td>
<td>8,227,875.00</td>
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<td>CoreSource/Caremark/Spectera</td>
<td>15,854,470.00</td>
<td>9,660,828.00</td>
<td>10,281,406.00</td>
<td>10,426,966.00</td>
<td>12,311,206.00</td>
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<td>Stop-Loss</td>
<td>415,958.00</td>
<td>494,580.00</td>
<td>561,529.00</td>
<td>674,157.00</td>
<td>712,596.00</td>
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<td>CoreSource Admin</td>
<td>141,952.00</td>
<td>291,241.00</td>
<td>295,376.00</td>
<td>381,252.00</td>
<td>365,043.00</td>
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<td>Benefit Dynamics</td>
<td>62,463.00</td>
<td>22,514.00</td>
<td>18,968.00</td>
<td>21,044.00</td>
<td>21,424.00</td>
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<td>Employee Assistance Program</td>
<td>18,810.00</td>
<td>32,665.00</td>
<td>23,301.00</td>
<td>26,828.00</td>
<td>22,532.00</td>
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<td>Life/LTD</td>
<td>289,885.00</td>
<td>505,938.00</td>
<td>486,753.00</td>
<td>496,670.00</td>
<td>495,493.00</td>
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<td>United Health Care Dental</td>
<td>2,400.00</td>
<td>10,740.00</td>
<td>20,121.00</td>
<td>19,651.00</td>
<td>19,803.00</td>
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<td>Medicare A &amp; B</td>
<td>506,965.00</td>
<td>662,118.00</td>
<td>744,426.00</td>
<td>900,693.00</td>
<td>897,316.00</td>
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<td><strong>TOTAL</strong></td>
<td>23,280,551.00</td>
<td>18,912,903.00</td>
<td>20,427,189.00</td>
<td>22,144,532.00</td>
<td>23,353,375.00</td>
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<td><strong>Increase over prior year</strong></td>
<td>23,300,000.00</td>
<td>18,900,000.00</td>
<td>20,400,000.00</td>
<td>22,100,000.00</td>
<td>23,400,000.00</td>
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<td><strong>% increase over prior year</strong></td>
<td></td>
<td></td>
<td>1,500,000.00</td>
<td>1,700,000.00</td>
<td>1,300,000.00</td>
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Revenues

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<thead>
<tr>
<th>Date</th>
<th>Amount of Deposit</th>
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<td>7/12/2010</td>
<td>$37,398.14</td>
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<tr>
<td>7/27/2010</td>
<td>$16,056.90</td>
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<tr>
<td>8/12/2010</td>
<td>$30,113.20</td>
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<tr>
<td>8/23/2010</td>
<td>$66,131.86</td>
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<tr>
<td>9/24/2010</td>
<td>$92,360.04</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$242,040.14</strong></td>
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Benefits Fringe Committee Meeting
October 17, 2010
Other Revenues

- Medicare Drug Subsidy $250k
- Early Retiree Re-insurance application pending $100k
- They do not count until we receive them.
What are the 65+ CCD’s doing?

- 53% of the CCD’s have a CAP
  A CAP is defined here as a fixed, negotiated dollar amount, but does not include a limit based on a variable premium rate or other benchmark amount that may adjust from year to year.
- 53% are considering increase to employee contributions
- 47% are considering increase to co-pays

2009-2010 Employee Benefits Survey
Keenan & Associates

Benefits Fringe Committee Meeting
October 17, 2010
What are the common HMO CO-pays among CCD’s

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<th>HMO Co-pays</th>
<th># of Districts</th>
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<tbody>
<tr>
<td>0</td>
<td>7</td>
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<tr>
<td>5</td>
<td>13</td>
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<td>10</td>
<td>8</td>
</tr>
<tr>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>25</td>
<td>2</td>
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<tr>
<td>Average In-Network Benefit</td>
<td>Average Deductible</td>
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<tr>
<td>----------------------------</td>
<td>--------------------</td>
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<tr>
<td>90%</td>
<td>300</td>
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## What have we vetted

<table>
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<tr>
<th>Date</th>
<th>Idea</th>
<th>Outcome/Rationale/Consideration</th>
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<tbody>
<tr>
<td>April</td>
<td>Early retirement incentive program</td>
<td>Unaffordable, PFT and 1021 did not favor in our April 2010 meeting</td>
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<td>April</td>
<td>Dependent Audit</td>
<td>Savings of $800k, one time</td>
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<tr>
<td>March</td>
<td>Promote and increase use of mail order</td>
<td>Unable to determine</td>
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<tr>
<td>March</td>
<td>Increase cash-in-lieu benefit from $30 - $300</td>
<td>Unable to determine</td>
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<tr>
<td>April</td>
<td>PCCD Pays for employee only, employee pays for all dependents</td>
<td>Not popular</td>
</tr>
<tr>
<td>April &amp; September</td>
<td>PCCD Pays for 100% of HMO costs only</td>
<td>Under consideration - further discussion</td>
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<tr>
<td>July</td>
<td>Coordinate with PERS</td>
<td>PERS premiums are higher, would cost us more, administratively onerous</td>
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<tr>
<td>September</td>
<td>Change vendors for the Life and LTD insurance</td>
<td>Savings of $160k, one time</td>
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<tr>
<td>August/September</td>
<td>Exclude adjuncts</td>
<td>We are not getting state subsidy on this</td>
</tr>
<tr>
<td>August/September</td>
<td>Substantial plan design change, PCCD absorbs increase; copays &amp; deductibles go up</td>
<td>Under consideration - further discussion</td>
</tr>
<tr>
<td>October</td>
<td>CAP dental contribution at the UHC Rate</td>
<td>Under consideration</td>
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<tr>
<td>October</td>
<td>Review of Prescription Drug Benefits</td>
<td>Under consideration - PSW</td>
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## District Expenses for Actives

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<thead>
<tr>
<th>Plan</th>
<th>Expenses for Actives</th>
<th>Expenses for Actives</th>
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<tbody>
<tr>
<td>Kaiser</td>
<td>44,686,127.50</td>
<td>374,427.29</td>
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<tr>
<td>Coresource Claims</td>
<td>46,646,344.50</td>
<td>337,956.38</td>
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<td>Caremark</td>
<td>1,902,911.00</td>
<td>1,386,877.58</td>
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<td>Coresource Admin</td>
<td>184,946.50</td>
<td>15,378.98</td>
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<td>Wellpoint</td>
<td>20,719.00</td>
<td>1,726.88</td>
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<td>Stop Loss</td>
<td>336,205.60</td>
<td>30,433.79</td>
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<tr>
<td>UHC</td>
<td>22,597.91</td>
<td>1,883.16</td>
</tr>
<tr>
<td>Delta Dental</td>
<td>1,113,896.00</td>
<td>92,832.75</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>230,000.00</td>
<td>16,886.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,948,344.91</strong></td>
<td><strong>1,079,112.08</strong></td>
</tr>
</tbody>
</table>

**Expense to the district in July 2011**

<table>
<thead>
<tr>
<th><strong>Plan</strong></th>
<th><strong>1,079,112.08</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expense to the district in August 2011</strong></td>
<td>1,079,112.08</td>
</tr>
</tbody>
</table>

**FY 2011-2012 Estimated Expense for Actives**

- 10% increase to the district effective 9/1/10
- New active costs

- New monthly expense for Actives
  - **1,137,023.28** for 2011 forward

*Final Costs to the District are contingent on enrollment, usage, and timing of bills submitted by providers—12-month run out*
PSW Benefit Resources

- Prescription Drug benefits for all run about $3m+ year
Jennifer Seibert

From: Jennifer Seibert
Sent: Tuesday, November 02, 2010 4:14 PM
To: Jennifer Seibert
Subject: Pharmacy Savings Options for Peralta Community College

CAREMARK RX SAVINGS SUGGESTIONS
1) Upon the September 2011 renewal Peralta CCD can move to a CoreSource/Caremark PBM contract being created for Sept 1st 2011. The current benefits will remain the same but there will be deeper discounts and improved rebates which are projected to save $80,000 (or 2.4% in annual savings) of Peralta’s annual drug expenditure.

2) By increasing the current copays of retail pharmacy $10/$15 up to $15/$20 and mail order $5/$5 for either generic or brand up to $10/$10 = $77,127 (or 2.2% in annual savings). Total Member cost share goes from 4% to 5% of the total pharmacy expense.

3) If Peralta made the above copay change in combination with adding "DAW2 generic incentive logic" the plan savings are = $118,361 (or 3.3% in annual savings).
"DAW2 generic incentive logic" says: if the member insists on brand when a generic drug is available, the member pays the brand copay plus the difference in cost between brand and generic.

4) Preferred Choice Network – a smaller pharmacy network that offers slightly deeper discounts. This network is projected to save Peralta CCD $33,500 (or 1% in annual savings). This smaller pharmacy network includes CVS, Wal-Mart, Costco, K-Mart, and various grocers and independents. It does not include Walgreen’s, Rite Aid, or Target.

Total projected savings with all of the above solutions combined is $308,888 (or 9% in annual savings).

KAISER RX SUGGESTIONS
If Peralta were to switch from the current $10/$15 copayments (for generic and brand name respectively) for up to a 100 day supply of prescription drugs to a $10/$20 Rx benefit for up to a 100 day supply of prescription drugs, that would reduce the estimated 9/1/11 renewal rates by approximately 0.38%. (effect to only active ees/deps @ $24,570)

If Peralta were to switch from the current $10/$15 copayments (for generic and brand name respectively) for up to a 100 day supply of prescription drugs to a $10/$25 Rx benefit for up to a 100 day supply of prescription drugs, that would reduce the estimated 9/1/11 renewal rates by approximately 0.65%. (effect to only active ees/deps @ $42,027)

If Peralta were to switch from the current $10/$15 copayments (for generic and brand name respectively) for up to a 100 day supply of prescription drugs to a $15/$30 Rx benefit for up to a 100 day supply of prescription drugs, that would reduce the estimated 9/1/11 renewal rates by approximately 1.20%. (effect to only active ees/deps @ $77,589)

11/2/2010
If Peralta were to switch from the current $10/$15 copayments (for generic and brand name respectively) for up to a 100 day supply of prescription drugs to a $10/$20 Rx benefit for up to a 30 day supply of prescription drugs with a $20/$40 MOI, that would reduce the estimated 9/1/11 renewal rates by approximately 1.46%. (effect to only active ees/deps @ $94,400)

If Peralta were to switch from the current $10/$15 copayments (for generic and brand name respectively) for up to a 100 day supply of prescription drugs to a $10/$25 Rx benefit for up to a 30 day supply of prescription drugs with a $20/$50 MOI, that would reduce the estimated 9/1/11 renewal rates by approximately 1.80%. (effect to only active ees/deps @ $116,383)