buckconsultants

A Xerox Company

Date: November 12, 2013

To: Charles Calvi

From: Tom Tomczyk

Re: Rate adjustments

I began working with OGB in 2006 when I was with Mercer. The first rate projections we were asked to provide were for Fiscal Year 2007/2008. Since I joined Buck In October 2009, I do not have any of the history of rate projections prior to Fiscal Year 2010/2011. This history remains with Mercer. I do recall that our rate projection estimates were viewed as recommended adjustments, but were not always implemented.

Below is a summary of the rate recommendations for Fiscal Year 2010/2011 and beyond.

Fiscal Year 2010/2011

Fiscal Year 2010/2011 was the year that OGB awarded the HMO plan administration to BCBSLA. During the NIC process we determined based on the data provided by BCBSLA and other carriers that cost savings due to better provider discounts would save OGB about 4.3% compare to the current HMO plan administrator. This savings was factored into our rate projections and we recommended a 3% rate increase. This increase was implemented by DOA.

Fiscal Year 2011/2012

Early in 2011 OGB was exploring changing the plan year to calendar year to take full advantage of an EGWP program for Medicare retirees. As a result, we provided a number of rate adjustment projections for both a 12 month and 18 month period effective July 1, 2011. We quoted a 5.6% increase for the 12 month period July 1, 2011 through June 30 2012. Later in the year DOA decided that they wanted to move to a calendar year plan year and we were asked to provide a projected rate adjustment for the period January 1, 2012 through December 31, 2012. At the time we provided this updated projection we had sufficient information on the full impact of moving to BCBSLA. We found that the move to BCBSLA resulted in cost savings of around 7%, almost 3% higher than the data from the NIC indicated. Based on this information, and the fact that rates were already increased July 1, 2011, we recommended a 2.25% decrease for calendar year 2012. We learned later that DOA implemented a 5% increase effective January 1, 2012.

We have not been asked to provide recommendations for rate adjustments since calendar year 2012.

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A Xerox Company

Date: 9/28/2014

To: Susan West

From: Tom Tomczyk

Re: Rate adjustments

Below is a summary of the rate recommendations we made beginning with Fiscal Year 2010/2011. Also attached are the supporting documents for these recommendations.

Fiscal Year 2010/2011

Fiscal Year 2010/2011 was the year that OGB awarded the HMO plan administration to BCBSLA. During the NIC process it was determined that the cost savings due to better provider discounts would save OGB about 4.3% compared to the current HMO plan administrator (based on the data provided by BCBSLA and other carriers). In April 2010, based on awarding the HMO contract to BCBSLA and the elimination of the EPO plan, we recommended a 0.9% rate adjustment.

Fiscal Year 2011/2012

Early in 2011, OGB was exploring changing the plan year from a fiscal year to a calendar year to take full advantage of an EGWP program for Medicare retirees. As a result, we provided a number of rate adjustment projections for a 6-month, 12-month and 18-month period effective July 1, 2011. The projection that was implemented was a 5.6% increase for the period from July 1, 2011 through December 31, 2011. We also recommended a 2.95% increase for the 12 month period January 1, 2012 through December 31, 2012.

Later in 2011, we were told that the Department of Administration was going to implement a 5% rate increase effective January 1, 2012 and we were asked for our projection of the indicated rate increase for Fiscal Year 2012/2013. At that time, based on the most recent claims information available, we projected a rate increase of 1.75% needed as of July 1, 2012. To check that projection, we estimated an increase needed as of January 1, 2012 based on rates already increased by 5%. That increase was -2.25%. Further we projected an increase for January 1, 2013 of 5.92%. Taking the average of the increase for January 1, 2012 (-2.25%) and January 1, 2013 (5.92%) generated an increase of 1.84% effective July 1, 2012. This supported our projection of 1.75%. The -2.25% was not a recommendation for January 1, 2012, but only used to validate our projections for Fiscal Year 2012/2013.

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We did not recommend a decrease of 7% effective August 1, 2012, or an additional decrease of 1.77% effective August 1, 2013. Further, we were not asked to provide any recommended rate adjustments for any fiscal years beyond what we provided for Fiscal Year 2012/2013.